



Notice

24 July 2015

Shire of Dalwallinu

2014 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2014 performance audit (**Audit**) and asset management system review (**Review**) report, and the post-audit and post-review implementation plan, for the Shire of Dalwallinu's (**Shire**) water services licence WL14.

- [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, for the most part, an effective asset management system.

The ERA has decided to maintain 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 19 non-compliances, of which two occurred when the Shire's previous licence, made under the *Water Services Licensing Act 1995*¹ was in force and are no longer applicable. Of the remaining 17 non-compliances, 12 non-compliances relate to various obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013 (Code of Conduct)*, four non-compliance was triggered due to the non-compliances with the Code of Conduct, and one non-compliance occurred because the Shire submitted late annual reports to the ERA.

The ERA considers all of the non-compliances relate to relatively minor administrative issues: the Shire's complaints handling process did not fully comply with the Code of Conduct; the Shire did not have a process to review bills² at the request of a customer; and not all prescribed information was made available to customers. Some of 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 the Department of Water is currently conducting a review on local government water service

¹ This act was repealed and replaced by the *Water Services Act 2012* on 18 November 2013.

² 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.



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licensing: the purpose is to identify ways that the regulation of small local government water licensees could be simplified. With regard to the Code of Conduct; 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 all except one of the actions to address the auditor's recommendations are due to be completed by September 2015. Recommendation A3/2015 will not be fully addressed until September 2016.

Review

The auditor rated 11 out of 12 asset management components as effective (rated B2 or better). Risk Management was rated as a process deficiency (B3) because the Shire does not have a separate risk management plan, apart from the emergency plan and contingency plan for high risk items. The auditor stated that the Shire would benefit from developing a more formal risk matrix.

The auditor made 34 recommendations in the Review: two recommendations address the Risk Management component, and 32 recommendations address process improvements, including: bringing the asset management plan up to date with the licence made under the *Water Services Act 2012*; updating and resolving discrepancies in the financial information; strengthening compliance controls; and achieving overall good practice in asset management.

According to the Shire's post-review implementation plan, the actions to address the recommendations are due to be completed by 31 December 2016. The ERA is of the view that the Shire should update its asset management plan more promptly to avoid the issues identified in the review further deteriorating into process deficiencies. The ERA has requested the Shire to complete all of the actions in the post-review implementation plan by 30 June 2016.

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