



Notice

30 June 2015

Shire of Coolgardie

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 Coolgardie's (**Shire**) water services licence WL13.

- [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 12 months to 36 months.

The next audit and review will cover the period from 1 November 2014 to 30 October 2017, with the report on the audit and review to be provided to the ERA by 31 January 2018.

The ERA has decided to close the notice under section 39(1) (failure to comply with licence) of the *Water Services Licensing Act 1995* (**section 39 notice**) that was served on the Shire in March 2013.

BACKGROUND

Audit

The audit report disclosed a total of 18 non-compliances. The ERA's analysis of the auditor's observations with respect to the 18 non-compliances has led to five of the non-compliances being reclassified as compliant, leaving 13 non-compliances that require remedial action.

The auditor has made eight recommendations with respect to the audit. Six recommendations address 11 of the 13 non-compliances. The remaining two non-compliances did not require recommendations, as the non-compliance had been rectified by the time of the Audit, or the non-compliance was consequential to the other non-compliances.

Four recommendations address the obligations 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.

The ERA considers one recommendation to be redundant: clause 8 (Timeliness of Connection) of the *Water Services Code of Conduct (Customer Service Standards) 2013* (**Code of Conduct**) is an obligation



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applicable to water supply, and is therefore not applicable to the Shire.

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.

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. If, after the Department 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 is next reviewed.

The post-audit implementation plan provided by the Shire addresses all eight recommendations, and shows that the actions to address the recommendations are due to be completed by 30 November 2015.

Review

The auditor has rated 10 of the 12 asset management components as effective (rated B2 or better), the two components that received a rating of ineffective were Asset Disposal and Asset Maintenance. The auditor rated both of these components as ineffective because the Shire is not conducting regular assessments of asset condition and asset performance. Based on the review findings, the ERA is satisfied that the sewerage assets are meeting the required levels of service.

The auditor has made four recommendations in relation to the review. One recommendation addresses the two process deficiencies, while the remaining three recommendations are process improvements.

The post-review implementation plan prepared by the Shire shows that the actions to address the auditor's recommendations will be completed by 30 November 2015. The Shire has already commenced a program of asset inspections, and has committed to implementing a program of regular asset inspections within the next 12 months.

Section 39 Notice

The ERA served the section 39 notice on the Shire because the 2012 Review report disclosed a number of significant asset management deficiencies. The section 39 notice required the Shire to rectify the deficiencies by October 2013; the Shire's progress was assessed by the 2013 Review.

The 2013 Review report found that, while the Shire had made some progress, more work was needed to address the requirements of the section 39 notice. The ERA decided to keep the notice open and revisit the matter when the 2014 Review report was to hand.

After considering the 2014 Review report, the ERA is satisfied the Shire has made sufficient progress with the outstanding items from the 2013 review to warrant closing the section 39 notice.



Economic Regulation Authority

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