



Notice

21 May 2015

Shire of Jerramungup

2014 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the 2014 operational audit (**audit**) and asset management system review (**review**) report, and the post-audit and post-review implementation plan, for the Shire of Jerramungup's (**Shire**) water services licence WL19.

- [2014 Audit and Review Report](#)
- [2014 Post-Audit and Post-Review Implementation Plan](#)

Action by the ERA

The ERA is satisfied the Shire has demonstrated an adequate level of compliance with its licence conditions and has decided to maintain the period of time until the next audit at 36 months. The next audit will cover the period from 1 December 2014 to 30 November 2017, with the report on the audit to be provided to the ERA by 28 February 2018.

The ERA is satisfied that the majority of the Shire's asset management system is effective, but further work is needed in relation to the asset operations and maintenance issues identified in the review that are discussed later in this notice. The ERA has decided to defer its decision on the period of time until the next review until an updated post-review implementation plan has been provided in December 2015.

BACKGROUND

Audit

The audit report disclosed a total of 15 non-compliances.

The auditor has made seven recommendations with respect to the audit. Five recommendations address the 15 non-compliances, one recommendation addresses a process improvement, and one recommendation addresses 40 licence conditions that were not rated (because no relevant activity occurred during the audit period) but were found to have ineffective controls, resulting from a lack of written policies and procedures.

The ERA is satisfied that the audit recommendations address non-compliances that relate to minor administrative matters, or licence conditions with inadequate controls that had limited impact on customers.

The post-audit implementation plan provided by the Shire shows that the actions to address the recommendations are due for completion by 30 June 2016.



Notice

Review

The review report disclosed one ineffective asset management system component: asset operations. The ERA considers that, based on the findings disclosed in the review, the Shire's asset maintenance is also ineffective.

The ERA is particularly concerned with the operational issues identified by the review: that the chlorination system for the recycled water system did not have automatic shut off/interlocks and off-site alarms installed (to ensure the recycled wastewater is adequately disinfected when the disinfection system is operating); that there is no safety shower and eye wash station installed near the chlorination system (as required by the Australian standard¹); and the above ground pipes were not painted purple (as required by the relevant Australian standard²). Other, related issues, include a general lack of recycled water warning signs, and that the recycled water is not being regularly sampled.

In April 2014, the Department of Health performed an assessment of the recycled wastewater scheme against the *Guidelines for the Non-Potable Uses of Recycled Water in WA (Recycling Guidelines)*, and issued a Water Recycling Assessment Report (**Assessment Report**) to the Shire. The Assessment Report made 12 recommendations relating to various non-compliances with the Recycling Guidelines, which are in turn referenced in the review report. The auditor recommended that the Shire complete the maintenance issues identified in the Assessment Report. The auditor also recommended that the Shire complete the proposed feasibility study into only using storm water for irrigation and, if the decision is to continue using the recycled effluent scheme, prioritise the remaining recommendations in the Assessment Report.

The ERA is not satisfied with the Shire's proposal to complete the actions in the post-review implementation plan recommendations addressing the problems with the recycled water system by 30 June 2016; the ERA has requested that the Shire bring forward the completion date for these recommendations to 30 November 2015.

The review report states the lack of maintenance was, in part, due to the absence of a dedicated internal resource to take effective operational control of the day-to-day maintenance of the system. The auditor has recommended that the Shire consider engaging an external contractor to perform regular maintenance of the scheme and address the problems identified in the Assessment Report. The post-review implementation plan states that the Shire will address this issue by 31 March 2016; again, the ERA has requested that the Shire bring forward the completion date for this action to 30 November 2015.

The auditor has made four recommendations arising from the review, of which three recommendations address process deficiencies and one addresses a process improvement. The Shire is required to provide an updated post-review implementation plan to the ERA in December 2015. The ERA will consider the appropriate period of time until the next review once it has assessed the progress made by the Shire in rectifying the urgent asset operations and asset maintenance problems.

¹ Australian Standard AS 4775:2007.

² Australian Standard AS 3500.5:2003.



Notice

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