

Gascoyne Water Co-operative
Limited

Water Services (Operating) Licence

Operational Audit and Asset
Management System
Review

Report
12 July 2019

PAXON GROUP

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1 Executive Summary

1.1 Operational Audit

Audit Objective

The operational audit (Audit) was conducted to assess Gascoyne Water Co-operative Limited's level of compliance with the conditions of its licence.

The Audit covered the period from 1 May 2015 to 30 April 2019 (Audit Period).

Licence, Business and Major Changes

Gascoyne Water Co-operative Limited (GWCL) provides water services under the provisions of a Water Services Licence issued by the Economic Regulation Authority (ERA).

GWCL was granted a Water Services (Operating) Licence (WSL) by the ERA. The WSL commenced on 23 June 2003 and authorises GWCL to provide non-potable water supply services and irrigation services.

The legislation that governs the licensing of water service providers is the Water Services Act 2012 (Act). The Act, except for some sections, commenced on 18 November 2013. An 'amendment by substitution' was made to the WSL, dated 18 November 2013, to take account of the provisions of the Act.

No major change took place in the business of GWCL during the Audit Period.

GWCL's Response to Previous Audit Report Recommendations

The previous Audit was conducted by Cardno in respect of the period 1 May 2013 to 30 April 2015. The Cardno report, dated 28 July 2015 did not identify any inadequate controls nor instances of non-compliance.

Summary of Inadequate Controls, Non-Compliances and Recommendations Arising from the Current Audit

The Audit identified several instances of inadequate controls and non-compliances with the conditions of GWCL's WSL.

Two separate assessments are provided in respect of the individual obligations disclosing Paxon's findings for both controls and compliance:

- A summarised assessment of both controls and compliance per individual obligation is disclosed in Table 9 entitled: "*Audit: Obligation Ratings Summary*" as included in section 4.2 of this Report; and
- A detailed assessment of both controls and compliance per individual obligation, including recommendations for findings of inadequate controls or non-compliance, is disclosed in Table 10 entitled: "*Audit Observations and Recommendations*" as included in section 4.3 of this Report.

Furthermore, specific detailed information as to those individual obligations assessed as having inadequate controls or being non-compliant is disclosed in Table 11 entitled:

“Current Audit: Inadequate Controls, Non-Compliances and Recommendations” as included in section 4.4 of this Report.

Control Environment

GWCL was assessed to have had inadequate controls during the Audit period to help ensure compliance with its Licence conditions. Paxon found 41 obligations for which no controls were evident. These 41 obligations are recorded in Table 11 entitled: “Current Audit: Inadequate Controls, Non-Compliances and Recommendations”.

Licence Compliance

GWCL complied with the conditions of its WSL during the Audit period, except for 4 non-compliant obligations. These 4 obligations are recorded in Table 11 entitled: “Current Audit: Inadequate Controls, Non-Compliances and Recommendations”.

Table 1 below provides a summary of the Audit ratings for both controls and compliance across all obligations:

		Compliance Rating						
		1	2	3	4	NR	NA	Total
Controls Rating	A	10	2			14		26
	B	3						3
	C							
	D	11	3			27		41
	NP	2				17		19
	NA					1	5	6
	Total	26	5			59	5	95

Table 1: Summary of Audit Ratings

1.2 Asset Management System Effectiveness Review

Review Objective:

The Water Services Act 2012 requires that GWCL provides for and maintains an asset management system. The system should set out the processes to be taken by GWCL to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires that GWCL provides the ERA with a report by an independent expert on the effectiveness of the system.

This asset management system review (Review) provides the ERA with an independent opinion on whether GWCL has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

A detailed description of the scope of the Review and the methodology adopted is provided in Section 2 of this Report.

The Review covered the period from 1 May 2017 to 30 April 2019 (Review Period) inclusive.

Summary of Conclusions:

This review concludes that GWCL operated all areas of its underground water source, and non-potable water distribution system in a professional and competent manner.

Its asset management plan requires rewriting as do its associated procedures and support documentation. GWCL has engaged an Asset Management consultant to undertake this work - results to date are excellent.

GWCL is consistently achieving or exceeding the standards required of its various licences and agreements related to groundwater extraction, management, and delivery of a safe non-potable water supply.

GWCL's personnel are dedicated and focussed. However, there is an obvious need to appoint an Operations Manager to undertake responsibility for the water delivery operations, maintenance and on-going system development.

Appointment of an Operations Manager will allow the General Manager to concentrate on the broad range of negotiations and discussion with Government, Government Departments and the Water Corporation - associated with becoming the sole irrigation provider in the Gascoyne Irrigation System, together with on-going liaison and communication with the cooperative's Board, its members and the public.

The Operations Manager will also be able to provide management continuity when the General Manager is on leave or otherwise absent from the office.

The highest rating, being "A1" was assigned to six of the twelve key processes reviewed. Three processes were assigned an "A2" rating. One process each was assigned a rating of "B1" and "B2". Capital Expenditure Planning was assigned a rating of "C3" basically due to the absence of a rolling five-year capital expenditure table in the Asset Management Plan.

GWCL's Actions on Previous Review Report Recommendations:

The previous Review was conducted by Cardno in 2017. The Review Report, dated 8 September 2017, identified several deficiencies and provided detailed recommendations to resolve the deficiencies identified.

This Review concluded that five of the six deficiencies identified during the 2017 Review of GWCL's Asset Management System have been resolved - mainly due to GWCL's engagement of an Asset Management consultant to review and rewrite its asset management documentation. Details of actions taken by GWCL in response to the previous Review's recommendations, together with the Reviewer's assessment are provided in Table 7 entitled: "Previous Review: Deficiencies and Recommendations" as in section 3 of this Report.

The recommendations made during the previous Review and the current implementation status of these recommendations are summarised below:

Recommendation R1/2017: status – unresolved

GWCL looks to carry out an emergency incident to test the procedures included in its updated Contingency Plan; and

It should also develop an annual testing plan to make sure these tests are carried out on a regular basis.

Recommendation R2/2017: status – resolved

GWCL completes the additional operational procedures that it has identified.

Recommendation R3/2017: status – resolved

GWCL corrects the reference in its Asset Operations Procedure to identify that the Operational Tasks and Action Plans are included in the Operations Action Plan and Risk Assessment.

Recommendation R4/2017: status – resolved

GWCL reviews and updates its Operations Action Plan to include reference to asset operation outcomes, as set out in the various asset management documentation it has developed.

Recommendation R5/2017: status – resolved

GWCL reviews, and updates as required, any procedures that were not included in the 2016 review. The procedures will need to be updated when MEX is implemented to reflect the change to the new CMMS.

Recommendation R6/2017: status – resolved

GWCL reviews, and updates as required, the Asset Management Information System procedure. The procedure will need to be updated when MEX is implemented to reflect the change to the new CMMS.

Licence Compliance

Tables 9 and 10 of the ERA's: "2019 Audit and Review Guidelines - Water Licences – March 2019" provided the basis for the "Process and policy rating" and "Performance rating" allocated during the Review.

The Reviewer's assessment of GWCL's Asset Management System is summarised in Table 2 below:

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
Process	A	B	C	D	1	2	3	4
Asset Planning		✓			✓			
Asset Creation and Acquisition	✓				✓			
Asset Disposal	✓				✓			
Environmental Analysis	✓				✓			
Asset Operations	✓				✓			
Asset Maintenance	✓				✓			
Asset Management Information System	✓					✓		
Risk Management	✓					✓		
Contingency Planning	✓					✓		
Financial Planning	✓				✓			
Capital Expenditure Planning			✓				✓	
Review of Asset Management System		✓				✓		

Table 2: Summary of Review Ratings

2 Scope of Work

2.1 Objectives

2.1.1 Operational Audit

The objective of the Audit was to assess the effectiveness of measures taken by GWCL to meet the conditions referred to in the Licence including the legislative obligations called up by the Licence.

This Audit Report identifies areas where improvement is required and recommends corrective action (see Table 11 entitled: “*Current Audit: Non-Compliances and Recommendations (Part B)*” as in section 4.4 of this Report).

2.1.2 Asset Management System Review

The Act requires for GWCL to provide for and maintain an asset management system. The system should set out the processes to be taken by GWCL to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires GWCL to provide the ERA with a report by an independent expert on the effectiveness of the system.

This review will provide the ERA with an independent opinion on whether GWCL has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

This Review Report identifies areas where improvement is required and recommends corrective action (see Table 16 entitled: “*Current Review: Deficiencies and Recommendations*” as in section 5.4 of this Report).

2.2 Scope

2.2.1 Operational Audit

The Audit focused on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The scope of the Audit included the adequacy and effectiveness of performance against the requirements of the Licence and considered:

- **Process compliance** – the effectiveness of systems and procedures in place throughout the Audit Period, including the adequacy of internal controls;
- **Outcome compliance** – the actual performance against standards prescribed in the Licence throughout the Audit Period;
- **Output compliance** – the existence of output from systems and procedures throughout the Audit Period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the ERA during the Audit Period; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee during the Audit Period by the ERA or specific issues advised

by the ERA.

Further references to the Audit scope are covered in detail in this section of the Report.

2.2.2 Asset Management System Review

The Review focused on the asset management system, including asset management plans, which set out the measures taken by GWCL for the proper operation and maintenance of assets. The plans must convey GWCL's business strategies to ensure the effective management of assets over at least a five-year period.

The scope of the Review included an assessment of the adequacy and effectiveness of the asset management system by evaluation of the 12 key asset management processes mandated, being:

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Asset operations;
- Asset maintenance;
- Asset management information system;
- Risk management;
- Contingency planning;
- Financial planning;
- Capital expenditure planning; and
- Asset management system.

Further references to the Review scope are covered in detail in this section of the Report.

2.3 Audit/Review Methodology

2.3.1 Audit Plan

A risk-based approach was used to develop an Audit and Review Plan. This approach assessed the appropriate risk factors and consequently the Audit and Review fieldwork focused on higher risk areas, with less intensive coverage of medium and lower risk areas.

2.3.2 Fieldwork

The Audit fieldwork consisted of the following steps:

- Conducted an initial meeting with relevant staff at GWCL and reviewed processes to obtain an understanding of procedures, systems and controls which were in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit/review testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation;

- Assessed compliance with License conditions over the Audit Period as well as at the time of the Audit;
- Followed up and confirmed action taken on any previous Audit issues and recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

The Review fieldwork consisted of the following steps:

- In company with the General Manager, inspected the water services facilities, including bore installations, pipelines and distribution appurtenances. Discussed general operation practises and strategies, process implications, production and quality monitoring;
- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and action records, registers of the location, condition, age etc. of assets;
- The extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented as contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods;
- The existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subjected to regular internal review; with systems in place to ensure plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system; and
- GWCL's response to the recommendations made in previous reviews.

2.3.3 Audit/Review Reporting

The Audit/Review reporting consisted of the following steps:

- Provided a draft Audit and Review Report to the ERA for review. The ERA forwarded the draft Audit and Review Report to GWCL for their comment;
- The ERA provided comments on the draft Audit and Review Report to Paxon. Paxon considered the comments received and made amendments to the draft Audit and Review Report, as appropriate; and
- Paxon provided the final Audit and Review Report to the ERA.

The ERA will procure the post-audit/review implementation plan from GWCL.

2.4 Time Interval Covered in Audit/Review

The Audit covered the period from 1 May 2015 to 30 April 2019. The review covered the period from 1 May 2017 to 30 April 2019. The previous Audit covered the period

from 1 May 2013 to 30 April 2015. The previous Review covered the period from 1 May 2015 to 30 April 2017.

2.5 Audit/Review Dates

The Audit/Review fieldwork was conducted during May 2019.

2.6 Licensee's Representatives

GWCL's employees who participated in the Audit are as follows:

Staff Member	Position
Eddie Smith	General Manager
Lisa Hodson	Officer Manager & Secretary

Table 3: GWCL Employees Who Participated in the Audit

GWCL's employees and others who participated in the Review are as follows:

Staff Member	Position
Eddie Smith	General Manager
Lisa Hodson	Officer Manager & Secretary
B Dixon	Administration Assistant
J Murphy	Asset Management Consultant
G Nixon	Information Technology Consultant (telephone discussion)

Table 4: GWCL Employees and Others Who Participated in the Review

2.7 Key Documents and Other Information Sources

2.7.1 Operational Audit

Details of key documents and other information sources examined during the Audit are as follows:

- Water Services Act 2012;
- Water Services Code of Conduct (Customer Service Standards) 2018;
- Water Services Regulations 2013;
- Water Services Operating Licence – Gascoyne Water Cooperative Limited - WL38, Version 3, 18 November 2013;
- Water Services Licence – Gascoyne Water Cooperative Limited - WL38, Version 5, 5 July 2016;
- Water Services Licence – Gascoyne Water Cooperative Limited - WL38, Version 6, 10 August 2016;

- Water Services Licence – Gascoyne Water Cooperative Limited - WL38, Version 7, 1 March 2019;
- 2019 Audit and Review Guidelines - Water Licences – March 2019;
- Operational Audit and Asset Management System Review – Gascoyne Water Cooperative - 3605-03 – July 2015 – Cardno;
- Water Compliance Reporting Manual – Water Services Act 2012 – May 2018;
- Water Compliance Reporting Manual – Water Services Act 2012 – October 2017;
- Water Compliance Reporting Manual – Water Services Act 2012 – July 2016;
- Water Compliance Reporting Manual – Water Services Act 2012 - April 2014;
- Compliance reports (2014/2015 to 2017/2018);
- Compliance and reporting schedules;
- Water Services Act 2012 - Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2015;
- Water Services Act 2012 - Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2017;
- Water Services Act 2012 - Water, Sewerage and Irrigation Licence Performance Reporting Handbook – April 2018;
- Water, sewerage and irrigation licence performance reporting datasheets (2014/2015 to 2017/2018);
- GWCL - Asset Management Plan – Irrigation & Borefield Assets – January 2016;
- GWCL – Customer Service & Water Services – Policies & Procedures;
- GWCL - Annual report 2017-2018;
- Plan Number: OWR-OA-177(D); and
- Communication with the ERA (over the Audit period).

