



# Notice

9 October 2019

## Lancelin South Pty Ltd

### 2019 operational audit and asset management system review

The Economic Regulation Authority has published the 2019 operational audit and asset management system review [report](#), and [post-audit and post-review implementation plan](#), for Lancelin South Pty Ltd's water services licence WL47.

Lancelin South provides potable and non-potable water supply and sewerage services to a small number of customers in a residential development located two kilometres south of Lancelin, in the Shire of Gingin.

In October 2017, Lancelin South took over providing the sewerage and water services to the development from Aquasol Pty Ltd.

#### *ERA's response to the audit and review*

Lancelin South has failed to implement an effective framework to manage compliance with its licence obligations. The audit found that Lancelin South had no controls evident for many of the obligations that were assessed and failed to comply with just over half of the obligations that were rated for compliance.

The review found that Lancelin South did not have an adequate asset management system, with most of the asset management components rated deficient.

The ERA has decided to retain the period covered by the next audit and review at 24 months. This is the minimum period permitted under the *Water Services Act 2012*. The next audit and review will cover the period 1 April 2019 to 31 March 2021, with the report due by 31 July 2021.

The ERA is concerned by the non-compliances and deficiencies found in the audit and review and has asked Lancelin South to take urgent action to rectify them. Lancelin South's post-audit and post-review implementation plan states that the recommendations will be addressed by 29 November 2019.

If Lancelin South fails to act on the recommendations to address the non-compliances and controls deficiencies by 29 November 2019, the ERA will consider taking compliance enforcement action against Lancelin South under section 31 of the *Water Services Act 2012*.

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

### **Audit ratings**

The auditor found a total of 35 non-compliances and 111 controls deficiencies with the 190 licence obligations applicable to Lancelin South's licence.<sup>1</sup>

### **Audit recommendations**

The auditor made 24 recommendations: 13 recommendations address 33 non-compliances and the remaining 11 recommendations address controls deficiencies.

The post-audit implementation plan prepared by Lancelin South states that the recommendations will be addressed between now and 29 November 2019.

### **Review ratings**

The assessment of the 12 asset management components found:<sup>2</sup>

- Four components were rated B2 (processes and policy require improvement, performance requires some improvement).
- Three components were rated C2 (processes and policy require substantial improvement, performance requires some improvement).
- Four components were rated C3 (processes and policies require substantial improvement, corrective action required).
- One component was rated D4 (processes and policies are inadequate, serious action required).

### **Review recommendations**

The auditor made 12 recommendations: eight recommendations address process and performance deficiencies and four recommendations address improvements to documentation and/or performance.

The post-review implementation plan prepared by Lancelin South states that the recommendations will be addressed between now and 29 November 2019.

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

### **Audit**

Water and sewerage services provided to customers were not affected by the non-compliances and lack of controls, but the audit found some non-compliances directly affected customers' ability to access important information that they are entitled to. Examples include missing information on bills, leak allowance policies, procedures to be followed before restricting a water supply and providing a 24-hour information line where customers can report emergencies and faults or enquire about service interruptions.

### **Review**

Despite the inadequacy of the asset management system, the review found that Lancelin South has delivered a high standard of water services in compliance with the quality and

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<sup>1</sup> Twenty-five of the obligations rated non-compliant also had controls deficiencies.

<sup>2</sup> The asset management components are in the ERA's *Audit and Review Guidelines: Water Licences*.

delivery criteria of its licence. However, if the current situation continues unchecked then the risk of asset failure or a degradation in the levels of service provided to customers will increase.

Lancelin South needs to urgently review and update its asset management documentation to meet the minimum requirements of the ERA's audit and review guidelines.

The ERA will ensure Lancelin South maintains its focus on addressing the audit and review recommendations by closely monitoring progress with the post-audit and post-review implementation plan.

### **Further information**

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