



# Notice

8 July 2024

## Country Heights Water Pty Ltd

### Compliance enforcement action - 2023 operational audit and asset management system review

The Economic Regulation Authority has served Country Heights Water Pty Ltd with a compliance enforcement (rectification) [notice](#) for having an ineffective asset management system.

This action follows the ERA's consideration of the 2023 operational audit and an asset management system review [report](#) for water services licence WL49.

Country Heights Water is a privately owned company that supplies potable (drinking) water to the Country Heights Estate in Ginginup. The estate comprises 313 semi-rural blocks 6 kilometres north of Gingin, which will be developed in seven stages. As of 30 June 2023, Country Heights Water had 22 residential customers and 45 connected properties.

#### The ERA's decision

Whilst Country Heights Water has, for the most part, demonstrated a satisfactory level of compliance with its licence obligations, it does not have an effective asset management system and had not implemented a family and domestic violence policy by the required date, which are serious breaches of its licence.

#### *Audit and review period*

The ERA has decided to maintain the audit and review period at 24 months, which is the shortest period allowed under the *Water Services Act 2012* (Act). The next audit and review will cover the period 1 December 2023 to 30 November 2025, with the report due by 28 February 2026.

#### *Section 31 rectification notice*

The auditor found 10 non-compliances with Country Heights Water's licence, and 19 deficiencies with the asset management system. Due to the number and nature of the deficiencies, the auditor rated Country Heights Water's asset management system as ineffective.

Under section 24 of the Act, it is a condition of water licences that the licensee must have an asset management system, which must include the measures to be taken by the licensee for the proper maintenance of the water service works and the provision and operation of the water service works used to provide the water services authorised by the licence.

Under section 31 of the Act, the ERA may give a rectification notice to a licensee requiring the licensee to rectify a non-compliance within a specified period.

As Country Heights Water's asset management system has been found ineffective, the ERA is satisfied that the requirements of section 24 of the Act were not met and has served a rectification notice on Country Heights Water. The notice requires Country Heights Water to rectify the non-compliance by implementing all the auditor's recommendations by 31 December 2024.

## Audit and review findings

### Audit

The audit of the 188 licence obligations applicable to Country Heights Water found 10 non-compliances (five of which were due to control deficiencies).

The non-compliances and control deficiencies were:

- The late implementation of a family violence policy (three non-compliances).
- An ineffective asset management system (one non-compliance and control deficiency).
- Missing information and links on invoices (bills) and the licensee's website (four non-compliances and two control deficiencies).
- The lack of a procedure to minimise the impact of a burst pipe, leak or blockage (two non-compliances and two control deficiencies).

The auditor made five recommendations to address the non-compliances and control deficiencies. The auditor did not provide a recommendation for the late implementation of the family violence policy, and the ERA did not include this non-compliance in the rectification notice, as Country Heights Water implemented the policy during the audit period.

### Review

The assessment of the 58 asset management system effectiveness criteria prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences* found 19 asset management system deficiencies, although the auditor reported a good level of service was provided to the customers.

The deficiencies were:

- **Asset planning** – The Asset Management Plan requires updating, as it was developed in 2018, prior to the plant commencing operations in 2021.
- **Environmental analysis** – The measurement of service level targets should be incorporated into the asset management plan. Country Heights Water had not completed its Drinking Water Source Protection Plan or removed the old licensee details from the plant's signage.
- **Asset operation** - Site visits to maintain operations are not documented.
- **Asset maintenance** – Records of maintenance activities are not being kept and the associated risk assessments have not been reviewed or updated and actions monitored for completion.
- **Risk management** – Asset risk assessments require updating and there is no documented risk register.
- **Contingency planning** - There are no documented response plans in the event of a failure of the bore, water treatment plant or distribution pipes, and no evidence of any testing of response plans.
- **Financial planning** - The financial plan does not include the projected income and profit or loss for each financial year, or beyond five years. There is no evidence in the Asset Management Plan that key performance indicator reporting has been implemented.
- **Review of asset management system** – The Asset Management Plan has not been reviewed since 2018.

The auditor made eight recommendations to address the asset management system deficiencies.

## **The ERA's assessment of the audit and review findings**

### **Audit**

This is Country Heights Water's first audit and while there were 10 non-compliances, the auditor did not find any instances where customer service levels had been directly affected or customer complaints received about the non-compliances during the audit period.

Most of the non-compliances were from a failure to provide information on invoices (bills) and Country Heights Water's website. The missing bill information is available on Country Heights Water's website and therefore considered a minor non-compliance. The missing website links and information were considered moderate non-compliances and easy to address.

The non-compliances for the late implementation of the family violence policy were resolved during the audit period. Although the policy should have been in place when the plant was commissioned in May 2021, there would have been no impact until supply to customers commenced in June 2022. However, the policy was not implemented until November 2023.

The auditor did not find any evidence that a customer needed the family and domestic violence protections during the audit period, but customers may not have been aware of these protections until the policy was established and published.

While Country Heights Water did not have a documented formal procedure to minimise the impact of a burst pipe, leak or blockage, the auditor found there were adequate operational practices in place to deal with these events.

Country Heights Water has undertaken to implement all the auditor's recommendations by 30 September 2024.

### **Asset Management System Review**

The ERA considers that Country Heights Water's asset management system is ineffective due to the number and nature of the deficiencies found by the auditor. This is Country Heights Water's first review and while there were 19 deficiencies, the auditor found the potable water supply scheme had been operated in a reliable manner and provided a good level of service to customers.

While the plant is relatively new, not maintaining an effective asset management system can have long-term consequences and is a significant risk to the ability of the plant to provide an ongoing service to customers. In particular, the asset management system was found deficient in key areas, including risk management, asset planning and asset maintenance and operations.

The ERA considers that the importance of having an effective asset management system is sufficient to justify serving Country Heights Water with a rectification notice. The rectification notice requires Country Heights Water to implement the auditor's recommendations to address the asset management system deficiencies by 31 December 2024.

### **Further information**

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