2.7.2 Asset Management System Effectiveness Review

Details of key documents and other information sources examined during the Review are as follows:

- Water Services Licence – Gascoyne Water Cooperative Limited - WL38, Version 6, 10 August 2016;
- Water Services Licence – Gascoyne Water Cooperative Limited - WL38, Version 7, 1 March 2019;
- Department of Water – Groundwater Extraction Licence;
- Water Quality Reports - December 2017 and December 2018;
- Marsden and Jacobs, Consulting Economists – Assessment of Renewals Annuities and Ten-Year Financial Plan 2018 to 2029;
- GWCL - Annual Budgets for 2017/18 and 2018/19;
- GWCL - Budget Variance Reports - 2017 & 2018;
- GWCL – Annual Report – 2016 -2018;
- GWCL – Draft Strategy Plan 2019-2023 and Draft Operational Plan 2019-2023;

- GWCL, WA Government and Department of Primary Industries and Regional Development - Development Collaboration Funding Agreement;
- Account Transactions 2018 - Renewal Funds 1, 2 and 3;
- ERA Performance Sheets - 2016, 2017 and 2018;
- ERA Compliance Report 2017/18;
- Global Ground Water Hydrologists – GWCL Annual Groundwater Monitoring Summary to Department of Water and Environmental Regulation 2017/2018;
- RSM Australia Financial Report to Monthly Board Meeting – December 2018, January 2019 and February 2019;
- Operations Reports to Monthly Board Meeting - January 2019;
- GWCL- Asset Management Plan and Information Procedures;
- GWCL – Asset Creation – Design Guidelines;
- GWCL – Asset Disposal Procedure;
- Risk Evaluation Handbook and Business Risk Analysis;
- GWCL – Purchasing Policy;
- GWCL – Contingency Plan, Emergency Operations and Disaster Recovery - April 2019;
- GWCL - Contingency Plan Activation Test Record;
- GWCL – Northern Bore Field – Contamination Emergency Response Plan;
- GWCL – Customer Service & Water Services – Policies & Procedures;
- GWCL - Draft Customer Supply Agreement;
- GWCL - Acceptance of Coral Coast Plumbing tender for Annual Operations and Maintenance Field Services Support;
- GWCL – Agreed Schedule of Rates for miscellaneous services;
- GWCL – Master Maintenance Schedule;
- GWCL – SCADA Operating Manual; and
- GWCL - Staff Training Register.

2.8 Audit/Review Team Members and Hours Utilised

The Audit and Review team for this appointment was as follows:

Team Member	Hours
Cameron Palassis – Executive Director	5
Anton Prinsloo – Senior Consultant	55
Barry Robbins - Barry Robbins Engineering and Project Management	55
TOTAL	115

Table 5: Audit/Review Team Members and Hours Utilised

3 Licensee’s Response to Previous Recommendations

3.1 Previous Audit: Inadequate Controls, Non-Compliances and Recommendations

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations				
A. Resolved During Current Audit Period				
Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor’s Recommendation	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Controls and Compliance Rating			Details of Further Action Required (Including the Current Recommendation Reference, if Applicable)
	Legislative Obligation			
	Details of Inadequate Controls and/or Non-Compliance			

No issues were identified, and no recommendations were made.

Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)

Previous Audit: Inadequate Controls, Non-Compliances and Recommendations			
B. Unresolved at End of Current Audit Period			
Recommendation Reference (no./year)	Licence Obligation Reference Number	Auditor's Recommendation	Further Action Required (Yes/No/Not Applicable)
	Controls and Compliance Rating		Details of Further Action Required (Including Current Recommendation Reference, if Applicable)
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		

No issues were identified, and no recommendations were made.

Table 6: Previous Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)

3.2 Previous Review: Deficiencies and Recommendations

Previous Review: Deficiencies and Recommendations					
A. Resolved During Current Review Period					
Recommendation Reference (no./year)	Rating		Reviewer's Recommendation	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Asset Management Effectiveness Criterion	Process and			Details of Further Action Required (Including Current Recommendation Reference, if Applicable)
		Details of Deficiency			
R2/2017	<ul style="list-style-type: none"> Rating: B 3; Process: Asset Operations – Operational policies and procedures are documented and linked to service levels required; and Details: <ul style="list-style-type: none"> The 2015 review noted that the AMP provided very little information related to operating the scheme and optimising the assets. A recommendation was that GWCL develop additional sub- sections for inclusion in the AMP to provide an overview and file paths to the associated documents related to operating the assets to provide the optimal outcomes; and Although GWCL has created a number of new operations procedures, it has identified a number of additional procedural/policy documents that it has not yet started to develop. These include: <ul style="list-style-type: none"> Meeting customer demand; 		<ul style="list-style-type: none"> We recommend that GWCL completes the additional operational procedures that it has identified. 		<ul style="list-style-type: none"> Further action required: no; and The corrections have been made and are being incorporated in the AMP and support documents currently being reviewed/re-written by a contract AM specialist engaged by GWCL.

Previous Review: Deficiencies and Recommendations					
A. Resolved During Current Review Period					
Recommendation Reference (no./year)	Rating	Reviewer's Recommendation		Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Asset Management Process and Effectiveness Criterion				Details of Further Action Required (Including Current Recommendation Reference, if Applicable)
	Details of Deficiency				
R2/2017 (continued)	<ul style="list-style-type: none"> Balancing supply and demand management; and Optimisation of the southern and Northern Borefield sources (taking into account the take or pay contract GWCL has with Water Corporation). 				
R3/2017	<ul style="list-style-type: none"> Rating: B 3; Process: Asset Operations – Operational policies and procedures are documented and linked to service levels required; and Details: <ul style="list-style-type: none"> We observed that the Asset Operations Procedure included in its AMS references Operational Tasks and Action Plans that are included in Table 4.1 of the AMP. However, we note that Table 4.1 does not exist in the AMP. Instead, this information is included in the Operations Action Plan and Risk Assessment. 	<ul style="list-style-type: none"> We recommend that GWCL corrects the reference in its Asset Operations Procedure to identify that the Operational Tasks and Action Plans are included in the Operations Action Plan and Risk Assessment. 			<ul style="list-style-type: none"> Further action required: no; and The corrections have been made and are being incorporated in the AMP and support documents currently being reviewed/re-written by a contract AM specialist engaged by GWCL.
R4/2017	<ul style="list-style-type: none"> Rating: B 3; Process: Asset Operations – Operational policies and procedures are documented and linked to service levels required; and 	<ul style="list-style-type: none"> We recommend that GWCL reviews and updates its Operations Action Plan to include reference to asset operation outcomes, as set out in the various asset 			<ul style="list-style-type: none"> Further action required: no; and The corrections have been made and are being incorporated in the AMP and support documents currently being

Previous Review: Deficiencies and Recommendations					
A. Resolved During Current Review Period					
Recommendation Reference (no./year)	Rating		Reviewer's Recommendation	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Asset Management Effectiveness	Process and			
R4/2017 (continued)	<ul style="list-style-type: none"> Details: <ul style="list-style-type: none"> We observed that GWCL's Operations Action Plan appears to be more focused on customer service outcomes than actual asset operations. The Plan includes customer service issues such as complaints, customer charter and consultation and also covers connections, meter readings and billing. 		management documentation it has developed.		reviewed/re-written by a contract AM specialist engaged by GWCL.
R5/2017	<ul style="list-style-type: none"> Rating: B 2; Process: Asset Maintenance – Maintenance policies and procedures are documented and linked to service levels required; and Details: <ul style="list-style-type: none"> We observed that although the maintenance policies had been reviewed and updated in July 2016, the procedures had not been reviewed since they were first developed in 2012. 		<ul style="list-style-type: none"> We recommend that GWC reviews, and updates as required, any procedures that were not included in the 2016 review. The procedures will need to be updated when MEX is implemented to reflect the change to the new CMMS. 		<ul style="list-style-type: none"> Further action required: no; The AMP and support documents are currently being reviewed/re-written by a contract AM specialist engaged by GWCL; and MEX has not yet been implemented.

Previous Review: Deficiencies and Recommendations					
A. Resolved During Current Review Period					
Recommendation Reference (no./year)	Rating		Reviewer's Recommendation	Date Resolved	Further Action Required (Yes/No/Not Applicable)
	Asset Management Effectiveness Criterion	Process and			
R6/2017	<ul style="list-style-type: none"> Rating: B 1; Process: Asset Management Information Systems - Adequate system documentation for users and IT operators; and Details: <ul style="list-style-type: none"> The Asset Management Information System policy was last updated in June 2016, but the procedure has not been updated since it was first developed in 2012. 		<ul style="list-style-type: none"> We recommend that GWCL reviews, and updates as required, the procedure. The procedure will need to be updated when MEX is implemented to reflect the change to the new CMMS. 		<ul style="list-style-type: none"> Further action required: no; The AMP and support documents are currently being reviewed/re-written by a contract AM specialist engaged by GWCL; and MEX has not yet been implemented.

Table 7: Previous Review: Deficiencies and Recommendations (Part A)

Previous Review: Deficiencies and Recommendations				
B. Unresolved at End of Current Review Period				
Recommendation Reference (no./year)	Rating		Reviewer's Recommendation	Further Action Required (Yes/No/Not Applicable)
	Asset Management Effectiveness Criterion	Process and		Details of Further Action Required (Including Current Recommendation Reference, if Applicable)
	Details of Deficiency			
R1/2017	<ul style="list-style-type: none"> • Rating: A 2; • Process: Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks; and • Details: <ul style="list-style-type: none"> ○ GWC has developed a Contingency Plan Activation and Test Record in order to record outcomes from desktop reviews of the Plan. A review was conducted in June 2016 to confirm the content of the new Contingency Plan and actions to complete the Business Continuity Section; and ○ However, the new Contingency Plan has not been specifically tested via emergency incident scenario exercise. This was a recommendation was previously made in the asset management system reviews in 2013 and 2015. 		<ul style="list-style-type: none"> • We recommend that GWC looks to carry out an emergency incident to test the procedures included in its updated Contingency Plan; and • It should also develop an annual testing plan to make sure these tests are carried out on a regular basis. 	<ul style="list-style-type: none"> • Further action required: yes; and • Details: <ul style="list-style-type: none"> ○ Three field tests were undertaken by team attendance at actual incident between June 2016 and May 2018; ○ However, an annual program of in-house testing of plans has not been implemented; and ○ See Recommendation 08/2019 of this report.

Table 7: Previous Review: Deficiencies and Recommendations (Part B)

4 Operational Audit: Comprehensive Report

4.1 Audit: Controls and Compliance Rating Scales

The controls and compliance ratings allocated to each obligation are set out in the following table - taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" (ERA's Guidelines).

Audit Compliance and Controls Rating Scales ERA's Guidelines: Table No. 6 (as amended)

Audit : Controls and Compliance Rating Scales					
Controls Rating			Compliance Rating		
Rating	Description		Rating	Description	
A	Adequate controls	- no improvement needed	1	Compliant	
B	Generally adequate controls	- improvement needed	2	Non-compliant – minor effect on customers or third parties	
C	Inadequate controls	- significant improvement required	3	Non-compliant – moderate effect on customers or third parties	
D	No controls evident		4	Non-compliant – major effect on customers or third parties	
NP	Not performed – a controls rating was not required		NR	Not rated - no activity took place during the Audit Period	
NA	Obligation identified as not applicable during the Audit Period		NA	Obligation identified as not applicable during the Audit Period	

Table 8: Audit: Controls and Compliance Rating Scales

The Operational Audit: Controls and Compliance Rating Scales, as contained in the ERA's Guidelines: Table number 6 were amended to include the following ratings:

- Controls rating: "NA"; and
- Compliance rating: "NA".

4.2 Audit: Obligation Ratings Summary

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
2	21(1)(b)	3.3.1(b)	Provide services and do works	2			✓			✓						
3	21(1)(c)	3.1.1 & 3.5		2	✓					✓						
4	22	3.4.1	Provide water services outside operating areas	2			✓				✓					
5	23	3.5	Manage of water service works	4			✓			✓						
6	24(1)(a) & 24(2)	4.1.1	Asset management system	2	✓					✓						
7	24(1)(b)	4.1.2, 4.1.1 and 4.1.2		4			✓			✓						
8	24(1)(c)	4.1.3		4	✓					✓						
9	25	4.3.1	Provide an operational audit	4	✓					✓						
10	26(3)	3.1.1	Comply with codes of practice made by Minister	n/a						✓				✓		
11	27	3.1.1	Comply with code of conduct made by ERA	4						✓				✓		
12	29	3.1.1	Comply with the Act	4						✓				✓		
1	The "No." refers to the compliance obligation reference number, as per the ERA's document entitled: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018".															

