



Notice

22 June 2021

Shire of Lake Grace

2020 operational audit

The Economic Regulation Authority has published the 2020 [operational audit report](#) and [post-audit implementation plan](#) for the Shire of Lake Grace's water services licence WL22.

WL22 authorises the Shire to provide non-potable water supply services and sewerage services in the town of Lake Grace, located approximately 350 kilometres south-east of Perth.

The ERA's decision

The ERA has decided to maintain the audit period at 36 months. The next audit will cover the period 1 December 2020 to 30 November 2023, with the report due by 28 February 2024.

Background to the ERA's decision

Audit ratings

The auditor assessed 199 licence obligations applicable to the Shire's licence and found:

- 31 were rated A1 (adequate controls, compliant)
- 2 were rated A2 (adequate controls, non-compliant with minor impact)
- 2 were rated A3 (adequate controls, non-compliant with moderate impact)
- 71 were rated ANR (adequate controls, no activity took place)
- 1 was rated B1 (generally adequate controls, compliant)
- 3 were rated B2 (generally adequate controls, non-compliant with minor impact)
- 3 were rated BNR (generally adequate controls, no activity took place)
- 19 were rated D1 (No controls evident, compliant)
- 8 were rated D2 (No controls evident, non-compliant with minor impact)
- 18 were rated DNR (No controls evident, no activity took place)
- 2 were rated NP2 (Control rating not required, non-compliant with minor impact)
- 28 were rated NPNR (Control rating not required, no activity took place)
- 11 were rated NANA (Obligation identified as not applicable)

The audit identified 17 non-compliances. By the end of the audit period, five of the non-compliances were no longer applicable to the Shire's licence and seven of the non-compliances had been resolved.¹ This left five non-compliances that required remedial action.

The audit also found 45 controls deficiencies, most of which were the result of the auditor assessing the controls for obligations that were rated compliant or could not be rated due to no relevant activity taking place during the audit period.²

Audit recommendations

The auditor made five recommendations to address five non-compliances and one recommendation to address 45 controls deficiencies identified in the audit.

The post-audit implementation plan states that the Shire of Lake Grace will address the audit recommendations between now and 31 August 2021, except for one recommendation identified as ongoing.³

The ERA's assessment of the audit findings

Audit

The ERA considers that the Shire has demonstrated an adequate level of compliance with its licence. Analysis of the 17 non-compliances shows that only five non-compliances require remedial action. All five non-compliances are relatively minor issues that did not directly affect customers.

Further information

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¹ The auditor did not make recommendations for obligations 11, 12, 148, 151, 156 because they were no longer applicable at the end of the audit period. The auditor also reported that obligations 100, 102, 102A, 119, 150, 166 and 167 had been resolved by the end of the audit period.

² There were 37 obligations that were rated compliant or could not be rated. The ERA's *Audit and Review Guidelines: Water Licences* require the auditor to only assess controls for obligations when the obligation is rated non-compliant.

³ Recommendation 6/2021, which requires the Shire to submit information to the ERA on time.