



INFORMATION

Shire of Moora

2013 ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority has published the 2013 asset management system review (**Review**) report for the Shire of Moora (**Shire**). The post-review implementation plan is included in the report.

- [Shire of Moora – 2013 Asset Management Review Report](#)
- [Section 39 Notice](#)

Action by the Authority

The Authority is not satisfied with the effectiveness of the Shire's asset management system and has decided to serve a notice on the Shire pursuant to section 39(1) (failure to comply with licence) of the *Water Services Licensing Act 1995 (Act)* (**Section 39 Notice**). The Section 39 Notice requires the Shire to rectify the deficiencies identified in the Review report by 31 December 2013. The Shire is required to provide to the Authority an independent report on the actions taken to address the deficiencies in the Section 39 Notice by 31 January 2014.

The Authority has also decided to maintain the period of time until the next Review at 18 months. The next Review will cover the period from 1 June 2013 to 30 November 2014, with the report on the Review to be provided to the Authority by 28 February 2015.

Background to the Authority's decision

2011 Review

The Authority was dissatisfied with the standard of the Shire's asset management system disclosed in the previous 2011 Review, covering the 36 month period from 1 December 2008 to 30 November 2011. The Authority was of the view that the Shire did not have an effective asset management system in place for the provision of water services and for the undertaking, maintenance and operation of water services works.

The Authority decided to reduce the period of time until the next Review from 36 months to 18 months, which covered the period 1 December 2011 to 31 May 2013.

2013 Review

The Authority has considered the 2013 Review report and is of the view that the standard of asset management has not improved since the 2011 Review. The 2013 Review report rated 10 of the 12 asset management components as being deficient and made a total of 17 recommendations to rectify process deficiencies and a further three recommendations to address process improvements.

The Review report discloses several matters that are of concern to the Authority:

- the formal agreement between the Shire and the Water Corporation for the operations and maintenance of the sewage collection system expired in 2012;
- the current arrangements between the Shire and Water Corporation to maintain the sewage collection assets expires in December 2013;
- the auditor states that the project to prepare the Shire staff to take over the sewage collection assets is significantly behind schedule;
- the Shire has not yet put in place contractual arrangements to secure the necessary assistance to maintain the sewage collection system;
- the Shire's Asset Management Plan requires significant development to meet an acceptable standard; and
- identified issues with the efficacy of the Shire's financial planning for the sewerage assets, including a lack of documentation on the basis for setting future income and expenditures.

The Authority is of the opinion that the Shire needs to take urgent action to address the process deficiencies identified in the 2013 Review report, and to develop their asset management system so that it meets the minimum standards set out in the Authority's *Audit Guidelines: Electricity, Gas and Water Licences*.

The Authority notes that some of the actions in the Shire's post-review implementation plan that address process deficiencies are not due to be completed until 2014. Taking into consideration the pending termination of the Shire's agreement with Water Corporation, the Authority requires the completion date for these actions to be brought forward to 31 December 2013.

Section 39 Notice

The Authority has decided that the asset management deficiencies disclosed in the Review report constitute a contravention of section 36(1)(a) of the Act (asset management system) because it does not make adequate provision for the sewerage assets covered by the licence. The Section 39 Notice requires the Shire to rectify the asset management deficiencies by 31 December 2013. The Authority has requested the Shire provide a report prepared by an independent expert on the actions it has taken to rectify the asset management deficiencies by 31 January 2014.

For further information contact:

General Enquiries

Paul Reid
Assistant Director Monitoring
Ph: 08 6557 7900
Fax: 08 6557 7999

Media Enquiries

Richard Taylor
Riley Mathewson Public Relations
Ph: 61 8 9381 2144
Fax: 61 8 9381 3877

LYNDON ROWE
CHAIRMAN

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