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
13	36	3.1.1	Perform duties on ceasing to provide a water service	2										✓	✓	
14	60	5.6.1	Perform functions of supplier of last resort	2										✓	✓	
15	66	5.5.1	Comply with Water Services Ombudsman Scheme	4				✓						✓	✓	
16	77(3)	3.1.1	Minimise water services interruption	2	✓									✓	✓	
17	82(4) & (5)	3.1.1	Respond to notification of building works	4				✓						✓	✓	
18	84(2)	3.1.1	Give notice of intention to commence works	4				✓						✓	✓	
19	87(2)	3.1.1	Defer works on application to State Administrative Tribunal	4					✓					✓	✓	
20	90(7)	3.1.1	Consult with landowner	4	✓									✓	✓	
21	95(3)	3.1.1	Refrain from cutting off water supply to occupied dwelling	2										✓	✓	
22	96(1)	3.1.1	Install fire hydrants	2					✓					✓	✓	
23	96(5)	3.1.1	Comply with FESA of local government request	4					✓					✓	✓	
28	119(2)	3.1.1	Include specified information in compliance notice	4	✓									✓	✓	
29	122(2)	3.1.1	Refrain from acting on application to State Administrative Tribunal	4						✓				✓	✓	
30	125(2)	3.1.1	Apportion fees discretion	4				✓						✓	✓	

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
31	128(4)	3.1.1	Lodge withdrawal of memorial with Registrar	4	✓							✓				
32	129(5)	3.1.1	Notify occupants of a place of proposed entry	4	✓										✓	
33	139(3)	3.1.1	Notify before exercising a works power	4				✓							✓	
34	141(1)	3.1.1	Notify public authority managing a road	4				✓							✓	
35	142	3.1.1	Comply with Act in case of proposed major works	4	✓										✓	
36	143 (2)	3.1.1	Publicise major works	4	✓										✓	
37	143 (3)	3.1.1	Notify specified persons and agencies of proposed major works	4	✓										✓	
38	144(3)	3.1.1	Have regard to objections and submissions	4	✓										✓	
39	145(2)	3.1.1	Give written notice of alterations to plans or details	4	✓										✓	
40	147(3)	3.1.1	Comply with Minister’s direction as to major works	4	✓										✓	
41	147(4)	3.1.1	Resubmit major works proposal	4	✓										✓	
42	151(1)	3.1.1	Publicise proposed general works	4	✓							✓				
43	151(2)	3.1.1	Notify specified persons and agencies of general works	4	✓							✓				
44	152(3)	3.1.1	Have regard to objections and submissions	4	✓										✓	

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: “Obligation Under” for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Act 2012	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Section Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
45	153(3)	3.1.1	Give written notice of alterations to plans or details	4				✓						✓		
46	166(5)	3.1.1	Acquire an interest in land	4					✓					✓		
47	166(6)	3.1.1	Pay costs for acquiring land	4					✓					✓		
48	170	3.1.1	Refrain from selling an interest in land	4					✓					✓		
49	173(4)	3.1.1	Notify owner or occupier of a place of proposed entry	4	✓						✓					
50	174(1)	3.1.1	Give written notice of proposed entry	4	✓						✓					
51	174(3)	3.1.1	Give notice of entry to occupier when practicable	4				✓						✓		
52	175(2)	3.1.1	Perform prescribed actions prior to entry of premises	4					✓					✓		
53	175(5)	3.1.1	Leave notice or warrant copy in prominent position in dwelling	4					✓					✓		
54	176(1)	3.1.1	Leave premises at request of owner or occupier	4				✓						✓		
55	176(3)	3.1.1	Produce a certificate of authority	4				✓						✓		
56	176(4)	3.1.1	Leave a place if no evidence of authority to enter can be presented on request	4				✓						✓		
57	181	3.1.1	Comply with reasonable request from owner or occupier	4				✓						✓		
58	186	3.1.1	Include prescribed information in a warrant application	4					✓					✓		

No. ¹	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating (Refer to the 6-point rating scale in Table 8 for details)						Compliance Rating (Refer to the 6-point rating scale in Table 8 for details)					
	Water Services Act 2012	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Section Number	Clause Number														
59	187(1) – (3)	3.1.1	Make entry warrant application as per specified procedures	4					✓						✓	
60	190(4)	3.1.1	Produce warrant for inspection by occupier of a place	4					✓						✓	
61	190(5)	3.1.1	Record prescribed information on warrant	4					✓						✓	
62	210(5)	3.1.1	Give certificate of authority to designated inspector or compliance officer	4				✓							✓	
63	218(2)	3.1.1	Maintain free use of a place and limit damage, harm or inconvenience	4				✓							✓	
64	218(3)	3.1.1	Make good damage or pay compensation	4				✓							✓	

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 2 to 64)]

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating						Compliance Rating					
	Water Services Regulations 2013	Water Services Licence – Version 6			(Refer to the 6-point rating scale in Table 8 for details)						(Refer to the 6-point rating scale in Table 8 for details)					
	Regulation Number	Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
65	23(2)	3.1.1	Assess meter for measuring water flow or quantity	4										✓		
66	24(4)	3.1.1	Include specified information in compliance notice for meter access	4	✓										✓	
67	26(3)	3.1.1	Test meter as per approved procedure	4		✓								✓		
68	26(5)	3.1.1	Take actions on finding meter is outside prescribed tolerance	4	✓										✓	
69	29(1)	3.1.1	Defer payment of infrastructure contribution on request	4					✓						✓	
70	42(2)	3.1.1	Stipulate date for backflow prevention device installation and testing	4					✓						✓	
71	43(3)	3.1.1	Stipulate date for backflow prevention device testing or maintenance	4					✓						✓	
72	43(6)	3.1.1	Stipulate actions for making good backflow prevention device	4					✓						✓	
74	60(2)	3.1.1	Give notice of altering position of infrastructure in roads	4					✓						✓	
75	63	3.1.1	Reinstate or make good road surface opened or broken up	4					✓				✓			
89	85	3.1.1	Include stipulated information in compliance notices	4	✓										✓	

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – May 2018” (Numbers 65 to 89)]

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating (Refer to the 6-point rating scale in Table 8 for details)						Compliance Rating (Refer to the 6-point rating scale in Table 8 for details)					
	Water Services Act 2012	Water Services Licence – Version 6			A	B	C	D	NP	NA	1	2	3	4	NR	NA
	Section Number	Clause Number														
155	12	3.2.1	Pay fees and charges	4				✓				✓				
156	12	3.1.1	Comply with applicable legislation	2											✓	
159	12	3.1.2	Comply with ERA direction	4					✓						✓	
160	12	3.6.1	Maintain accounting records	4				✓				✓				
161	12	4.2.1	Comply with individual performance standards	2	✓							✓				
162	12	4.3.4	Comply with operational audit responsibilities	4				✓				✓				
163	12	3.7.1(a), (b), (c)	Report specific situations to the ERA	2				✓							✓	
165	12	3.8.1	Provide specified information to the ERA	2				✓				✓				
166	12	3.8.2	Comply with ERA prescribed information reporting requirements	2	✓							✓				
167	12	3.8.3	Provide performance reporting data to the ERA	2	✓							✓				
168	12	2.8.1 and 2.8.2	Publish information as specified by the ERA	4				✓							✓	
169	12	2.7.1	Give all notices in writing	4					✓			✓				
171	12	4.1.2	Notify ERA of material asset management system changes	2				✓				✓				
172	12	4.1.6	Comply with asset management system review responsibilities	4				✓				✓				

No.	Obligation Under:		Abbreviated Description of Obligation (See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation)	Audit Priority Rating: (1 = High to 5 = Low)	Controls Rating (Refer to the 6-point rating scale in Table 8 for details)						Compliance Rating (Refer to the 6-point rating scale in Table 8 for details)					
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number			A	B	C	D	NP	NA	1	2	3	4	NR	NA
173	12	5.5.1	Supply water only if a member of the water services ombudsman scheme	4				✓				✓				
175	12	5.1.1	Submit a draft customer contract for approval	4				✓							✓	
176	12	5.1.2	Comply with Customer Contract Guidelines	4				✓							✓	
177	12	5.1.3	Amend customer contract only with ERA's approval	4				✓							✓	
178	12	5.1.5	Comply with ERA direction to amend customer contract	4				✓							✓	
179	12	5.3.1 and 5.3.2	Obtain ERA approval to vary customer agreement	4				✓							✓	
180	12	5.3.4	Publish annual report containing specified information	4				✓							✓	
181	12	5.6.1	Comply with Act if supplier of last resort	4					✓						✓	
182	12	3.4.1(b)	Apply for licence amendment if providing water services outside operating area	4				✓				✓				
183	12	5.4.3	Comply with ERA's Financial Hardship Policy Guidelines	4						✓					✓	
190	12	Schedule 2	Comply with service and performance standards	2	✓							✓				

Table 9: Audit: Obligation Ratings Summary

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

4.3 Audit Observations and Recommendations

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
2	21(1)(b)	3.3.1(b)	If requested to provide a water service authorised by the licence to a person not covered by section 21(1)(a) but within the operating area of the licence, the licensee must offer to provide the service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable.	2	<ul style="list-style-type: none"> • Paxon confirmed by interview of Gascoyne Water Co-operative Limited’s General Manager and Officer Manager and Secretary (GWCL Management Team) that, during the Audit Period, two persons not entitled to a water service, but within the operating area of its licence requested such a service. Paxon was informed both applications are still under review; • Paxon found Gascoyne Water Co-operative Limited (GWCL) does have a “Customer Service & Water Services – Policies and Procedures” manual (Policies and Procedures Manual). However, all policies and procedures included within this manual are marked as being “Draft” documents; • Paxon found the document refers to the “Water Services Regulations 2010” on page 4 thereof; and • Paxon did not find any reference to compliance with section 21(1)(b) of the Act within the GWCL’s Policies and Procedures Manual. 	D	1

2 The “No.” refers to the compliance obligation reference number, as per the ERA’s document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – May 2018”.

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
2 (cont.)					<p>Recommendation 1/2019:</p> <ul style="list-style-type: none"> The GWCL’s Policies and Procedures Manual should: <ul style="list-style-type: none"> Be finalised and its contents approved; Correct references to the Water Services Regulations 2013; and Include appropriate references to all compliance obligations which originate from its water services licence. 		
3	21(1)(c)	3.1.1 and 3.5	The licensee must provide, operate and maintain the water service works specified by the ERA in the licence.	2	<ul style="list-style-type: none"> The provision, operation and maintenance of water service works during the Audit Period are covered in comprehensive detail in the Review section of this report. The reviewer rated GWCL’s asset management system across 12 asset management system processes, as referred to in the Review section of this report. The Reviewer has stated: <ul style="list-style-type: none"> “This review concludes that GWCL operated all areas of its underground water source, and non-potable water distribution system in a professional and competent manner.”; and “Its asset management plan requires rewriting as do its associated procedures and support documentation.” 	B	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
3 (cont.)					A summary of his findings is included in Table 2 above.		
4	22	3.4.1	The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the license.	2	<ul style="list-style-type: none"> Paxon notes the GWCL’s Compliance Report for the period 01/07/2015 to 30/06/2016 provides details of an instance of non-compliance with section 22 of the Act, and states: <p><i>“GWC previously reported their discovery of connections outside of the licenced Operating Area that were supplying water to members/customers”;</i></p> Paxon notes: <ul style="list-style-type: none"> GWCL applied on 30/06/2016 for an amendment to WL38 to expand the operating area to include all the current customer supply points; and ERA approved an amendment to the GWCL’s water services licence on 5/07/2016 to include a revised operating area plan. Paxon notes the GWCL’s Compliance Report for the period 01/07/2017 to 30/06/2018 provides details of an instance of non-compliance with section 22 of the Act, and states: <p><i>“GWC has one metered supply service outside of the existing designated Operating Area (OWR-OA 177-D)”;</i></p> Paxon notes: 	D	2

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
4 (cont.)					<ul style="list-style-type: none"> ○ GWCL applied on 16/01/2019 for an amendment to WL38 to extend the boundary of its operating area; and ○ ERA approved an amendment to the GWCL's water services licence on 1/03/2019 to extend the operating area of the licence. ● Paxon did not find any reference to compliance with section 22 of the Act within the GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 		
5	23	3.5	All water service works used by the licensee in the provision of a water service must be held by the licensee or must be covered by a works holding arrangement.	4	<ul style="list-style-type: none"> ● Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL provided water services using a mixture of water service works owned by: <ul style="list-style-type: none"> ○ GWCL; ○ Gascoyne Water Asset Mutual Co-operative; and ○ Department of Primary Industries and Regional Development. ● Paxon examined an agreement entered by GWCL and Gascoyne Water Asset Mutual Co-operative Limited with Harvest Road Pastoral Pty Ltd which states: 	D	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
5 (cont.)					<p>a) "Harvest Road Pastoral Pty Ltd must grant Gascoyne Water unrestricted access to the Brick House Station Pastoral Lease (N050631) to enable Gascoyne Water to operate, maintain and improve Northern Gascoyne River Borefield (NBF) infrastructure as per Schedule 2 of this agreement.</p> <p>b) Gascoyne Water will access the Brick House Station Pastoral Lease (N050631) to operate, maintain and improve NBF infrastructure as per Schedule 2 of this agreement.";</p> <ul style="list-style-type: none"> • Paxon examined an agreement entered by GWCL with the Department of Primary Industries and Regional Development which states: <i>"The recipient (GWCL and Gascoyne Water Asset Mutual Co-operative) shall gain access to the GFBI borefield infrastructure under Section 91 of the Land Administration Act 1997..."</i>; and • Paxon did not find any reference to compliance with section 23 of the Act within the GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 		
6	24(1)(a) & 24(2)	4.1.1	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	<ul style="list-style-type: none"> • See the findings for compliance obligation number 3 above. 	B	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
7	24(1)(b)	4.1.2, 4.1.1 and 4.1.2	The licensee must give details of the asset management system and any changes to it to the ERA.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL informed the ERA of two changes to its asset management system being: <ul style="list-style-type: none"> ◦ Proposed development of the Gascoyne Food Bowl Initiative Stage 2 Northern Borefield; and ◦ General works undertaken within the Northern Gascoyne River Borefield. • Paxon examined a GWCL letter addressed to the ERA, dated 31/08/2017 which refers to the Gascoyne Food Bowl Initiative Stage 2; • Paxon examined a GWCL letter addressed to the ERA, dated 27/11/2018 which refers to the general works; and • Paxon did not find any reference to compliance with section 24(1)(b) of the Act within the GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1
8	24(1)(c)	4.1.3	A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA.	4	<ul style="list-style-type: none"> • Cardno performed an “<i>Asset Management System Review</i>” of Gascoyne Water for the period 1 May 2015 to 30 April 2017; • Paxon was appointed by the ERA to conduct an asset management system review of Gascoyne 	A	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
8 (cont.)					Water for the period 1 May 2017 to 30 April 2019; and <ul style="list-style-type: none"> Paxon examined a GWCL document entitled: “Compliance and Reporting Schedule” which provides for conducting an asset management system review and providing a report to the ERA. 		
9	25	4.3.1	A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit conducted by an independent expert appointed by the ERA.	4	<ul style="list-style-type: none"> Cardno performed an “Operational Audit” of Gascoyne Water for the period 1 May 2013 to 30 April 2015; Paxon was appointed by the ERA to conduct an operational audit of Gascoyne Water for the period 1 May 2015 to 30 April 2019; and Paxon examined a GWCL document entitled: “Compliance and Reporting Schedule” which provides for conducting an operational audit and providing a report to the ERA. 	A	1
10	26(3)	3.1.1	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	n/a	<ul style="list-style-type: none"> The Audit and Review Plan for Gascoyne Water, as approved by the ERA, records this obligation was not applicable during the Audit period. 	NA	NA
11	27	3.1.1	The licensee must comply with the code of conduct that may be made by the ERA to the extent to which it applies to the licensee and is not inconsistent with the licence.	4	<ul style="list-style-type: none"> Compliance with the obligations included in the “Water Services Code of Conduct (Customer Service Standards) 2018”, was not assessed during this Audit based on the stipulations of the ERA’s “Water Compliance Reporting Manual – Water Services Act 2012 – May 2018”. 	NA	NA

