



Notice

27 July 2015

Shire of Moora

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 Moora's (**Shire**) water services licence WL23.

- [2014 audit and review report](#)
- [2014 post-audit and post-review implementation plan](#)

Action by the Authority

The ERA is satisfied that 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 at 36 months, and has decided to increase the period of time until the next review to 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.

The ERA has decided to close the notice under section 39(1) (failure to comply with licence) of the *Water Services Licensing Act 1995* (**1995 Act**) (**Section 39 Notice**) that was served on the Shire on 10 September 2013.

BACKGROUND

Audit

The audit report disclosed a total of 23 non-compliances; four non-compliances relate to obligations which are no longer in force.¹ The remaining 19 non-compliances disclosed in the audit relate to:

- the *Water Services Code of Conduct (Customer Service Standards) 2013* (**Code of Conduct**) (11 non-compliances);
- failure to comply with section 82(4) and (5) of the *Water Services Act 2012* (**2012 Act**); and
- miscellaneous administrative issues, and consequential non-compliances.²

The ERA considers the majority of the non-compliances with the Code of Conduct relate to administrative issues that require the Shire to: amend its complaints handling processes to fully comply with the Code of

¹ The four obligations are no longer in force as they were in the previous version of the licence, made under the *Water Services Licensing Act 1995*, which was replaced by the licence made under the *Water Services Act 2012*.

² Clause 5.1 of the licence and section 29 of the 2012 Act require the Shire to comply with their duties under the applicable legislation, while clause 5.3 of the licence and section 27 of the 2012 Act require the Shire to comply with the Code of Conduct.



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Conduct, develop processes to review bills at the request of its customers,³ 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 the Department of Water is currently conducting a review of local government water service licensing: the purpose is to identify ways that 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 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 September 2015.

Review

The auditor has rated all 12 asset management components as effective (rated B2 or better), which is a significant improvement on the ratings in the previous review, conducted in 2013.

The auditor has made four recommendations in relation to the 2014 review; the ERA considers that all of these recommendations relate to process improvement opportunities.

The post-review implementation plan prepared by the Shire shows that the actions to address the auditor's recommendations have been completed.

Section 39 Notice and Independent Report

On 23 April 2013, the ERA served a Section 39 Notice on the Shire, in response to the 2013 review. The ERA maintained the Shire's review period at 18 months, and required the Shire to provide to the Authority by 31 January 2014 a report prepared by an independent expert (Independent Report) on the Shire's progress in addressing the asset management system (**AMS**) deficiencies in the Section 39 Notice.

The Independent Report provided to the ERA on 31 January 2014 found that of the 17 AMS deficiencies identified in the 2013 review: 11 deficiencies were resolved; two were mainly resolved; three were partly resolved and one deficiency was outstanding. In response to the Independent Report the Authority kept the Section 39 Notice open, with a view to revisiting the matter when the report on the 2014 review was available.

The 2014 review has found that the Shire has now fully addressed all of the recommendations from the 2013 review. Consequently, the ERA has decided to close the Section 39 Notice.

³ 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.



Economic Regulation Authority

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