



# Notice

9 July 2019

## City of Kalgoorlie-Boulder

### 2018 Operational audit and asset management system review

The Economic Regulation Authority has published the [2018 operational audit and asset management system review report](#) and the [post-audit and post-review implementation plan](#) for the City of Kalgoorlie-Boulder's water services licence WL4.

Kalgoorlie-Boulder is located about 600 kilometres east of Perth, with a population of almost 30,000 people. The City has a water services licence to provide sewerage services to approximately 13,000 connected properties, and non-potable water services to irrigate parks, ovals and lawns.

#### *The ERA's decision*

The ERA considers that the City has achieved an adequate level of compliance with its licence and has an effective asset management system, except for asset planning and the recycled water system.

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 2019 to 31 December 2020, with the report due by 31 March 2021.

#### *Background to the ERA's decision*

#### *Audit findings*

The auditor assessed 159 licence obligations applicable to the City's licence and found:

- 62 were rated A1 (adequate controls, compliant).
- Nine were rated B2 (generally adequate controls, minor non-compliance).
- One was rated D1 (no controls evident, compliant).
- Three were rated D/NR (no controls evident, no relevant activity took place during the audit period).
- 70 were rated NP/NR (no relevant activity took place during the audit period).
- 14 were rated NP/NA (not applicable).

The nine non-compliances were mainly with the *Water Services Code of Conduct (Customer Services Standards) 2018*:

- The City's bills (rates notices) did not include all the information required by clause 13(6) of the Code.
- The City did not have a written procedure for reviewing bills, contravening clause 20 of the Code.
- The City did not provide customers in financial hardship with all the written information specified by clause 30(4)(c) of the Code.
- The City did not make publicly available information about interpreter services and large-print versions of documents.

The four controls deficiencies covered:

- The City not having procedures to report to the ERA when the City operates outside its operating area and makes changes to its asset management system.
- The City's complaints handling policy not including water services complaints
- The City not keeping records of the instances where it advises customers that they have the right to apply to the Water Ombudsman for a review of their complaint.<sup>1</sup>

### ***Audit recommendations***

The auditor made 20 recommendations, seven of which address non-compliances and controls deficiencies. The 13 remaining recommendations are improvement opportunities for the City.<sup>2</sup>

The post-audit implementation plan states that the City will address the audit recommendations between now and March 2020.<sup>3</sup>

### ***Review ratings***

The assessment of the 12 asset management components prescribed in the ERA's [2014 Audit and Review Guidelines: Water Licences](#) found:

- Three components were rated A1 (documentation adequately defined; performing effectively).
- Three components were rated B1 (documentation requires some improvement; performing effectively).
- Five components were rated B2 (documentation requires some improvement; performance requires some improvement).
- One component was rated C2 (documentation requires substantial improvement; performance requires some improvement).

The auditor found that the effectiveness of the City's asset management system has deteriorated for asset planning, asset creation/acquisition and financial planning, with asset

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<sup>1</sup> When a licensee considers that a customer's complaint has been resolved it must advise the customer and inform the customer that they have the right to apply to the Water Ombudsman for a review of the complaint.

<sup>2</sup> There are only seven recommendations for a total of 13 non-compliances and controls deficiencies, because some recommendations address multiple non-compliances and three controls deficiencies are covered by an unresolved recommendation carried forward from the 2014 and 2016 audits.

<sup>3</sup> Under section 11.9 of the [2014 Audit and Review Guidelines: Water Licences](#), a licensee is only required to provide a post-audit implementation plan for licence obligations that have been rated 2, 3, 4, C or D. The City has elected to include all the auditor's recommendations in the plan.

planning rated deficient. However, it has improved in asset operations, asset management information system and contingency planning.

The ineffective rating for asset planning is due to inadequacies in the asset management plan.

### ***Review recommendations***

The auditor made 10 recommendations, five of which address the asset planning deficiencies. The five remaining recommendations are improvement opportunities covering asset acquisition, asset operations, asset maintenance, risk management and financial planning.

The post-review implementation plan states that the City will address the review recommendations between now and March 2020.<sup>4</sup>

### ***The ERA's assessment of the audit and review findings***

#### ***Audit***

The City continues to report non-compliances against its customer service obligations under the Water Services Code. However, the City's overall compliance with its licence has improved since the 2016 audit. The City reported fewer non-compliances and it resolved most of the outstanding recommendations from previous audits.

While the City's compliance with its licence has improved, there is scope for further improvement. It still has four unresolved recommendations from the 2014 and 2016 audits, and its complaints handling procedure needs to be updated.

#### ***Review***

The review found the City has still not implemented an appropriate asset management system for its recycled (non-potable) water assets, an issue carried forward from three previous reviews. While the evidence suggests that the recycled water system is performing effectively, the lack of an asset management plan puts at risk the long-term performance and viability of the system.

The review also identified deficiencies with the operation of the City's wastewater treatment plant. The City recognises the plant requires substantial renewal and upgrade works. These works are part of the City's planned capital works program over the next five years, which includes both its sewerage and recycled water assets.

The ERA considers addressing the inadequacies of its asset management plan to be a priority for the City, as it will address many of the recommendations in the post-review implementation plan from the 2018 review and the unresolved recommendations from previous reviews. A complete and up-to-date asset management plan is also important, considering the City's proposed capital works program.

The ERA will seek regular updates from the City on completing the actions in its post-audit and post-review implementation plan.

### ***Further information***

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<sup>4</sup> Under section 11.9 of the [2014 Audit and Review Guidelines: Water Licences](#), a licensee is only required to provide a post-review implementation plan for asset management process deficiencies rated 3, 4, C or D. The City has elected to include all the auditor's recommendations in its plan.

General enquiries

Paul Reid

Ph: 08 6557 7976

[licensing@erawa.com.au](mailto:licensing@erawa.com.au)

Media enquiries

Natalie Warnock

Ph: 08 6557 7933 | Mob: 0428 859 826

[media@erawa.com.au](mailto:media@erawa.com.au)