



Notice

4 October 2018

Aquasol Pty Ltd

2018 operational audit and asset management system review

The Economic Regulation Authority has published the 2018 operational audit and asset management system review [report](#) for Aquasol Pty Ltd's water services licence WL42.

In 2013, Aquasol was engaged by the developer of the Lancelin South land development to provide potable and non-potable water supply and sewerage services. In 2017, the developer established Lancelin South Pty Ltd and applied to the ERA for a licence, to replace Aquasol as the licenced water services provider for the development. WL47 was granted to Lancelin South on 10 March 2017.

In March 2018, Aquasol notified the ERA that the supply of water services to the development had been transferred to Lancelin South. Aquasol's licence was [amended](#) on 23 April 2018 to remove the development.

On 25 January 2018, Aquasol's licence was [amended](#) to include a new operating area for the provision of sewerage and non-potable water services to the Fairways Retirement Village in Gngara. Construction of the village had not commenced when the audit and review were conducted.

The ERA's assessment of the audit and review findings is based on Aquasol's performance over the time that the Lancelin South development was included in the licence.

ERA's response to the audit and review

The ERA considers that Aquasol had achieved an adequate level of compliance with the licence. The ERA has decided to retain the period covered by the next audit at 36 months.

Overall, Aquasol has an adequate asset management system, but the review found its asset management information system (AMIS) and contingency planning processes need remedial action. Considering that Aquasol is no longer responsible for the South Lancelin development, the ERA has decided to retain the period covered by the next review at 36 months.

The next audit and review will cover 1 February 2018 to 31 January 2021, with the report due by 31 May 2021.

Background to the ERA's decision

Audit ratings

The auditor determined that there were 175 licence obligations applicable to Aquasol's licence:

- 19 were rated A1 (adequate controls, compliant).
- Three were rated A2 (adequate controls, non-compliant with minor impact).
- One was rated A3 (adequate controls, non-compliant with moderate impact).
- 21 were rated D1 (no controls evident, compliant).
- Five were rated D2 (no controls evident, non-compliant with minor impact).
- Seven were rated D3 (no controls evident, non-compliant with moderate impact).
- 114 were rated A/NR or D/NR or NP/NR (adequate controls or no controls evident or not performed, not rated for compliance due to lack of relevant activity).
- Four were rated NP/1 (not performed, compliant).
- One was rated NP/2 (not performed, non-compliant with minor impact).

There were 17 non-compliances identified in the audit: nine non-compliances were obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013*, four non-compliances were obligations under the *Water Services Regulations 2013* and four were non-compliances with the water licence.

Audit recommendations

The auditor made 18 recommendations, 10 of which address non-compliances and eight address control deficiencies and control improvements.

Because Aquasol is no longer responsible for the Lancelin South development, the ERA did not request a post-audit implementation plan from Aquasol.

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's *Audit and Review Guidelines: Water Licences* found:

- Two components were rated A1 (documentation adequately defined, performing effectively).
- One component was rated A2 (documentation adequately defined, performance requires some improvement).
- Two components were rated B1 (documentation requires some improvement, performing effectively).
- Five components were rated B2 (documentation and performance require some improvement).
- One component was rated B4 (documentation requires some improvement, performance requires serious action).
- One component was rated D4 (documentation is inadequate and performance requires significant action).

The contingency planning and AMIS components were rated as deficient.

Review recommendations

The auditor made nine recommendations, two recommendations address process and performance deficiencies and seven recommendations address improvements to documentation and/or performance.

Because Aquasol is no longer responsible for the Lancelin South development, the ERA did not request a post-review implementation plan from Aquasol.

ERA's assessment of the audit and review findings

Audit

The majority of the non-compliances identified by the auditor are minor administrative issues that are unlikely to affect most customers. The issues include Aquasol not providing prescribed information in its documentation as required under Acts, Regulations and/or Codes and not making certain information prescribed in the Code¹ publicly available. Aquasol needs to ensure it provides customers with the information they are entitled to about the services it provides under its current licence.

The ERA considers that the auditor has taken a conservative approach to its audit of the controls ratings. Some of the obligations that were rated as having inadequate controls were because the auditor could not find specific reference to the relevant regulatory instrument or text that explicitly addressed the requirements of the obligations in the documentation reviewed.

The ERA agrees with the auditor's recommendation 1/2018, that Aquasol implement a compliance register to record all its applicable legislative obligations under the *Water Services Act 2012* and its subsidiary legislation, otherwise Aquasol may inadvertently contravene its licence. The ERA has asked Aquasol to take note of recommendation 1/2018 when it develops a compliance register for the sewerage and non-potable water service for the Fairways Retirement Village.

Review

The auditor rated 10 of the 12 asset management components as effective (rated B2 or better). Significant improvements are needed to the contingency planning and the AMIS components of the asset management system.

Although the review has found there are still some material asset management issues that need to be addressed, the ERA considers that they are no longer relevant to Aquasol's licence, after it was amended to remove the Lancelin South development. However, Aquasol should take note of the auditor's recommendations covering contingency planning and the AMIS when it develops its asset management system for the Fairways Retirement Village sewerage and non-potable water service.

Transfer of the Lancelin South development to Lancelin South

The ERA understands that the transfer of control for the Lancelin South development from Aquasol to Lancelin South included giving copies of Aquasol's processes, documentation and data to Lancelin South. Consequently, the ERA considers it probable that the auditor's recommendations in the audit and review will apply to Lancelin South.

¹ *Water Services Code of Conduct (Customer Service Standards) 2013.*

The ERA has written to Lancelin South, to make it aware of the audit and review recommendations in the Aquasol report, and to request that it implement any of the recommendations that apply to its operations in the Lancelin South development.

Further information

General enquiries

Alex Kroon
Ph: 08 6557 7989
usr@erawa.com.au

Media enquiries

Natalie Warnock
Ph: 08 6557 7933 | Mob: 0428 859 826
communications@erawa.com.au