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
12	29	3.1.1	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	<ul style="list-style-type: none"> Compliance with the Water Services Act 2012 (Act) is specifically addressed in this Report - see reference numbers 2 to 64 and 155 to 190 below in which both controls and compliance are rated. 	NA	NA
13	36	3.1.1	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition and must not remove any part of the works except with the approval of the Minister.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL ceased to provide a water service on expiry of a membership entitlement to that service. The GWCL Management Team stated the water service works were left in a safe condition, and no part thereof was removed; and Paxon regards application of section 36 of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	1
14	60	5.6.1	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of GWCL Management Team that, during the Audit Period, Gascoyne Water was not a supplier of last resort; and Paxon regards application of section 60 of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
15	66	5.5.1	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was a member of the water services ombudsman scheme agreed to be bound by, and was compliant with, any decision of direction of the water services ombudsman under the scheme; and • Paxon did not find any reference to compliance with section 66 of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1
16	77(3)	3.1.1	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	2	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, interruption of water services it was responsible for took place; • Paxon examined “Service Interruption and Notifications Registers” for 2016, 2017 and 2018. Paxon found interruption of water services appears to have been minimised; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Service Interruption Policy & Procedure”. This policy states: 	A	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
16 (cont.)					<ul style="list-style-type: none"> ○ “GWC will try to limit disruption to irrigation services to seven (7) days.”; and ○ “Planned disruptions where possible will be limited to a maximum of seven (7) days to the best of the GWC’s ability and control.” 		
17	82(4) & (5)	3.1.1	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not receive notification of any building works to be carried out on land in the operating area of its licence; and • Paxon did not find any reference to compliance with sections 82(4) and 82(5) of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
18	84(2)	3.1.1	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days’ notice of its intention to commence the works.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was not required to give a person 21 days’ notice of its intention to commence works; and • Paxon did not find any reference to compliance with section 84(2) of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
18 (cont.)					regard (see compliance obligation number 2 above).		
19	87(2)	3.1.1	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that it has no knowledge of any applications made to the State Administrative Tribunal during the Audit Period; and • Paxon regards application of section 87(2) of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
20	90(7)	3.1.1	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not give any compliance notices to persons who were undertaking construction or carrying out similar works in the vicinity of water service works; and • Paxon found the GWCL's Policies and Procedures Manual includes a draft "Non-compliance Notice Policy & Procedure". This document states: <i>"If a non-compliance notice is given to a person other than the owner of the land on, or in respect of which, the failure to comply is taking or has taken place, the</i> 	A	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
20 (cont.)					<i>GWC must, if practicable, give a copy of it to the owner of the land.</i> (emphasis added).		
21	95(3)	3.1.1	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not provide non-potable water to an occupied dwelling. 	NA	NR
22	96(1)	3.1.1	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.	2	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, neither FESA nor a local government required GWCL to install fire hydrants; and Paxon regards application of section 96(1) of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
23	96(5)	3.1.1	The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, neither FESA nor a local government made any requests of GWCL under sections 96(3) and 96(4) of the Act; and Paxon regards application of section 96(5) of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are 	NP	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
23 (cont.)					only expected to be put in place when the stipulations of this clause are applicable.		
28	119(2)	3.1.1	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not give any compliance notices in relation to the matters set out in section 119(1) of the Act; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Non-compliance Notice Policy & Procedure”. This document states: <i>“The Non-compliance Notice must include:</i> <ol style="list-style-type: none"> <i>1. a description of what GWC is dissatisfied with;</i> <i>2. where relevant, details of an approval, direction or other authority that the GWC is satisfied are not being, or have not been, complied with;</i> <i>3. what the person given the notice must do to remedy the failure to comply;</i> <i>4. the time within which the person given the notice must comply with the notice;”</i> 	A	NR
29	122(2)	3.1.1	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that it has no knowledge of any applications made to the State Administrative Tribunal during the Audit Period; and 	NP	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
29 (cont.)					<ul style="list-style-type: none"> Paxon regards application of section 122(2) of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 		
30	125(2)	3.1.1	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not apportion fees; and Paxon did not find any reference to compliance with section 125(2) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
31	128(4)	3.1.1	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, memorials were lodged with the Registrar and withdrawn; Paxon examined a "GWC Register of Memorials lodged with Landgate WA" during the Audit period; Paxon examined a "GWC Register of Memorials Withdrawn with Landgate WA" during the Audit Period. Paxon noted this register recorded a 	A	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
31 (cont.)					<p><i>“Withdrawal Fee”</i> or reference to an exemption for all entries included therein; and</p> <ul style="list-style-type: none"> Paxon is satisfied GWCL’s current processes are appropriate to ensure compliance with section 128(4) of the Act. 		
32	129(5)	3.1.1	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours’ notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL’s routine inspection or maintenance activities did not cause disruption to the occupants of a place; and Paxon found the GWCL’s Policies and Procedures Manual includes a draft <i>“Access to Water Service Infrastructure Policy & Procedure”</i>. This document states: <i>“If a routine inspection or maintenance is likely to cause disruption to the occupants of a place, at least 48 hours’ notice of the proposed entry is required to be given to the occupier of the place, unless the occupier agrees otherwise.”</i> 	A	NR
33	139(3)	3.1.1	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not removes or erects a fence or gate whilst exercising a works power conferred by the Act; and 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
33 (cont.)					<ul style="list-style-type: none"> Paxon did not find any reference to compliance with section 139(3) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 		
34	141(1)	3.1.1	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not carry out road works; and Paxon did not find any reference to compliance with section 141(1) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
35	142	3.1.1	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works and has given any notice required under section 148.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; Paxon found the GWCL's Policies and Procedures Manual includes a draft "Major Works Prerequisites" document. This document states: "Gascoyne Water Co-operative Ltd (GWC) will ensure compliance with the Water Services Act 2012 	A	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
35 (cont.)					<p><i>particularly regarding Major Works obligations.”;</i> and</p> <ul style="list-style-type: none"> • Paxon notes this document also specifically quotes compliance with Part 6 Division 3 of the Act which includes sections 142 to 149. 		
36	143 (2)	3.1.1	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “<i>Major Works Prerequisites</i>” document. This document states: “<i>Before the commencement of any major works under its’ license the GWC must do the following things as details in the Act Part 6 Division 3:</i> <ul style="list-style-type: none"> • <i>prepare plans and details of those works; and</i> • <i>publish the plans and details on the GWC website, and amend them if the proposal is amended; and</i> • <i>publish and make available for inspection the plans and details in addition to them being available on the website.”</i> 	A	NR
37	143 (3)	3.1.1	The licensee must, within 5 days of publishing the plans and details on the licensee’s website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and 	A	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
37 (cont.)					<ul style="list-style-type: none"> • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Major Works Prerequisites” document. This document states: <ul style="list-style-type: none"> • <i>“within five (5) days of publishing the plans and details on the GWC website, the GWC must give notice setting out the matters specified in subsection (4) to the owner and the occupier of any land that is to be entered for the purposes of the proposed major works; or that is, or the use of which is, in the opinion of the GWC, likely to be adversely affected by those works; and</i> • <i>within five (5) days of publishing the plans and details on the GWC website, the GWC must give notice setting out matters specified in subsection (4) to any local government in the district of which the proposed major works are to be provided or that has a material interest in the proposal; and</i> • <i>within five (5) days of publishing the plans and details on the GWC website, the GWC must give notice to the Western Australian Planning Commission, if the area to be affected by the proposed works is in, or partly in, an area covered by a region planning scheme.”</i> 		

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
38	144(3)	3.1.1	The licensee must have regard to an objection or submission lodged within the relevant period.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and • Paxon found the GWCL's Policies and Procedures Manual includes a draft "Major Works Prerequisites" document. This document states: "The GWC must have regard to an objection or submission lodged within the relevant period." 	A	NR
39	145(2)	3.1.1	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and • Paxon found the GWCL's Policies and Procedures Manual includes a draft "Major Works Prerequisites" document. This document states: "If the GWC makes amendments it must give written notice of the alterations to any person that, in the opinion of GWC, is likely to be adversely affected by those alterations." 	A	NR
40	147(3)	3.1.1	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and 	A	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
40 (cont.)					<ul style="list-style-type: none"> Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Major Works Prerequisites” document. This document states: “The GWC must then comply with any direction given by the Minister.” 		
41	147(4)	3.1.1	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not undertake any major works as defined in the Act; and Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Major Works Prerequisites” document. This document states: “The GWC must then comply with any direction given by the Minister.” 	A	NR
42	151(1)	3.1.1	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did undertake general works as defined in the Act; Paxon examined a letter written to various stakeholders, dated 7/02/2019 which: <ul style="list-style-type: none"> o Provided details of the proposed works; o Referred to a work area as shown in an attached “Notice of Proposal Plan”; and 	A	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
42 (cont.)					<ul style="list-style-type: none"> ○ Recorded the dates, hours and location where the plans and details were available for inspection. • Paxon examined both a map and a sketch plan addressing the proposed general works; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “General Works Prerequisites” document. This document states: <i>“Before the commencement of any General Works under its’ license the GWC must do the following things as details in the Act Part 6 Division 3:</i> <ul style="list-style-type: none"> ○ <i>prepare plans and details of the proposed general works; and</i> ○ <i>publish and make available for inspection the plans and details in accordance with the regulations.”</i> 		
43	151(2)	3.1.1	The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that GWCL did give notice of the general works undertaken during the Audit Period; • Paxon examined a letter written to various stakeholders, dated 7/02/2019 which: <ul style="list-style-type: none"> ○ Included a description of those works; ○ Referred to a work area as shown in an attached “Notice of Proposal Plan”; 	A	1

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
43 (cont.)					<ul style="list-style-type: none"> ○ Recorded the purposes for which those works were required; ○ Recorded the dates, hours and location where the plans and details were available for inspection; ○ Recorded the method and address for objections or comments on the proposed works; and ○ Recorded the date by which any objections to or submissions in relation to the proposal were to be received by the licensee. Paxon noted this date was more than 21 days after the notice was given. ● Paxon found the GWCL’s Policies and Procedures Manual includes a draft “General Works Prerequisites” document. This document states: <i>“Subsection (4) outlines the following matters that should be specified in the above notices:</i> <ul style="list-style-type: none"> ● a description of the works; and ● the area where the works are to be located; and ● the purposes for which the works are required; and ● the times when, and the places at which, the plans and details may be inspected, and 		

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
43 (cont.)					<ul style="list-style-type: none"> • information as to how, where and by when an objection to or submission in relation to the proposal may be lodged. The GWC must give a period of at least 21 days in which objections or submission can be lodged”. • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “General Works Prerequisites” document. This document states: “Notice must be given to the owner and the occupier of any land - <ul style="list-style-type: none"> ○ that is to be entered for the purposes of the proposed general works; or ○ that is, or the use of which is, in the opinion of the GWC, likely to be adversely affected by those works; and ○ any local government where the general works are located or that has a material interest in the proposal or services to be provided by those works in the opinion of the GWC; and ○ the Western Australian Planning Commission, if the area to be affected by the proposed works is in, or partly in, an area covered by a region planning scheme.” 		

