



# Notice

25 June 2015

## Shire of Goomalling

### 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 Goomalling's (**Shire**) water services licence WL18.

- [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 an effective asset management system.

The ERA has decided to retain the period of time until the next Audit and Review at 36 months. The next Audit and Review will cover the period from 1 December 2014 to 30 November 2017, with the reports on the Audit and Review to be provided to the ERA by 28 February 2018.

### BACKGROUND

#### Audit

The Audit report disclosed a total of 16 non-compliances, of which 12 non-compliances relate to various obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013 (Code of Conduct)*, and four non-compliances are consequential to the failure to comply with the Code of Conduct.<sup>1</sup>

The Authority considers the majority of the non-compliances with the Code of Conduct relate to relatively minor administrative issues that require the Shire to amend its complaints handling processes to fully comply with the Code of Conduct, develop processes to review bills at the request of its customers,<sup>2</sup> and make prescribed information available to customers. These administrative issues involve overlaps between other legislation applicable to local government water licensees and the Code of Conduct, that appear to impose an unnecessary regulatory burden on the licensees.

The ERA notes that the Department of Water is currently conducting a review of local government water

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<sup>1</sup> Sections 27 and 29 of the *Water Services Act 2012* require the licensee to comply with applicable legislation. The Shire's non-compliance with the Code of Conduct has resulted in a contravention of sections 27 and 29. Similarly, clauses 5.1 and 5.3 of the licence require the Shire to comply with applicable legislation.

<sup>2</sup> The Shire bills its customers for sewerage services through the rates; the *Local Government Act 1995* makes provision for customers to have their rates bill reviewed, and adjusted if required.



# Notice

service licensing, the purpose of which is to identify ways that the regulation of small local government water licensees could be simplified. If, after the Department of Water has concluded its review, there are still overlaps between the obligations under the Code of Conduct and other legislation, the ERA will refer them for consideration when the Code of Conduct is next reviewed.

The post-audit implementation plan provided by the Shire shows that the actions to address the recommendations are due to be completed by June 2017.

The post-audit implementation plan prepared by the Shire does not include actions to address five recommendations (A3/2015, A4/2015, A9/2015, A14/2015 and A15/2015). After considering this matter further, the ERA has decided to require the Shire to include actions to address four of the five recommendations when it provides an updated post-audit implementation plan in April 2016.<sup>3</sup>

## Review

The auditor has rated all 12 asset management components as effective (rated B2 or better), but a single sub-component with respect to Environmental Analysis was rated a process deficiency because the Shire has failed to comply with the Department of Health's report on the Shire's compliance with the *Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011* (**Recycled Water Guidelines**).

The auditor has made 18 recommendations in relation to the Review; one recommendation addresses the process deficiency, and 17 recommendations address process improvement opportunities.

The post-review implementation plan prepared by the Shire shows the actions to address the auditor's recommendations will be completed by June 2017.

There are five recommendations that have a completion date of June 2017; all of which require the Shire to update its asset management plan to align with the *Water Services Act 2012* and related subsidiary legislation, and the requirements of the Department of Health's Recycled Water Guidelines. Given the relative simplicity of the actions needed to address the recommendations, the ERA requires the Shire to bring forward the completion date for these actions to May 2016, to coincide with other updates to the asset management plan.

For further information contact:

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<sup>3</sup> The ERA is satisfied that recommendation A14/2015 is addressed by the Shire's Disability and Access Inclusion Plan.