



Notice

13 May 2014

Shire of Denmark

2013 Operational Audit and Asset Management System Review and the Notice served under section 39 of the *Water Services Licensing Act 1995*

The Authority has published the 2013 Operational Audit (**Audit**) and Asset Management System Review (**Review**) report, including the post-audit and post-review implementation plans, for the Shire of Denmark's (**Shire**) water services licence.

- [2013 Audit and Review Report](#)

Action by the Authority

The Authority has decided to close the notice pursuant to section 39(1) (failure to comply with licence) of the *Water Services Licensing Act 1995* (**Section 39 Notice**) that was issued to the Shire on 19 March 2013.

The Authority has also decided to increase the period of time until the next Audit and Review from 18 months to 24 months. The next Audit and Review will cover the period from 1 December 2013 to 30 November 2015, with the report on the Audit and Review to be provided to the Authority by 29 February 2016.

Background to the Authority's decision

Section 39 Notice

The Authority was concerned by the number of process deficiencies disclosed in the 2012 Review, in particular the outdated Asset Management Plan; the lack of monitoring of the condition of the assets; the lack of scheduling and documenting of maintenance work; the outdated risk management plan and contingency plan; and the lack of capital expenditure planning and budgeting for asset replacements or refurbishments.

The Authority decided to give the Shire a Section 39 Notice. The Section 39 Notice required the Shire to rectify the asset management deficiencies identified in the Section 39 Notice by 30 November 2013. In addition, the Authority decided to reduce the time until the next Audit and Review from 36 months to 18 months.

The 2013 Review report shows that the Shire has fully rectified the deficiencies in relation to five of the six asset management components in the Section 39 Notice, and mostly completed the actions required to address the deficiencies in relation to the sixth component (Asset Maintenance). The Authority is satisfied that the outstanding Asset Maintenance items are relatively minor process improvement items that will be adequately addressed by the Shire when it completes the actions in the post-review implementation plan.



Notice

2013 Audit and Review

The 2013 Audit related to the licence that was made under the Water Services Licensing Act 1995 (**1995 Act**). On 18 November 2013, the licensing provisions in the 1995 Act were replaced by the licensing provisions in the *Water Services Act 2012* (**2012 Act**). The Shire was issued with a new licence under the 2012 Act, effective from the date that the Act commenced on 18 November 2013.

In relation to the Audit, the auditor made four recommendations, all of which are considered to represent process improvement opportunities. Two of the recommendations relate to matters that are no longer required under the licence granted under the 2012 Act, but will, if implemented, improve the Shire's complaints handling processes and provide useful contact information for their customers.

In relation to the Review, the Authority is pleased with the progress that the Shire has made since the 2012 Review. The Shire has completed the majority of the recommendations arising from the 2012 Review, and has made substantial progress towards improving the documentation for their asset management system. The auditor has made 25 recommendations in respect of the 2013 Review, all except one of which are considered to be opportunities for improvement. A number of the recommendations in the 2013 Review involve further improvements to the Shire's asset management plan, asset operations and maintenance procedures and financial planning processes. The Shire's post-review implementation plan schedules the actions to address the recommendations to be completed by December 2014.

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