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
44	152(3)	3.1.1	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that no objection or submission was lodged for the general works undertaken during the Audit Period; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “General Works Prerequisites” document. This document states: <i>“The GWC must have regard to an objection or submission lodged within the relevant period.”</i> 	A	NR
45	153(3)	3.1.1	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that no alteration to the plans or details referred to in section 151 were made during the Audit Period; and • Paxon did not find any reference to compliance with section 153(3) of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
46	166(5)	3.1.1	On being advised by the Minister that an interest in land is appropriate to the licensee’s needs, the licensee is required to acquire the interest.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, the Minister did not advise GWCL to acquire an interest in land; and 	NP	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
					<ul style="list-style-type: none"> Paxon regards application of sections 166(5) and 166(6) of the Act to GWCL’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of these clauses are applicable. 		
47	166(6)	3.1.1	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 46 above. 	NP	NR
48	170	3.1.1	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not sell an interest in land; and Paxon regards application of section 170 of the Act to GWCL’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
49	173(4)	3.1.1	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours’ notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL entered places to: <ul style="list-style-type: none"> Read meters; Perform maintenance works on connections and meters; and Respond to member’s requests for assistance. The GWCL Management team stated verbal notice was given to owners or occupiers but only 	A	2

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
49 (cont.)					<p>in cases of more extensive works (not for smaller works); and</p> <ul style="list-style-type: none"> • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Access to Water Service Infrastructure Policy & Procedure” document. This document states: <ul style="list-style-type: none"> ○ “Where possible GWC will provide 48 hours’ notice of any routine maintenance we propose to carry out on your land.”; and ○ “If a routine inspection or maintenance is likely to cause disruption to the occupants of a place, at least 48 hours’ notice of the proposed entry is required to be given to the occupier of the place, unless the occupier agrees otherwise.” <p>Recommendation 2/2019:</p> <ul style="list-style-type: none"> • GWCL must comply with its obligations in terms of section 173(4) of the Act and provide 48 hours’ notice of proposed entry to a place for the purposes of doing works. 		
50	174(1)	3.1.1	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL mostly provided verbal notice for proposed entry; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Access to 	A	2

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
50 (cont.)					<p><i>Water Service Infrastructure Policy & Procedure</i> document. This document states:</p> <p><i>“Notice of Routine Maintenance cards are to be utilised by the employee or contractor and placed in a conspicuous place e.g. lodged in front door/fly screen at least 48 hours’ prior to the routine maintenance being carried out.”</i></p> <p>Recommendation 3/2019:</p> <ul style="list-style-type: none"> The GWCL must provide written notice of proposed entry to a place in compliance with section 174(1) of the Act. 		
51	174(3)	3.1.1	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, in no instances was GWCL entitled to enter a place under the Act without having to give notice of proposed entry; and Paxon did not find any reference to compliance with section 174(3) of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
52	175(2)	3.1.1	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not enter any dwellings; and • Paxon regards application of sections 175(2) and 175(5) of the Act to GWCL’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of these clauses are applicable. 	NP	NR
53	175(5)	3.1.1	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 52 above. 	NP	NR
54	176(1)	3.1.1	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, in no instances did owners or occupiers refused or withdrew their consent after GWCL entered a place; and • Paxon did not find any reference to compliance with section 176(1) of the Act within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
55	176(3)	3.1.1	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act if they are not able to do so.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was not asked to produce a certificate of authority; and • Paxon did not find any reference to compliance with section 176(3) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
56	176(4)	3.1.1	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was not asked to produce evidence of authority for entry or proposed entry to a place; and • Paxon did not find any reference to compliance with section 176(4) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
57	181	3.1.1	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was not requested by an owner or occupier to limit interference with the lawful activities of the owner or occupier; and • Paxon did not find any reference to compliance with section 181 of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
58	186	3.1.1	If the licensee applies for a warrant, the application must contain the prescribed information.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, no applications for warrants were made; and • Paxon regards application of sections 186, 187(1)-(3), 190(4) and 190(5) of the Act to GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of these clauses are applicable. 	NP	NR
59	187(1) – (3)	3.1.1	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 58 above. 	NP	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012 Section Number	Water Services Licence – Version 6 Clause Number				Controls	Compliance
60	190(4)	3.1.1	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 58 above. 	NP	NR
61	190(5)	3.1.1	On completing the execution of a warrant, the licensee must record the prescribed information on that warrant.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 58 above. 	NP	NR
62	210(5)	3.1.1	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not designate a person as an inspector or compliance officer; and Paxon did not find any reference to compliance with section 210(5) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
63	218(2)	3.1.1	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not obstruct the free use of any place, and it did not cause damage, harm or inconvenience; and 	D	NR

No. ²	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Act 2012	Water Services Licence – Version 6				Controls	Compliance
	Section Number	Clause Number					
63 (cont.)					<ul style="list-style-type: none"> Paxon did not find any reference to compliance with section 218(2) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 		
64	218(3)	3.1.1	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good and pay compensation to the extent that it is not practicable to make good the damage.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, no physical damage was caused in the exercise of a works power or a power of entry; and Paxon did not find any reference to compliance with section 218(3) of the Act within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 2 to 64)]

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations – 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
65	23(2)	3.1.1	If the licensee provides a water supply service in respect of a multi-unit development, the licensee must, on the request of the owner or the strata company, assess whether a meter is satisfactory for measuring the quantity or flow of water passing through a pipe supplying water to the unit.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not provide a water supply service to a multi-unit development; and • Paxon regards application of regulation 23(2) of the Water Services Regulations 2013 to GWCL’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
66	24(4)	3.1.1	If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, no compliance notices were given to persons in respect of access to meters; and • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Non-compliance Notice Policy & Procedure. This document states: <ul style="list-style-type: none"> ○ “The Non-compliance Notice must include: <ol style="list-style-type: none"> 1. a description of what GWC is dissatisfied with; 2. where relevant, details of an approval, direction or other authority that the GWC is satisfied are not being, or have not been, complied with; 3. what the person given the notice must do to remedy the failure to comply; 	A	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
66 (cont.)					<p>4. the time within which the person given the notice must comply with the notice”; and</p> <ul style="list-style-type: none"> o “The non-compliance notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given).” 		
67	26(3)	3.1.1	If the owner or occupier requests the licensee to test a meter, subject to the payment of the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with the approved procedure.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL tested meters in accordance with an approved procedure; • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Water Meter Testing Policy”. This document states: <ul style="list-style-type: none"> “If the member agrees the GWC must test the meter in accordance with a procedure approved by the General Manager for the purposes of the Water Services Regulations 2013 and any revisions.”; and • Regulation 26(3) of the Water Services Regulations 2013 states: <ul style="list-style-type: none"> “...the licensee must test the meter in accordance with a procedure approved by the CEO for the purposes of this regulation.” 	B	1

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
68	26(5)	3.1.1	If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, all meter tests performed found meters to be inside the prescribed tolerance; and Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Non-compliance Notice Policy & Procedure. This document states: <i>“If on testing the meter, it is not found to be within the prescribed tolerance for that type of meter: a) the reading with which the member is dissatisfied must be adjusted; and b) any water service charges based on the reading must be adjusted; and c) the GWC must bear the costs of the testing, which includes refunding or crediting the charge (if any) paid already. “</i> 	A	NR
69	29(1)	3.1.1	The licensee must, on the written request of a developer who is required to pay the licensee an infrastructure contribution in respect of a subdivided lot, defer the payment of the contribution unless regulations 29(3) or 29(4) applies.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, no requests were made to the GWCL to defer the payment of infrastructure contributions; and Paxon did not find any reference to compliance with regulation 29(1) of the Water Services Regulations 2013 within GWCL’s Policies and 	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
69 (cont.)					Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above).		
70	42(2)	3.1.1	The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not issue written orders requiring the owner or occupier of land to install a backflow prevention device; and Paxon did not find any reference to compliance with regulation 42(2) of the Water Services Regulations 2013 within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
71	43(3)	3.1.1	The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not issue compliance notices regarding testing or maintaining backflow prevention devices; and Paxon did not find any reference to compliance with regulation 43(3) of the Water Services Regulations 2013 within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
72	43(6)	3.1.1	The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given).	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not issue compliance notices regarding making backflow prevention devices good; and • Paxon did not find any reference to compliance with regulation 43(6) of the Water Services Regulations 2013 within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
74	60(2)	3.1.1	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not exercise a works power in a road and considered it necessary to alter the position of infrastructure; and • Paxon did not find any reference to compliance with regulation 60(2) of the Water Services Regulations 2013 within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
75	63	3.1.1	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road and must take all reasonable measures to prevent that part of the road from being hazardous.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did break up the surface of a road; • Paxon examined a tax invoice for expenditure GWCL incurred to reinstate the road surface; and • Paxon did not find any reference to compliance with regulation 63 of the Water Services Regulations 2013 within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1
89	85	3.1.1	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not issue any compliance notices; • Paxon found the GWCL’s Policies and Procedures Manual includes a draft “Non-compliance Notice Policy & Procedure”. This document includes: <ul style="list-style-type: none"> ◦ Section on consequences of not complying entitled: “Failure to comply”; and 	A	NR

No.	Obligation Under:		Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
	Water Services Regulations 2013	Water Services Licence – Version 6				Controls	Compliance
	Regulation Number	Clause Number					
89 (cont.)					<ul style="list-style-type: none"> Section which addresses rights or review and who may apply therefor entitled: <i>“Review of decisions relating to giving Non-compliance Notices”</i>. 		

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA’s: *“Water Compliance Reporting Manual – Water Services Act 2012 – May 2018”* (Numbers 65 to 89)]

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
155	3.2.1	The licensee must pay the applicable fees and charges in accordance with the applicable regulations.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did pay the applicable fees and charges in accordance with the applicable regulations; • Paxon examined an internal record of ERA invoices as kept by the GWCL and correspondence with the ERA and is satisfied ERA fees and charges were paid during the Audit period: and • Paxon did not find any reference to compliance with clause 3.2.1 of GWCL’s Water Services Licence – Version 6 (WSL 6) within GWCL’s Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1
156	3.1.1	Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation.	2	<ul style="list-style-type: none"> • GWCL’s compliance during the Audit Period, with the following legislative instruments is specifically addressed within this Report: <ul style="list-style-type: none"> • Water Services Act 2012 (see reference numbers 2 to 64 and 155 to 190); • Water Services Regulations 2013 (see reference numbers 65 to 89); and 	N/A	N/A

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
156 (cont.)				<ul style="list-style-type: none"> Water Services (Operating) Licences, versions 3, 5 and 6 (see reference numbers 155 to 190). 		
159	3.1.2	The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, the ERA did not provide the GWCL with any direction in relation to a breach of applicable legislation; and Paxon regards application of clause 3.1.2 of its Water Services Licence to the GWCL's operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable. 	NP	NR
160	3.6.1	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4	<ul style="list-style-type: none"> Paxon examined the GWCL's Annual Reports for: <ul style="list-style-type: none"> o 2014-2015; o 2015-2016; o 2016-2017; and o 2017-2018. Paxon found the independent auditor's reports across all four the above-mentioned financial years referred to the financial reports complying with "Australian Accounting Standards"; 	D	2

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
160 (cont.)				<ul style="list-style-type: none"> • Paxon found the independent auditor expressed a qualified opinion on the 2016-2017 financial report. This qualified opinion included references to non-compliance with "Australian Accounting Standards". However, the independent auditor expressed an unqualified opinion in respect of the 2017-2018 financial report; and • Paxon did not find any reference to compliance with clause 3.6.1 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 		
161	4.2.1	The licensee must comply with any individual performance standards prescribed by the ERA.	2	<ul style="list-style-type: none"> • Paxon examined the GWCL's Performance Report for 2014-2015 which states: <ul style="list-style-type: none"> ○ Quality of water provided was 540 mg/l of dissolved solids which is lower than the < 1,200 mg/L TDS in version 3 of its Water Service (Operating) Licence; ○ No planned service interruptions took place; and ○ 100 Percent of customers provided with non-potable water received annual advice that the water supplied was not suitable for drinking. 	A	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
161 (cont.)				<ul style="list-style-type: none"> • Paxon examined the GWCL’s Performance Report for 2015-2016 which states: <ul style="list-style-type: none"> ○ Quality of water provided was 520 mg/l of dissolved solids which is lower than the < 1,200 mg/L TDS in version 3 of its Water Service (Operating) Licence; ○ No planned service interruptions took place; and ○ 100 Percent of customers provided with non-potable water received annual advice that the water supplied was not suitable for drinking. • Paxon examined the GWCL’s Performance Report for 2016-2017 which states: <ul style="list-style-type: none"> ○ Quality of water provided was 548 mg/l of dissolved solids which is lower than the < 1,200 mg/L TDS in version 6 of its Water Service Licence; and ○ 100 Percent of affected customers were provided with 5 business days’ notice of the single planned service interruption which took place. • Paxon examined the GWCL’s Performance Report for 2017-2018 which states: 		

