



Notice

18 December 2015

Water Corporation

2015 OPERATIONAL AUDIT

The 2015 operational audit (**audit**) report, and the post-audit implementation plan, for Water Corporation's water services licence (WL32) have been published by the Economic Regulation Authority (**ERA**).

- [2015 Audit report](#)
- [Post-Audit Implementation Plan](#)

Action by the ERA

The ERA is satisfied that Water Corporation has demonstrated an adequate level of compliance with its licence conditions. The ERA has decided to retain the period of time until the next audit at 36 months. The next audit will cover the period from 1 July 2015 to 30 June 2018, with the report on the audit to be provided to the ERA by 30 September 2018.

BACKGROUND

2015 Audit Findings

The Audit covers two licences: the licence made under the *Water Services Licensing Act 1995* (**1995 Act**) and the licence made under the *Water Services Act 2012* (**2012 Act**).¹ The auditor assessed 232 obligations in total: 43 licence conditions that were in the licence made under the 1995 Act, and 189 licence obligations with respect to the licence made under the 2012 Act.

With regard to the 43 licence obligations made under the 1995 Act, one obligation was deemed to be not applicable to Water Corporation's operations, and five obligations were not rated because no relevant activity took place during the audit period. Of the remaining 37 obligations that were tested for compliance, 12 obligations were rated A1 (adequate controls, compliant), two obligations were rated A2 (adequate controls, minor non-compliance), and 23 obligations were rated NP/1 (control assessment not performed, compliant).

Of the 189 licence obligations related to the licence made under the 2012 Act that were assessed, seven obligations were deemed to be not applicable to Water Corporation's operations, and 10 obligations were not rated because no relevant activity took place during the audit period. Of the remaining 172 obligations that were tested for compliance, 137 obligations were rated NP/1 (control assessment not performed, compliant), 21 obligations were rated A1 (adequate controls, compliant), four obligations were rated A2 (adequate controls, minor non-compliance), three obligations were

¹ The licence made under the 1995 Act was in force until 17 November 2013, when it was replaced by the licence made under the 2012 Act.

rated B1 (some improvement to controls needed, compliant) and seven obligations were rated B2 (some improvement to controls needed, minor non-compliance).²

Both non-compliances in relation to the licence made under the 1995 Act, and four non-compliances in relation to the licence made under the 2012 Act were rectified by the time the audit was performed, which left seven non-compliances (all in relation to the 2012 Act) unresolved.

The seven outstanding non-compliances relate to:

- Water Corporation incorrectly published a 'customer friendly' version of the customer hardship policy on its website instead of the version approved by the ERA (two non-compliances).
- Failing to provide evidence that notice, of at least 48 hours, was given to the relevant public authority before undertaking works that breaks the surface of a road.
- Four non-compliances that are a consequence of the three non-compliances described above.³

The post-audit implementation plan prepared by Water Corporation states the non-compliances will be rectified by 30 June 2016.

The ERA's response to the Audit

This is the first time that Water Corporation has been audited against the 2012 Act and the related subsidiary legislation. The ERA considers that, given the large number of new obligations to which Water Corporation must now comply, the audit has identified relatively few non-compliances. Also, the audit evidence suggests that Water Corporation has identified and resolved a number of non-compliances in relation to the licence made under the 2012 Act during the audit period.

After considering the audit evidence, and the nature and impact of the reported non-compliances, the ERA has decided that it is appropriate to retain a three year interval until the next audit of Water Corporation's licence.

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² The Compliance Summary Table (section 1.4) in the Audit report incorrectly rates obligation 2014 #31 as non-compliant and obligation 2014 #180 as compliant.

³ Sections 27 and 29 of the 2012 Act require Water Corporation to comply with applicable legislation. Water Corporation's non-compliance with the *Water Services Code of Conduct (Customer Service Standards) 2013* and the *Water Services Regulations 2013* has resulted in a contravention of sections 27 and 29 of the 2012 Act, as well as clauses 5.1 and 5.3 of the licence.