



Notice

4 September 2018

Moama Lifestyle Villages Pty Ltd

2017 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the 2017 [operational and asset management system review report](#) and [post-audit and post-review implementation plan](#) for Moama Lifestyle Villages Pty Ltd's water services licence WL40.

ERA's response to the audit and review

Audit

Moama has demonstrated an adequate level of compliance with the licence. The ERA has decided that the period covered by the next audit will remain at 36 months. The next audit will cover the period 1 October 2017 to 30 September 2020, with the report due to the ERA by 31 December 2020.

Review

There has been a deterioration in ratings for 11 of the 12 asset management components since the last review in 2014. Both the 2014 and 2017 review findings show that the main problem with Moama's asset management system is inadequate and out of date documentation.

The ERA has decided that the period covered by the next review will remain at 24 months.¹ The next review will cover the period 1 October 2017 to 30 September 2019, with the report due to the ERA by 31 December 2019.

Background to the ERA's decision

Audit findings

The auditor assessed 82 licence obligations applicable to Moama's water licence. The audit found nine non-compliances. The obligations found by the auditor to be non-compliant were:

- Two obligations for the provision, operation and maintenance of water service works covered by the licence were due to the asset management deficiencies found in the review.
- One obligation requiring the licensee's customer charter document to contain information about the provision of services for customers.
- Two obligations requiring the licensee's complaints procedures to contain all the information required under clause 35(4) of the *Water Services Code of Conduct (Customer Service Standards) 2013*, and to be publicly available.

¹ The period covered by the 2017 review was increased to 36 months to give Moama time to replace its wastewater treatment plant.

- One obligation requiring the licensee to provide on request and at no charge: assistance to customers with a hearing or speech impairment, interpreter services, or large print versions of publically available documents.
- Two obligations requiring the licensee to provide reporting information to the ERA within prescribed timeframes.
- One obligation requiring the licensee to report to the ERA if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect its ability to meet its obligations (Clause 3.7.1(b) of the licence).

Compliance with Clause 3.7.1(b) of the licence

Clause 3.7.1(b) of Moama's licence requires Moama to report to the ERA if it is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect its ability to meet its obligations. The auditor rated this licence clause non-compliant, with no controls evident (D4).

Moama is a subsidiary of the National Lifestyle Village (NLV) group. The rating of non-compliant was due to the NLV's financial reports including a "material uncertainty related to going concern" item for 2013/14 and 2014/15. The ERA does not agree with the auditor's rating, because the NLV group and Moama have been able to continue trading throughout the audit period.

The ERA also does not agree with Moama's claim that the financial issues found in the audit are not relevant to Moama, because it is a separate entity to the NLV group. The Moama licence application stated it is a wholly owned subsidiary of the NLV group so the financial status of NLV has a direct bearing on Moama.

The auditor asked Moama to provide the audited financial statements for the NLV group for the whole period covered by the audit. Moama did not comply, and only provided the NLV group financial auditor's audit statement for the 2015/16 financial year. Moama also asked the ERA to have the auditor's comments on this matter removed from the report.

The ERA is concerned that Moama did not provide the requested financial statements that the auditor deemed necessary to assess compliance with clause 3.7.1(b) of the licence. This is not acceptable, and the ERA expects Moama to comply with an auditor's reasonable information requests in future audits.

Moama should also ensure that its compliance framework reflects its obligation to notify the ERA of any circumstance that might materially affect its ability to provide services under the licence.

Audit recommendations and post-audit implementation plan

The auditor made six recommendations to address the non-compliances and 26 licence obligations that require controls improvements.

The post-audit implementation plan states that Moama will address the outstanding recommendations by December 2018.

Review ratings

The ERA's *Audit and Review Guidelines: Water Licences*² prescribes 12 asset management components. The auditor rated all 12 components as deficient.

Both the 2014 and 2017 review findings show that the main problem with Moama's asset management system is inadequate and out of date documentation. These deficiencies stem from Moama failing to update its asset management plan since the original version was prepared as part of Moama's application for the water licence in 2009.

The ERA considers management has not paid enough attention to complying with the requirements and obligations of its licence since it was first granted. Moama should take steps to ensure that in future there is adequate management oversight of the services provided under the licence.

Failure to replace wastewater treatment plant

In July 2016, Moama contacted the ERA seeking an increase to the period covered by the review to allow it time to replace its wastewater treatment plant, which was to be completed by January 2017. The review report states that Moama did not replace the plant, but instead embarked on a project to connect to the Water Corporation sewerage system. Moama did not inform the ERA that it had changed its plan to replace the plant.

The ERA has informed Moama that it is unacceptable for Moama to not inform the ERA of its decision not to replace the wastewater treatment plant. Moama must not withhold important information relevant to its licence from the ERA.

Review recommendations and post-review implementation plan

The auditor made 12 recommendations to address the deficiencies in all 12 components of Moama's asset management system.

The post-review implementation plan states that Moama will address all the recommendations by 1 December 2018. The ERA requires Moama to confirm it has fully addressed the recommendations in the plan by not later than 7 December 2018. The confirmation should include full details of the actions that have been taken to address each recommendation.

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² A copy of the Guidelines is available on the ERA's website <https://www.erawa.com.au/water1/water-licensing/regulatory-guidelines>