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
161 (cont.)				<ul style="list-style-type: none"> ○ Quality of water provided was 540 mg/l of dissolved solids which is lower than the < 1,200 mg/L TDS in version 6 of its Water Service Licence; and ○ 100 Percent of affected customers were provided with 5 business days' notice of the two planned service interruption which took place. ● Paxon examined a GWCL document entitled: "Compliance and Reporting Schedule" which provides for submission of an annual "Water Licence Performance Report". 		
162	4.3.4	The licensee must cooperate with the independent expert and comply with the ERA's standard audit guidelines dealing with the operational audit.	4	<ul style="list-style-type: none"> ● GWCL did cooperate with Paxon during the performance of the operational audit and specifically complied with section 4.1: "Assistance provided by the Licensee" as included in the ERA document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019"; and ● Paxon did not find any reference to compliance with clause 4.3.4 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
163	3.7.1(a), (b), (c)	The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	2	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL was not under external administration, nor did a material change take place in the circumstances upon which the licence was granted which affected its ability to meet its obligations; and • Paxon did not find any reference to compliance with clause 3.7.1(a), (b) and (c) of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
165	3.8.1	The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's function under the Act in the manner and form specified by the ERA.	2	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did provide specified information to the ERA in the manner and form specified by the ERA; and • Paxon did not find any reference to compliance with clause 3.8.1 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
166	3.8.2	The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	2	<ul style="list-style-type: none"> GWCL’s Compliance Report for 2014-2015 identified the following breaches in Schedule A: <ul style="list-style-type: none"> “Compliance Report for 2014 was not provided to the Authority by 1 September – provided on 4 September; and GWC has discovered connections outside of the licensed Operating Area that are supplying water to members/customers”. <p>This Compliance Report was attached to an e-mail sent to the ERA on 25/08/2015. Thus, this Compliance Report was submitted in time to the ERA;</p> GWCL’s Compliance Report for 2015-2016 identified the following breach in Schedule A: <p>“GWC previously reported their discovery of connections outside of the licenced Operating Area that were supplying water to members/customers”</p> <p>“... and new Operating Area has been approved by the Authority, but completion was just outside the reporting period (5 July 2016).”</p> 	A	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
166 (cont.)				<p>This Compliance Report was attached to an e-mail sent to the ERA on 30/08/2016. Thus, this Compliance Report was submitted in time to the ERA;</p> <ul style="list-style-type: none"> • GWCL’s Compliance Report for 2016-2017 identified the following breach in Schedule A: <i>“The GWC equipped three (3) new production bores in the Northern Gascoyne River borefield in January 2017”</i> <i>“...GWC have become aware that this should have been treated as general works (134(c)) under the Water Services Act 2012”.</i> <p>This Compliance Report was attached to an e-mail sent to the ERA on 30/08/2017. Thus, this Compliance Report was submitted in time to the ERA;</p> <ul style="list-style-type: none"> • GWCL’s Compliance Report for 2017-2018 identified the following breach in Schedule A: <i>“GWC has one metered supply service outside of the existing designated Operating Area (OWR-OA- 177-D)”.</i> <p>This Compliance Report was attached to an e-mail sent to the ERA on 30/08/2018. Thus, this Compliance Report was submitted in time to the ERA;</p>		

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
166 (cont.)				<ul style="list-style-type: none"> • Paxon examined Schedule A of all four the above-mentioned reports and is satisfied the information provided was in the manner and form specified by the ERA; and • Paxon examined a GWCL document entitled: “<i>Compliance and Reporting Schedule</i>” which provides for submission of an annual “<i>Water Licence Compliance Report</i>”. 		
167	3.8.3	The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the <i>Water, Sewerage and Irrigation Licence Performance Reporting Handbook</i> , and the National Performance Framework that apply to the licensee.	2	<ul style="list-style-type: none"> • Paxon examined GWCL’s Performance Report for 2014-2015. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated; • This Performance Report was attached to an e-mail sent to the ERA on 24/07/2015. Thus, this Performance Report was submitted in time to the ERA; • Paxon examined GWCL’s Performance Report for 2015-2016. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated; • This Performance Report was attached to an e-mail sent to the ERA on 30/08/2016. Thus, this 	A	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
167 (cont.)				<p>Performance Report was submitted in time to the ERA;</p> <ul style="list-style-type: none"> • Paxon examined GWCL’s Performance Report for 2016-2017. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated; • This Performance Report was attached to an e-mail sent to the ERA on 29/08/2017. Thus, this Performance Report was submitted in time to the ERA; • Paxon examined GWCL’s Performance Report for 2017-2018. Paxon is satisfied this report records the data required for performance reporting purposes as stipulated; • This Performance Report was attached to an e-mail sent to the ERA on 09/08/2018. Thus, this Performance Report was submitted in time to the ERA; and • Paxon examined a GWCL document entitled: “Compliance and Reporting Schedule” which provides for submission of an annual “Water Licence Performance Report”. 		

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
168	2.8.1 and 2.8.2	Subject to clause 2.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 2.8.1.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, the ERA did not direct GWCL to publish any information; and • Paxon did not find any reference to compliance with clauses 2.8.1 and 2.8.2 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	NR
169	2.7.1	Unless otherwise specified, all notices must be in writing.	4	<ul style="list-style-type: none"> • Paxon observed notices were given in writing during the Audit Period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement; and • Based on the nature of this obligation, Paxon does not believe GWCL requires specific systems, processes and controls to ensure compliance with this obligation. 	NP	1
171	4.1.2	The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.	2	<ul style="list-style-type: none"> • See the findings for compliance obligation number 7 above. 	D	1

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
172	4.1.6	The licensee must cooperate with the independent expert and comply with the ERA's standard guidelines dealing with the asset management system review.	4	<ul style="list-style-type: none"> GWCL did cooperate with Paxon during the performance of the asset management system review and specifically complied with section 4.1: "Assistance provided by the Licensee" as included in the ERA document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019"; and Paxon did not find any reference to compliance with clause 4.1.6 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) was made in this regard (see compliance obligation number 2 above). 	D	1
173	5.5.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	4	<ul style="list-style-type: none"> See the findings for compliance obligation number 15 above. 	D	1
175	5.1.1	If directed by the ERA, the licensee must submit a draft customer contract for approval.	4	<ul style="list-style-type: none"> Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, the ERA did not direct GWCL to submit a draft customer contract for approval; and Paxon did not find any reference to compliance with clauses 5.1 to 5.3 of WSL 6 within GWCL's Policies and Procedures Manual. A recommendation (1/2019) 	D	NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
175 (cont.)				was made in this regard (see compliance obligation number 2 above).		
176	5.1.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	4	<ul style="list-style-type: none"> • Paxon examined the ERA webpage for “Regulatory Guidelines” and could not find “<i>Customer Contract Guidelines</i>” thereon; and • See the findings for compliance obligation number 175 above regarding systems, processes and controls. 	D	NR
177	5.1.3	The licensee may only amend the customer contract with the ERA’s approval.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not amend any customer contracts; and • See the findings for compliance obligation number 175 above regarding systems, processes and controls. 	D	NR
178	5.1.5	The licensee must comply with any direction by the ERA to amend the customer contract.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, the ERA did not direct GWCL to amend any customer contracts; and • See the findings for compliance obligation number 175 above regarding systems, processes and controls. 	D	NR

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12)	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
179	5.3.1 and 5.3.2	Unless clause 5.3.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> without the prior approval of the ERA.	4	<ul style="list-style-type: none"> • Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL did not enter into an agreement with a customer to provide water services that excluded, modified or restricted the terms and conditions of the licence; and • See the findings for compliance obligation number 175 above regarding systems, processes and controls. 	D	NR
180	5.3.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> , the licensee must publish an annual report containing the information specified.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 179 above. 	D	NR
181	5.6.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 14 above. 	NP	NR
182	3.4.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the ERA.	4	<ul style="list-style-type: none"> • See the findings for compliance obligation number 4 above. 	D	2

No.	Obligation Under: Water Services Licence - Version 6 and the Water Services Act 2012 (Section 12) Clause Number	Summary Description of Obligation	Audit Priority Rating: (1 = High to 5 = Low)	Observations and Recommendations	Ratings (as per Table 8)	
					Controls	Compliance
183	5.4.3	The licensee must comply with the ERA's Financial Hardship Policy Guidelines as they apply to the licensee.	4	<ul style="list-style-type: none"> Paxon examined a letter the ERA wrote to GWCL dated 17/07/2014 which states due to the nature of the water services GWCL provides to its customers, no financial hardship policy was required. 	NA	NA
190	Schedule 2	The licensee must comply with the service and performance standards as set out in Schedule 2.	2	See the findings for compliance obligation number 161 above.	A	1

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – May 2018" (Numbers 155 to 190)]

4.4 Current Audit: Inadequate Controls, Non-Compliances and Recommendations

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
A. Resolved During Current Audit Period			
Licence Obligation Reference Number	Controls and Compliance Rating	Date Resolved	Auditor's Comments
	Legislative Obligation	GWCL Action Taken	
	Details of Inadequate Controls and/or Non-Compliance		
4 and 182	<ul style="list-style-type: none"> • Rating: D 2; • Obligation: Act, sections 12 and 22, and Water Services Licence – Version 6, clause 3.4.1; and • Details: <ul style="list-style-type: none"> ○ Paxon notes the GWCL's Compliance Report for the period 01/07/2015 to 30/06/2016 provides details of an instance of non-compliance with section 22 of the Act, and states: <i>"GWC previously reported their discovery of connections outside of the licenced Operating Area that were supplying water to members/customers";</i> and ○ Paxon notes the GWCL's Compliance Report for the period 01/07/2017 to 30/06/2018 provides details of an instance of non-compliance with section 22 of the Act, and states: 	<ul style="list-style-type: none"> • Date resolved: 5/07/2016; and • Paxon notes: <ul style="list-style-type: none"> ○ GWCL applied on 30/06/2016 for an amendment to WL38 to expand the operating area to include all the current customer supply points; and ○ ERA approved an amendment to the GWCL's water services licence on 5/07/2016 to include a revised operating area plan. • Date resolved: 1/03/2019; and • Paxon notes: <ul style="list-style-type: none"> ○ GWCL applied on 16/01/2019 for an amendment to WL38 to extend the boundary of its operating area; and ○ ERA approved an amendment to the GWCL's water services licence on 1/03/2019 to extend the operating area of the licence. 	<ul style="list-style-type: none"> • No comments.

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
A. Resolved During Current Audit Period			
Licence Obligation Reference Number	Controls and Compliance Rating	Date Resolved	Auditor's Comments
	Legislative Obligation	GWCL Action Taken	
	Details of Inadequate Controls and/or Non-Compliance		
4 and 182 (continued)	"GWC has one metered supply service outside of the existing designated Operating Area (OWR-OA 177-D)".		
160	<ul style="list-style-type: none"> • Rating: D 2; • Obligation: Act, section 12 and Water Services Licence – Version 6, clause 3.6.1; and • Details: Paxon found the independent auditor expressed a qualified opinion on the 2016-2017 financial report. This qualified opinion included references to non-compliance with "Australian Accounting Standards". 	<ul style="list-style-type: none"> • Date resolved: 2018 financial year; and • GWCL action taken: <ul style="list-style-type: none"> ○ The independent auditor stated in his opinion paragraphs on the 2017-2018 financial report: <p><i>"In our opinion, the accompanying financial report of the co-operative is in accordance with the Co-operatives Act 2009, including:</i></p> <p><i>... (ii) complying with Australian Accounting Standards and the Co-operatives Regulations 2010."</i></p> <p>Thus, it is evident, the independent auditor was satisfied that previous non-compliances with "Australian Accounting Standards" were resolved.</p> 	<ul style="list-style-type: none"> • No comments.

Table 11: Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part A)

Current Audit: Inadequate Controls, Non-Compliances and Recommendations

B. Unresolved at End of Current Audit Period

Recommendation Reference	Licence Obligation Reference Number	Auditor's Recommendation	GWCL Action Taken by End of Audit Period
	Controls and Compliance Rating		
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		
1/2019	<ul style="list-style-type: none"> • Number 2 - Rating: D 1; Obligation: Act, section 21(1)(b) and Water Services Licence – Version 6 (WSL 6), clause 3.3.1(b); • Numbers 4 and 182 - Rating: D 2; Obligation: Act, section 22 and WSL 6, clause 3.4.1; • Number 5 – Rating: D 1; Obligation: Act, section 23 and WSL 6, clause 3.5; • Numbers 7 and 171 – Rating: D 1; Obligation: Act, section 24(1)(b) and WSL 6, clause 4.1.1 and 4.1.2; • Numbers 15 and 173 - Rating: D 1; Obligation: Act, section 66 and WSL 6, clause 5.5.1; • The following obligations all have the same Rating being: “D NR” and refer to: “WSL 6, clause 3.1.1”: <ul style="list-style-type: none"> ○ Number 17 - Obligation: Act, sections 82(4)-(5); ○ Number 18 - Obligation: Act, section 84(2); ○ Number 30 - Obligation: Act, section 125(2); ○ Number 33 - Obligation: Act, section 139(3); 	<ul style="list-style-type: none"> • The GWCL’s Policies and Procedures Manual should: <ul style="list-style-type: none"> ○ Be finalised and its contents approved; ○ Correct references to the Water Services Regulations 2013; and ○ Include appropriate references to all compliance obligations which originate from its water services licence. 	<ul style="list-style-type: none"> • Zero.

