



# Notice

14 September 2021

## City of Kalgoorlie-Boulder

### 2020 operational audit and asset management system review

The Economic Regulation Authority has published the 2020 [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.

The City supplies sewerage services to approximately 13,000 connected properties, and non-potable water to irrigate parks, ovals and lawns in Kalgoorlie-Boulder, located 600 kilometres east of Perth.

#### *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.

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 2021 to 31 December 2022, with the report due by 31 March 2023.

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

##### **Audit ratings**

The auditor assessed 169 licence obligations applicable to the Shire's licence and found 11 non-compliances and 59 controls deficiencies. The large number of controls deficiencies was the result of the auditor undertaking a controls assessment, despite the ERA's *2019 Audit and Review Guidelines: Water Licences* only requiring an assessment in specific circumstances.<sup>1</sup> Only three of the 59 obligations rated as having deficient controls met the criteria in the guidelines.<sup>2</sup>

The non-compliances identified were mainly minor administrative matters and were unlikely to have significantly affected customers.

<sup>1</sup> A copy of the guidelines is available on the ERA [website](#). The guidelines only require a controls assessment if a licence obligation has an audit priority of 1, 2 or 3 or if the obligation is found to be non-compliant (rated 2, 3 or 4).

<sup>2</sup> Obligations 142, 152 and 165 were rated non-compliant.

### ***Audit recommendations***

The auditor made 10 recommendations to address the non-compliances and one recommendation to address the controls deficiencies.

The City's post-audit implementation plan shows that three of the recommendations that address non-compliances have been completed, with the remaining eight recommendations due to be completed by June 2022.

### ***Review ratings***

The assessment of the 12 asset management components and the 58 asset management effectiveness criteria prescribed in the audit and review guidelines found eight asset management deficiencies in the areas of asset planning, asset creation and acquisition, asset disposal, asset operations, asset maintenance (two deficiencies), contingency planning and review of the asset management system.

The ERA considers that only three of the effectiveness criteria were deficient, which are in the areas of asset creation and acquisition, asset disposal and contingency planning.

### ***Review recommendations***

The auditor made 11 recommendations to address the eight asset management deficiencies in the report.

The post-review implementation plan prepared by the City shows that it does not intend to take action in response to seven recommendations, because it considers that the current asset management plan and related procedures are adequate. The City will address the four remaining recommendations between now and June 2022.

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

#### ***Audit***

The ERA considers that the City has demonstrated an adequate level of compliance with its licence. Most of the non-compliances identified by the auditor were minor administrative matters and were unlikely to have significantly affected customers.

#### ***Review***

The ERA assessment of the review findings is that the City's sewerage and non-potable water services are providing a safe and reliable service to customers.

Nine of the 11 recommendations in the 2020 review relate to consolidating the City's asset management documentation into a single asset management plan. The City does not support these recommendations as it prefers to separately document asset management procedures and policies, leaving the asset management plan as a document that provides an overall description of the sewerage and non-potable water assets and the service levels they are expected to deliver to customers. The ERA accepts that the City should have discretion over how it documents its asset management system.

There are some areas where asset management procedures require further development or are yet to be developed. The ERA considers that the lack of documentation for asset disposal and asset creation and acquisition, and not regularly testing the contingency plans for the

assets are deficiencies that need to be addressed through the post-review implementation plan, which the City states it will address by June 2022.<sup>3</sup>

### *Further information*

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<sup>3</sup> Recommendations R5/2021, R6/2021 and R10/2021 address these deficiencies.