



Notice

23 June 2017

City of Kalgoorlie-Boulder

2016 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the 2016 operational audit and asset management system review [report and the post-audit and post-review implementation plan](#) for City of Kalgoorlie-Boulder's water services licence.

Action by the ERA

The ERA considers that the City has an effective asset management system, with the exception of contingency planning and the recycled water scheme, but needs to improve compliance with its licence. The ERA has decided to maintain the audit and review period at 24 months.

The next audit and review will cover the period 1 January 2017 to 31 December 2018, with the report due by 31 March 2019.

The ERA will monitor progress with its post-audit and post-review implementation plan, by receiving regular updates from the City.

BACKGROUND

Operational Audit

The auditor assessed 147 obligations, of which seven obligations were not assessed for either compliance or adequacy of controls.

The auditor assessed 69 obligations for compliance and adequacy of controls, and 71 obligations for adequacy of controls only.

The audit identified 20 non-compliances and 45 opportunities for controls improvements.¹ The City had resolved three of the 20 non-compliances during the audit period.² The 17 remaining non-compliances comprise 10 unresolved non-compliances from the previous audit³ and seven non-compliances from this audit.

The non-compliances cover obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013* (Code), and other administrative issues. A large number of the non-compliances with the Code are customer billing obligations.

The ERA considers the auditor's conservative approach to the audit has resulted in an excessive number of non-compliances and controls deficiencies in this audit. However, the ERA considers that, while the City has improved its compliance with the licence since the previous audit, there is scope for further compliance improvements.

The ERA considers the non-compliances with the Code identified in the audit are not adversely affecting the protections afforded to the City's sewerage customers.

¹ Twenty nine of the controls improvements were carried forward from the previous audit

² Obligations 42, 73 and 162.

³ Obligations that were rated non-compliant in both audits.

Audit recommendations and post-audit implementation plan

The post-audit implementation plan includes 34 recommendations. Seventeen recommendations address non-compliances, and 20 recommendations address controls improvement opportunities.⁴

The plan states that the City will address the recommendations by June 2018.

Asset Management System Review

The auditor assessed 12 asset management components, four received the highest rating, three were rated as requiring process and policy improvements, four were rated as requiring process, policy and performance improvements and one (contingency planning) was rated as having process and policy deficiencies.

The auditor rated contingency planning as ineffective (for process and policy) because the City had not tested its existing contingency plans.

The review also found the City has still not implemented an adequate asset management system for the recycled water assets, an issue that was also in the previous two reviews.

Review recommendations and post-review implementation plan

The auditor made 14 recommendations in the review, one recommendation addresses the contingency planning deficiencies, and the other 13 recommendations are improvement opportunities.

The post-review implementation plan also includes 18 unresolved recommendations carried forward from the previous review.

The City's responses to the two recommendations⁵ covering the implementation of an asset management system for the recycled water scheme are not clear. The ERA has requested the City confirm the approach it intends to adopt when it provides an updated post-review implementation plan later this year.

The plan states that the City will complete the recommendations by June 2018.

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⁴ There are three recommendations (3/2015, 39/2015 and 46/2015) that address a mixture of non-compliances and controls improvements.

⁵ Recommendation 2/2017 discusses developing a single asset management plan for all the City's assets, while recommendation 11/2017 discusses enhancing the current documentation to meet the required standard.