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
B. Unresolved at End of Current Audit Period			
Recommendation Reference	Licence Obligation Reference Number	Auditor's Recommendation	GWCL Action Taken by End of Audit Period
	Controls and Compliance Rating		
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		
1/2019 (continued)	<ul style="list-style-type: none"> o Number 34 - Obligation: Act, section 141(1); o Number 45 - Obligation: Act, section 153(3); o Number 51 - Obligation: Act, section 174(3); o Number 54 - Obligation: Act, section 176(1); o Number 55 - Obligation: Act, section 176(3); o Number 56 - Obligation: Act, section 176(4); o Number 57 - Obligation: Act, section 181; o Number 62 - Obligation: Act, section 210(5); o Number 63 - Obligation: Act, section 218(2); o Number 64 - Obligation: Act, section 218(3); o Number 69 - Obligation: Water Services Regulations 2013 (Regulations), regulation 29(1); o Number 70 - Obligation: Regulation 42(2); o Number 71 - Obligation: Regulation 43(3); o Number 72 - Obligation: Regulation 43(6); and o Number 74 - Obligation: Regulation 60(2). • Number 75 - Rating: D 1; Obligation: Regulation 		

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
B. Unresolved at End of Current Audit Period			
Recommendation Reference	Licence Obligation Reference Number	Auditor's Recommendation	GWCL Action Taken by End of Audit Period
	Controls and Compliance Rating		
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		
1/2019 (continued)	63 and WSL 6, clause 3.1.1; <ul style="list-style-type: none"> • Number 155 - Rating: D 1; Obligation: WSL 6, clause number 3.2.1; • Number 160 - Rating: D 1; Obligation: WSL 6, clause number 3.6.1; • Number 162 - Rating: D 1; Obligation: WSL 6, clause number 4.3.4; • Number 163 - Rating: D NR; Obligation: WSL 6, clause number 3.7.1(a), (b), (c); • Number 165 - Rating: D 1; Obligation: WSL 6, clause number 3.8.1; • Number 168 - Rating: D NR; Obligation: WSL 6, clause numbers 2.8.1 and 2.8.2; • Number 172 - Rating: D 1; Obligation: WSL 6, clause number 4.1.6; • Numbers 175 to 180 - Rating: D NR; Obligation: WSL 6, clause numbers 5.1 to 5.3; and • Details: <ul style="list-style-type: none"> ○ Paxon found Gascoyne Water Co-operative Limited (GWCL) does have a "Customer 		

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
B. Unresolved at End of Current Audit Period			
Recommendation Reference	Licence Obligation Reference Number	Auditor's Recommendation	GWCL Action Taken by End of Audit Period
	Controls and Compliance Rating		
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		
1/2019 (continued)	<p><i>Service & Water Services – Policies and Procedures</i>” manual (Policies and Procedures Manual). However, all policies and procedures included within this manual are marked as being “Draft” documents;</p> <ul style="list-style-type: none"> o Paxon found the document refers to the “Water Services Regulations 2010” on page 4 thereof; and o Paxon did not find any reference to compliance with the above listed legislative obligations within the GWCL’s Policies and Procedures Manual. 		
2/2019	<ul style="list-style-type: none"> • Number: 49; • Rating: A 2; • Obligation: Act, section 173(4) and WSL 6, clause 3.1.1; and • Details: <ul style="list-style-type: none"> o Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL entered places to: 	<ul style="list-style-type: none"> • GWCL must comply with its obligations in terms of section 173(4) of the Act and provide 48 hours’ notice of proposed entry to a place for the purposes of doing works. 	<ul style="list-style-type: none"> • Zero.

Current Audit: Inadequate Controls, Non-Compliances and Recommendations			
B. Unresolved at End of Current Audit Period			
Recommendation Reference	Licence Obligation Reference Number	Auditor's Recommendation	GWCL Action Taken by End of Audit Period
	Controls and Compliance Rating		
	Legislative Obligation		
	Details of Inadequate Controls and/or Non-Compliance		
2/2019 (continued)	<ul style="list-style-type: none"> • Read meters; • Perform maintenance works on connections and meters; and • Respond to member's requests for assistance. <ul style="list-style-type: none"> ○ The GWCL Management team stated verbal notice was given to owners or occupiers but only in cases of more extensive works (not for smaller works). 		
3/2019	<ul style="list-style-type: none"> • Number: 50; • Rating: A 2; • Obligation: Act, section 174(1) and WSL 6, clause 3.1.1; and • Details: <ul style="list-style-type: none"> ○ Paxon confirmed by interview of the GWCL Management Team that, during the Audit Period, GWCL mostly provided verbal notice for proposed entry. 	<ul style="list-style-type: none"> • The GWCL must provide written notice of proposed entry to a place in compliance with section 174(1) of the Act. 	<ul style="list-style-type: none"> • Zero.

Table 11: Current Audit: Inadequate Controls, Non-Compliances and Recommendations (Part B)

5 Asset Management System Review: Comprehensive Report

5.1 Asset Management System Rating Scales

The effectiveness ratings assigned to each asset management system component because of the Review, are set out in the following two Tables - taken from the ERA's document entitled: "2019 Audit and Review Guidelines - Water Licences – March 2019" (ERA's Guidelines).

Asset Management Process and Policy Rating Scale ERA's Guidelines: Table No. 9

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> Processes and policies are documented. Processes and policies adequately document the required performance of the assets. Processes and policies are subject to regular reviews and updated where necessary. The asset management information system(s) is adequate in relation to the assets being managed.
B	Requires some improvement	<ul style="list-style-type: none"> Processes and policies require improvement. Processes and policies do not adequately document the required performance of the assets. Reviews of processes and policies are not conducted regularly enough. The asset management information system(s) requires minor improvements (taking into consideration the assets being managed).
C	Requires substantial improvement	<ul style="list-style-type: none"> Processes and policies are incomplete or require substantial improvement. Processes and policies do not document the required performance of the assets. Processes and policies are considerably out of date. The asset management information system(s) requires substantial improvements (taking into consideration the assets being managed).
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not fit for purpose (taking into consideration the assets being managed).

Table 12: Asset Management Process and Policy Rating Scale

Asset Management Performance Rating Scale
ERA's Guidelines: Table No. 10

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> The performance of the process meets or exceeds the required levels of performance. Process effectiveness is regularly assessed, and corrective action taken where necessary.
2	Improvement required	<ul style="list-style-type: none"> The performance of the process requires some improvement to meet the required level. Process effectiveness reviews are not performed regularly enough. Recommended process improvements are not implemented.
3	Corrective action required	<ul style="list-style-type: none"> The performance of the process requires substantial improvement to meet the required level. Process effectiveness reviews are performed irregularly, or not at all. Recommended process improvements are not implemented.
4	Serious action required	<ul style="list-style-type: none"> Process is not performed, or the performance is so poor the process is considered to be ineffective.

Table 13: Asset Management Performance Rating Scale

5.2 Asset Management System: Ratings Summary

The ratings for the asset management processes, including their effectiveness criteria, are indicated in Table 14 below:

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
Asset Planning		✓			✓			
• Asset Management Plan covers key requirements;	✓				✓			
• Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning;		✓			✓			
• Service levels are defined;	✓				✓			
• Non-asset options are considered;		✓				✓		
• Life cycle costs of owning and operating the assets are assessed;	✓				✓			
• Funding options are evaluated;		✓			✓			
• Costs are justified, and cost drivers identified;		✓			✓			
• Likelihood and consequences of asset failure are predicted; and	✓				✓			
• Plans are regularly reviewed and updated.		✓			✓			
Asset Creation and Acquisition	✓				✓			
• Full project evaluations are undertaken for new assets including comparative estimates of non-asset solutions;	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
<ul style="list-style-type: none"> Evaluations include all lifecycle costs; 	✓				✓			
<ul style="list-style-type: none"> Projects reflect sound engineering and business decisions; 	✓				✓			
<ul style="list-style-type: none"> Commissioning tests are documented and completed; and 	✓				✓			
<ul style="list-style-type: none"> On-going legal/environmental/safety obligations of the asset owner are assigned and understood. 	✓				✓			
Asset Disposal	✓				✓			
<ul style="list-style-type: none"> Under performing and underutilised assets are identified as part of a regular systematic review process; 	✓				✓			
<ul style="list-style-type: none"> The reasons for underutilisation or poor performance are critically examined and corrective action or disposal undertaken; 	✓				✓			
<ul style="list-style-type: none"> Disposal alternatives are evaluated; and 	✓				✓			
<ul style="list-style-type: none"> There is a replacement strategy for assets. 	✓				✓			
Environmental Analysis	✓				✓			
<ul style="list-style-type: none"> Opportunities and threats in the system are assessed; 	✓				✓			
<ul style="list-style-type: none"> Performance standards (availability of service, capacity, 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
continuity, emergency response etc.) are measured and achieved;								
• Compliance with statutory and regulatory requirements; and	✓				✓			
• Achievement of customer service levels.	✓				✓			
Asset Operations	✓				✓			
• Operational procedures and policies are documented and linked to service levels required;	✓				✓			
• Risk management is applied to prioritise operations tasks;	✓				✓			
• Assets are documented in an asset register including asset type, location, material, plans of components and assessment of assets physical/structural condition and accounting data;	✓				✓			
• Operational costs are measured and monitored; and	✓				✓			
• Staff resources are adequate, and staff receive training commensurate with their responsibilities.	✓					✓		
Asset Maintenance	✓				✓			
• Maintenance policies and procedures are documented and linked to service levels required;	✓				✓			
• Regular inspections are undertaken of asset performance and condition;	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
<ul style="list-style-type: none"> Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule; 	✓				✓			
<ul style="list-style-type: none"> Failures are analysed, and operation/maintenance plans are adjusted where necessary; 	✓				✓			
<ul style="list-style-type: none"> Risk management is applied to prioritise maintenance tasks; and 	✓				✓			
<ul style="list-style-type: none"> Maintenance costs are measured and monitored. 	✓				✓			
Asset Management Information System	✓					✓		
<ul style="list-style-type: none"> Adequate system documentation for users and IT operators; 	✓					✓		
<ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system; 		✓				✓		
<ul style="list-style-type: none"> Logical access controls appear adequate such as passwords; 	✓				✓			
<ul style="list-style-type: none"> Physical security access controls appear adequate; 	✓				✓			
<ul style="list-style-type: none"> Data back-up procedures appear adequate and back-ups are tested; 	✓					✓		
<ul style="list-style-type: none"> Key computations related to Licensee performance reporting are materially accurate; and 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
<ul style="list-style-type: none"> Management reports appear adequate for the Licensee to monitor licence obligations. 	✓				✓			
Risk Management	✓					✓		
<ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risk associated with the asset management system; 	✓				✓			
<ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored; and 	✓					✓		
<ul style="list-style-type: none"> The probability and consequences of asset failure are regularly assessed. 	✓				✓			
Contingency Planning	✓					✓		
<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. 	✓					✓		
Financial Planning	✓				✓			
<ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives; 	✓				✓			
<ul style="list-style-type: none"> The financial plan identifies the source of funds for capital expenditure and recurrent costs; 	✓				✓			

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
Processes and Effectiveness Criteria								
<ul style="list-style-type: none"> The financial plan provides projections of operating statements (profit and loss) and financial position (balance sheet); 	✓				✓			
<ul style="list-style-type: none"> The financial plan provides firm predictions of income for the next five years and reasonable indicative predictions beyond this period; 	✓				✓			
<ul style="list-style-type: none"> The financial plan provides for the operation, maintenance, administration, and capital expenditure requirements of the services; and 	✓				✓			
<ul style="list-style-type: none"> Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary. 	✓				✓			
Capital Expenditure Planning			✓				✓	
<ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates; 			✓				✓	
<ul style="list-style-type: none"> The plan provides reasons for capital expenditure and timing of expenditure; 			✓				✓	
<ul style="list-style-type: none"> The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan; and 			✓				✓	
<ul style="list-style-type: none"> There is an adequate process to ensure that the capital 			✓				✓	

Asset Management System	Process and Policy Rating				Performance Rating			
	Adequately Defined	Requires Some Improvement	Requires Substantial Improvement	Inadequate	Performing Effectively	Improvement Required	Corrective Action Required	Serious Action Required
	A	B	C	D	1	2	3	4
expenditure plan is regularly updated and actioned.								
Review of Asset Management System		✓				✓		
<ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current; and 	✓					✓		
<ul style="list-style-type: none"> Independent reviews (e.g., internal audit) are performed of the asset management system. 		✓				✓		

