



Notice

10 June 2016

City of Kalgoorlie-Boulder

DECISION ON THE TIMING OF THE NEXT OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) published a notice on 17 June 2015, stating it had deferred its decision on the period of time to be covered by the next operational audit (**Audit**) and asset management system review (**Review**) of the City of Kalgoorlie-Boulder's (CKB) water services licence WL4.

That notice stated the decision on the period of time until the next Audit and Review would be made after CKB provided an updated post-audit and post-review implementation plan in May 2016.

CKB provided the updated post-audit and post-review implementation plan to the ERA on 5 May 2016.

Action by the ERA

The ERA has decided to maintain the period of time until the next Audit and Review at 24 months. The next Audit and Review will cover the period from 1 January 2015 to 31 December 2016, with the report on the Audit and Review to be provided to the ERA by 31 March 2017.

Regarding the updated post-audit implementation plan, the ERA is satisfied that CKB has made adequate progress in addressing the recommendations related to the 2014 Audit.

Regarding the updated post-review implementation plan, the ERA acknowledges CKB's progress with addressing the asset management deficiencies related to its sewerage scheme. However, the ERA is concerned with CKB's lack of progress in rectifying the deficiencies with its asset management system (**AMS**) for the non-potable (recycled) water scheme.

BACKGROUND

Updated Post-Audit Implementation Plan

Of the 75 recommendations¹ in the post-audit implementation plan: 65 recommendations have been fully addressed, three were partially addressed and seven are outstanding. Of the 10 partially addressed and outstanding recommendations, only one recommendation addresses a non-compliant licence obligation.

The ERA is satisfied that CKB has made adequate progress in addressing the recommendations in the 2014 Audit.

¹ 73 recommendations were from the 2014 Audit, and two recommendations were carried forward from the 2012 Audit.



Notice

Updated Post-Review Implementation Plan

Of the 36 recommendations² in the post-review implementation plan: 28 recommendations have been fully addressed, three were partially addressed and five are outstanding. Of the eight partially addressed and outstanding recommendations, the ERA considers that five recommendations address AMS deficiencies.³

ERA's response to the updated post-review implementation plan

The ERA acknowledges CKB's progress in addressing the asset management deficiencies that relate to its sewerage scheme. However, the ERA is concerned with CKB's progress in rectifying the deficiencies related to the recycled water scheme, almost all of which remain outstanding. The 2014 Review found the recycled water scheme assets are not included in the AMS used for the sewerage scheme. Further, there was no evidence pointing to the existence of any other AMS for the recycled water assets.

Despite the lack of an AMS for the recycled water scheme, the 2014 Review found the scheme is operating satisfactorily. However, the lack of an AMS puts at risk the long-term performance and viability of the scheme.

The ERA has informed CKB that it is expected to either incorporate the recycled water assets into the existing AMS, or provide evidence that it has a separate AMS for the assets that complies with the ERA's requirements,⁴ by the time the next Review is conducted.

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² 22 recommendations were from the 2014 Review, and 14 recommendations were carried forward from the 2012 Review.

³ These recommendations include 4/2015, 15/2015, 18/2015, 2011/12 Asset Planning, and 2011/12 Asset Operations.

⁴ The requirements are specified in the ERA's *Audit and Review Guidelines: Water Licences*.