



INFORMATION

Shire of Yilgarn

2011 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority today published the 2011 operational audit (**Audit**) and asset management system review (**Review**) report for the Shire of Yilgarn (**Shire**).

The Authority is not satisfied with the standard of asset management disclosed in the Review report and has decided to serve a notice under section 39(1) of the *Water Services Licensing Act 1995* (**Act**) (**Section 39 Notice**) requiring the Shire to take action to rectify the asset management system deficiencies by 28 February 2013.

Operational Audit

The Authority considers that the Shire is maintaining an adequate level of compliance with its licence conditions. Accordingly, the Authority has decided to maintain the period of time until the next Audit at 36 months. The next Audit will cover the period 1 December 2011 to 30 November 2014, with the report on the Audit to be provided to the Authority by 28 February 2015.

Asset Management Review

The 2011 Review report disclosed that the Shire has not completed any of the eight post-review implementation plan actions arising from the 2008 Review. Further, it appears that the effectiveness of the Shire's asset management – in terms of the number and serious nature of the issues disclosed in the 2011 Review – has deteriorated since the 2008 review. The Authority also notes that a number of outstanding Review actions can also be traced back to the 2005 Review.

Of particular concern to the Authority are the asset operations and maintenance issues disclosed in the Review, all of which present health and safety risks to the communities served by the sewerage scheme. The Authority notes that the Shire has now taken action to address a majority of the most serious issues identified by the Review, but this work is not yet completed. The Authority further notes that the Shire has contracted an engineer to assist with updating the Shire's Asset Management Plan to include the Marvel Loch assets. However, there are still a further 18 recommendations in the post-review recommendation plan that need to be addressed.

The Authority considers that the Shire needs to take immediate action to address the remaining recommendations in the post-review implementation plan. The Shire also needs to take urgent action to raise, and maintain, the standard of asset management for their wastewater assets.

Action by the Authority

After considering the Review report, the Authority is of the view that the Shire is contravening clause 17 of their licence (asset management system) because it does not have an effective asset management system in respect of the assets used in the provision of water services and for the undertaking, maintenance and operation of water services works. The Authority considers the contravention to be serious and has decided to serve a Section 39 Notice. The Section 39 Notice requires the Shire to rectify all of the deficiencies disclosed in the Review report by 28 February 2013. The effectiveness of the actions taken by the Shire to address the asset management deficiencies in the Section 39 Notice will be independently assessed by the 2013 Review.

The Authority has decided to reduce the period of time until the next Review from 36 months to 15 months. The next Review will cover the period from 1 December 2011 to 28 February 2013, with the report on the Review to be provided to the Authority by 31 May 2013.

A copy of the [Audit and Review report](#), the post-audit and post-review implementation plan and the [Section 39 Notice](#) are available on the Authority's website.

For further information contact:

General Enquiries

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

Media Enquiries

Des Riley
Riley Mathewson Public Relations
Ph: 0412 038 166
Fax: 61 8 9381 3877

LYNDON ROWE
CHAIRMAN

31 July 2012