Table 14: Asset Management System: Ratings Summary

5.3 Review Observations and Recommendations

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
1	Asset Planning	4	<p>Observations:</p> <ul style="list-style-type: none"> • Although listed as reviewed in March 2019 (with minor formatting changes) the Asset Management Plan (AMP) is essentially unchanged since the revision of September 2016; • The document reads like a historical record of the last ten years of the scheme development, rather than a statement of how its assets are operated, maintained, financed and updated; • The document should be re-written to delete extraneous historical comment regarding the former AC pipeline (which was replaced in 2012) and its HDPE replacement – which should now be referred to correctly as the Distribution Main; • In addition, the AMP should refer to the “<i>Strategic Development Plan 2019-2023</i>”, together with its support document “<i>Operational Plan 2019-2023</i>” (both currently in draft form) which give precise proposals for operations, governance, on-going development, negotiations required etc. Each activity is assigned responsible nominees, a target date and progress column; • Notwithstanding the above comments, the AMP clearly addresses service levels, water quality, relevant legislation, risk assessment and asset replacement; • Reviewer spent a significant period of the site visit - with GWCL’s AM Specialist, reviewing drafts of a new AMP and support documents including asset registers, risk assessment etc. The draft procedures are generally in accord with the above comments; • GWCL’s personnel are dedicated and focussed. However, there is an obvious need to appoint an Operations Manager to undertake responsibility for the water delivery operations, maintenance and on-going system development; • Appointment of an Operations Manager will allow the General Manager to concentrate on the broad range of negotiations and discussion with Government and Government Departments, Water Corporation, - associated with becoming the sole irrigation provider in the Gascoyne Irrigation system, together with on-going liaison and communication with the cooperative’s Board, its members and the public; and • The Operations Manager will also be able to provide management continuity when the General Manager is on leave or otherwise unavailable. 	B	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
2	Asset Creation and Acquisition	4	<p>Observations:</p> <ul style="list-style-type: none"> • GWCL’s “Asset Creation and Acquisition Policy” document is supported by its “Asset Creation and Acquisition Procedures”. Both documents were prepared in 2012 and were reviewed in April 2019; and • The procedures document requires that approval be based on: <ul style="list-style-type: none"> ○ For Capital Expansion Projects: <ul style="list-style-type: none"> • A sound business case and detailed design, together with an evaluation of other available projects or strategies. A detailed financial assessment including lifetime costs; • Planning and Legislative approvals, together with funding details and discussion of legal and safety aspects; and • Board approval. ○ For System Improvement Projects: <ul style="list-style-type: none"> • The General Manager’s approval with appropriate limits; • A proven necessity for the project; and • Financial approval. 	A	1
3	Asset Disposal	5	<p>Observations:</p> <ul style="list-style-type: none"> • GWCL has a documented Asset Disposal Procedure; • The procedure sets out the basis for asset disposal (i.e. high maintenance cost, operational failure, no longer required), together with disposal options (i.e. dumping, sale, re-cycling, and burial); • If disposal introduces environmental or health implications specific approval must be obtained from relevant departments; • The Board must approve disposal of capital assets with a value exceeding \$100,000. Sale will be as is in situ, or by refurbishment and sale to maximise return; • A register of disposed assets is maintained by GWCL; and • There were no significant water related assets disposed of during the review period. 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
4	Environmental Analysis	4	<p>Observations:</p> <ul style="list-style-type: none"> • Section 1.3 of the AMP provides a concise assessment of the physical environment and weather in which the irrigation assets are located. The source of water and the relationship between river flows, salinity and supply reliability are briefly stated; • Sections 1.5 to 1.7 adequately set out legislation applicable (<i>Water Services Act 2012</i>) and associated regulations together with its Water Services ERA Operating Licence WL38 and DOW Groundwater Abstraction Licence GWL 1.5 to 1.7 also set out 168247(2); • Sections 1.5 to 1.7 also set out customer service levels, performance standards, water quality and emergency response provisions; • The monitoring results and reports associated with the above licences were reviewed and found to be compliant during the review period; and • Reviewer suggests the new AMP (when prepared) should contain the above information in a single section headed “Environmental Analysis”. 	A	1
5	Asset Operations	2	<p>Observations:</p> <ul style="list-style-type: none"> • Unlike open channel irrigation systems – which generally rely on customers ordering a supply to be allocated to their area on days they wish to take water, the GWCL scheme is pressurised, allowing customers to take water when they wish; • A SCADA system monitors the pressure in the distribution system and controls the operation of supply bores to control pressure and deliver the desired flow; • Operation and Maintenance practises of the GWCL scheme are common – and are provided by Coral Coast Plumbing Pty Ltd under a contract with GWCL; • Operations/Maintenance under the contract involves: <ul style="list-style-type: none"> ○ Monthly, quarterly and annual monitoring of the production and monitoring bores, together with associated environmental and control bores – including production bore water sampling during the annual inspection; ○ Twice weekly inspection monitoring of the bore fields and distribution system including minor repairs (i.e. repairs requiring less than sixty minutes duration); ○ An allowance of one hour daily monitoring the SCADA system for response to alarms, re-setting and communications with GWCL office. Both the contractor and GWCL manager receive SMS fault alarms from the SCADA system; and ○ Reading/recording water meters for each customer on the last working day of each month. Results are transferred electronically to GWCL’s office for preparation of customer 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
5	Asset Operations (continued)	2	<p>accounts. Customers are advised if their water usage is approaching or in excess of their allocation.</p> <ul style="list-style-type: none"> • The above contract is for 12 months duration - due to finish later this month (June 2019). Reviewer agrees with GWCL's intention to negotiate future contracts for a three years period; • GWCL has a Schedule of Rates agreement with Coral Coast Plumbing to cover major maintenance/repairs outside the scope of the current contract. Coral Coast engages local trades and contractors to provide services outside their area of expertise. The Schedule of Rates includes input to the six-monthly requirements to check the condition and operation of all valves in the system; and • GWCL's training record lists the basic training undertaken by its staff. 	A	1
6	Asset Maintenance	2	<p>Observations:</p> <ul style="list-style-type: none"> • Comments for Asset Maintenance are the same as those for Item 5 – "Asset Operations" above; and • Reviewer inspected GWCL's extensive range of spare parts and equipment kept in the warehouse adjacent to its office. An inventory of the contents is envisaged but has not commenced. Spares and materials taken by GWCL's maintenance contractor are signed for and re-ordered to maintain the level. Reviewer noted lists of materials taken and relevant signatures. 	A	1
7	Asset Management Information System	4	<p>Observations:</p> <ul style="list-style-type: none"> • Apart from the normal windows "Office suite" (Word, Excel etc.) GWCL employs the following software packages for specific business and operations purposes: <ul style="list-style-type: none"> ○ EXRO - Accounting and Bookkeeping; ○ ET & Reita - Cooperative Share Register and water use recording/management; ○ SCITEC – SCADA – Monitoring the Northern Bore Field and member services; ○ MAUS Hub – Policies and Procedures Management and OHS; and ○ MEX Computerised Maintenance System – e.g. maintenance scheduling, asset register etc. • The SCITEC SCADA is mounted on a separate cloud-based server and is capable of external monitoring by GWCL Manager and its Operations Maintenance contractor; 	A	2

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
7	Asset Management Information System (continued)	4	<ul style="list-style-type: none"> The main computer services all other systems. The server is in a locked room within GWCL’s office. Access to the system is by individual password. The office is locked outside normal working hours; The system is backed up to a second server located in the spare parts building some thirty metres from the office building. This building is normally locked; Reviewer expressed concern that both servers could be affected by flood, thus negating the intended backup security. In response, a second back up is now being made to a separate disc – which is taken off site daily and returned for re-use the following day; At present, backups are not verified for completeness or recovery; and GWCL has sought a proposal from its IT Consultant to undertake an on-going input to all aspects of its IT system. In discussion with the consultant, Reviewer was advised that at least weekly verification and recoverability of backups will be implemented. Advice was also provided that the NBN in the office area is not fully reliable, so backups to the cloud or a more distant server is not currently feasible. 	A	2
8	Risk Management	4	<p>Observations:</p> <ul style="list-style-type: none"> GWCL has a well-documented risk management policy, which sets out the procedures for applying risk analysis for various situations over its business and operations. The risks associated with its business are set out in its Business Risk Register; Reviewer noted the majority of risks were assessed as “high” or “extreme” and frequently related to the possibility of Board or management shortcomings. Reviewer considers some of the consequences and likelihood assessments applied within the risk register are harsher than realistically applicable. For example, natural events such as cyclone, flood or bushfire would not necessarily be expected to shut down (or cause to be shut down) the whole irrigation system - with consequence and likelihood values of “4” and “C” and an overall risk assessment of “Extreme” as stated in Item 29 of the register; GWCL’s contingency plans outline actions to confine the extent and overall effect of natural events and their overall risk value. Reviewer would be inclined to assign values of “4”, “E” and “High” in the above case; and Assessment and acceptance of risks is entirely the GWCL’s responsibility. However, Reviewer suggests the current risk register be re-examined to confirm the assessment and acceptance of the evaluated risks. 	A	2

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
9	Contingency Planning	4	<p>Observations:</p> <ul style="list-style-type: none"> • GWCL has a thorough and practical written contingency plan. The plan highlights the possible range of failure /disaster scenarios resulting from events including cyclones, flood, earthquake, supply contamination, fire, power loss and cyber-attack; • Written response procedures for each scenario include initial assessment of damage, public safety aspects, repair and recovery action etc. and are thorough and detailed in their description of responsibilities, management action and timing; • Contact lists of Board Members and staff, media, Public Authorities, Water Corporation senior staff and major trades are supported by a list of seventy services contacts which may be required to assist in a given situation; • A recent addition to the contingency procedures is a computer based model of the distribution system which - on the location of a failure being entered, provides details of bores that should be shut down, valve closed to isolate the site and a list of all affected customers to be notified of the situation; and • On three occasions (June 2016, February 2018 and May 2018) staff of GWCL, together with its engineering consultant and operations/maintenance contractor have attended actual events to participate in an assessment of the adequacy of the contingency plan. Reviewer considers this approach is beneficial when the occasion arises. However, these should support rather than replace an annual desk-top consideration of two or three specific broad ranging scenarios for group participation and evaluation. Participants should include GWCL staff, together with the operations contractor, preferably two members of the Board, together with GWCL's IT contractor or other specialists who can provide knowledgeable input to the scenarios selected for evaluation. 	A	2
10	Financial Planning	2	<p>Observations:</p> <ul style="list-style-type: none"> • The WA government is currently reviewing a previous proposal for the supply of water to the Gascoyne Irrigation system to be undertaken by a single supplier. In parallel with the review, GWCL is undertaking operation, maintenance and further development of bores and infrastructure within the Department of Primary Industry and Regional Development's (DPIRD) Gascoyne Food Bowl Initiative (GFBI) bore field - for a proposed period of five years; 	A	1

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
10	Financial Planning (continued)	2	<ul style="list-style-type: none"> • GWCL’s intention is to demonstrate it can ultimately assume ownership and operation of the GFBI infrastructure and the Water Corporation’s southern bore field - to become the sole provider of Irrigation services in the Gascoyne system; • The financial implications of the above could vary significantly if: <ul style="list-style-type: none"> ○ The take up of land and shares within the GFBI area is slower than expected; ○ If the Water Corporation elects to retain its ownership of the SBF assets and to continue the sale of water to GWCL as at present - but at a higher price; and ○ If the single supplier review by the government results in a decision not to favour GWCL as the single provider. • The financial implications of the above have been assessed by Marsden Jacobs Associates - Water Economics Consultants – who have submitted a conservative financial plan, together with an asset renewals strategy covering anticipated asset renewals up to 110 years - when pipeline replacements will theoretically be required; • It is noted the asset replacement annuity for a single provider has been assessed as \$1,605,298 for the first ten years and \$1,307,042 for years 10 to 110. The above amounts are included in the first ten years financial plan also prepared by Marsden Jacobs Associates and adopted as the on-going financial model by GWCL and its Accountants; • The ten future years financial plan indicates that despite the various scenarios, the GWCL can be expected to operate profitably each financial year. The source of funds is expected to be entirely from water sales and the sale of shares within the GFBI; • The plan includes all administration and operating costs and is based on comparison with income and expenditure for previous years - with appropriate escalation allowances. Annual contributions to renewals reserves are also included; and • The financial plan is considered sound and appropriate. However, it is presented as a single document of ten years duration – possibly to be upgraded at specific intervals, say five years or longer. Reviewer considers the plan as now established should be upgraded annually on a rolling ten-year basis. 	A	1
11	Capital Expenditure Planning	4	<p>Observations:</p> <ul style="list-style-type: none"> • Reviewer was expecting to review a standard minimum five-year rolling plan of capital expenditure items, and their estimated costs. However, there appears to be no such documentation in support of the AMP; 	C	3

No.	Asset Management Process	Review Priority	Observations and Recommendations	Process and Policy Rating	Performance Rating
11	Capital Expenditure Planning (continued)	4	<ul style="list-style-type: none"> The Marsden Jacobs Associates renewables annuity table estimates capital expenditure associated with renewables and new works over the forthcoming five years as \$184,866 (2019), \$1,310,677 (2020), \$159,793 (2021), \$421,659 (2022) and \$193,852 (2023). An amount of \$11,901,931 is indicated for 2024 - for replacement of the SBF distribution main; and The above capital expenditure is associated with GWANCO, GWCL, SBF Handover and Renewals, GFBI bore connections and SBF 1GI, together with GFBI, 1GI, 2GI, 3GI and 4GI installations respectively. <p><u>Recommendation 4/2019:</u></p> <ul style="list-style-type: none"> That GWCL includes a rolling five-year list of anticipated renewable and new works capital expenditure costs with each future Asset Management Plan. 	C	3
12	Review of the Asset Management System	4	<p><u>Observations:</u></p> <ul style="list-style-type: none"> Reviewer was provided with copies of some seventy documents associated with management of GWCL’s assets. Many of these documents were out of date and /or no longer relevant; Many documents were marked as being reviewed prior to the review visit but no amendments or corrections were noted; Reviewer spent much time in discussion with the Asset Management specialist engaged by GWCL to improve / update the Asset Management Plan and its supporting documentation. Improvements made to date to the asset registers, contingency plan action model and the tipping point model of bore production represent a significant improvement; The significant number of AMP support documentation is confusing to the reader. Documents that are out of date or irrelevant to the AMP should be transferred to a “Retired Document” or similarly titled folder; and The current AMP and support documents - accompanied by an index of contents, should be contained in a “Current AMP Documents” or similar titled folder. 	B	2

Table 15: Review Observations and Recommendations

5.4 Current Review: Asset Management System Deficiencies and Recommendations

Current Review: Asset Management System Deficiencies and Recommendations			
A. Resolved During Current Review Period			
Reference	Rating	Date Resolved	Reviewer's Comments
	Asset Management Process and Effectiveness Criterion	GWCL Action Taken	
	Details of Deficiency		
<ul style="list-style-type: none"> There is no content in Part A. 			

Table 16: Current Review: Asset Management System Deficiencies and Recommendations (Part A)

Current Review: Asset Management System Deficiencies and Recommendations						
B. Unresolved at End of Current Review Period						
Recommendation Reference (no./year)	Rating			Reviewer's Recommendation	GWCL Action Taken by End of Review Period	
	Asset Management Process and Effectiveness Criterion	Details of Deficiency				
4/2019	<ul style="list-style-type: none"> • Rating: C 3; • Process: Capital Expenditure Planning; and • Details: <ul style="list-style-type: none"> ○ Reviewer was expecting to review a standard minimum five-year rolling plan of capital expenditure items, and their estimated costs. However, there appears to be no such documentation in support of the AMP. 	<ul style="list-style-type: none"> • That GWCL includes a rolling five-year list of anticipated renewable and new works capital expenditure costs with each future Asset Management Plan. 		<ul style="list-style-type: none"> • Zero. 		

Table 16: Current Review: Asset Management System Deficiencies and Recommendations (Part B)

6 Audit Opinion

To the best of my knowledge, this audit and review report is an accurate presentation of my findings and opinions.



Cameron Palassis
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