



Notice

14 March 2016

Shire of Denmark

2015 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published a report on the 2015 performance audit (**audit**) and asset management system review (**review**), and the post-audit and post-review implementation plan, for the Shire of Denmark's (**Shire**) water services licence WL39.

- [2015 Audit and Review report](#)
- [2015 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 increase the period of time until the next audit and review from 24 months to 36 months. The next audit and review will cover the period from 1 December 2015 to 30 November 2018, with the report on the audit and review to be provided to the ERA by 28 February 2019.

BACKGROUND

Audit

The audit report disclosed a total of four non-compliances: three non-compliances related to obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013*, and one non-compliance was caused by the late provision of information to the ERA. The ERA considers all the non-compliances disclosed in the audit relate to relatively minor administrative issues.

The post-audit implementation plan provided by the Shire shows that the actions to address the recommendations are due to be completed by 30 June 2016.

Review

The auditor has rated all 12 asset management components as effective (rated B2 or better). In general, the Shire's asset management system appears to be adequate for the Shire's non-potable water supply scheme. The auditor's recommendations mostly address relatively minor administrative issues in relation to updating AMP documentation.

The review identified three issues: there was uncertainty around whether the Shire is complying with the applicable legislation in relation to the storage of dangerous goods in the transfer pump; the storage lagoon



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was accessible by outsiders due to the gap between the gate and the fencing;¹ and the testing of contingency plans is not being undertaken. The Shire's failure to undertake contingency plan testing has been identified by a number of consecutive reviews. The ERA is of the view that ensuring the currency and efficiency of the contingency plans is a necessary part of prudent asset management, and requires the Shire to complete a test of the plans by June 2016.

Other action by the ERA

The ERA will monitor the Shire's progress towards completing the actions in its post-audit and post-review implementation plan with the first follow up scheduled for August 2016.

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¹ The Shire addressed the matter of unauthorised access in December 2015.