



Notice

24 June 2015

Shire of Yilgarn

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 Yilgarn's (**Shire**) water services licence WL30.

- [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 ERA is satisfied that the Shire has an effective asset management system, and has decided to increase the period of time until the next review from 21 months to 36 months.

The next audit and review will cover the period from 1 December 2014 to 30 November 2017, with the report on the audit and review to be provided to the ERA by 28 February 2018.

BACKGROUND

Audit

The audit report disclosed a total of 14 non-compliances.

The auditor has made eight recommendations with respect to the audit. Five recommendations address 10 of the 14 non-compliances, two recommendations address process improvements, and one recommendation addresses 44 licence conditions that were not rated for compliance (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.¹

A significant number of the non-compliant obligations, or obligations with ineffective controls, in this audit involve overlaps between other legislation applicable to local government water licensees and the *Water Services Act 2012* (including its subsidiary legislation) that appear to impose unnecessary regulatory burden on the licensees.

¹ The remaining four non-compliances were consequential to other non-compliances and did not require a separate recommendation.



Notice

The ERA notes that the Department of Water is currently conducting a review of local government water service licensing, the purpose of which is to identify ways the regulation of small local government water licensees could be simplified.

With regard to the *Water Services Code of Conduct (Customer Service Standards) 2013 (Code)*; if the ERA identifies any remaining instances of regulatory duplication, they will be put forward for consideration when the Code is next reviewed.

The post-audit implementation plan provided by the Shire shows that the actions to address the recommendations are due for completion by 31 July 2015.

Review

Of the 12 asset management components assessed by the Review, 10 components were rated A1 (highest rating), one component was rated A2 (opportunity for improvement), and one component was rated B2 (requires some improvement).

The auditor made two recommendations in the review, with one recommendation addressing a process improvement, and one recommendation addressing a process deficiency, which was resolved during the review period.

The post-review implementation plan prepared by the Shire shows the actions to address the auditor's recommendations are due for completion by 31 July 2015.

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