



Notice

13 December 2022

Rottnest Island Authority 2022 Asset management system review

The Economic Regulation Authority has published the 2022 [asset management system review report](#) and [post-review implementation plan](#) for Rottnest Island Authority's water services licence WL10.

Rottnest Island is an A-class reserve governed by the *Rottnest Island Authority Act 1987*, which established the Rottnest Island Authority (RIA) as a statutory authority. RIA provides water supply (potable and non-potable), sewerage and drainage services on the island.

The ERA's decision

The ERA considers that while RIA has an effective asset management system, there is room for improvement, as RIA's asset management system has deteriorated since its last review.

The ERA has decided to decrease the review period from 36 to 24 months. The next review will cover the period 1 July 2022 to 30 June 2024, with the report due by 30 September 2024.

Review findings

The assessment of the 12 asset management system processes prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences* found one asset management system deficiency, which was in asset planning.

The 12 processes are broken down into 58 effectiveness criteria and the auditor found three deficiencies from the 58 criteria. The deficiencies were in RIA's asset management plan, lifecycle cost assessment and likelihood of asset failure processes. These are all considered material deficiencies.

- The asset management plan does not include RIA's drainage assets.
- The lifecycle costs of RIA's water assets have not been addressed in its asset management plan, with many assets having no condition rating. The deficiency in RIA's lifecycle cost assessment process is a repeat deficiency from its previous two reviews.
- The asset management plan is not clear on how asset risk is determined for the asset base. While there are assets with a risk rating, the process for reviewing the rating is not clear, especially following an asset condition assessment. This affects RIA's ability to predict the likelihood and consequence of asset failure.

The auditor made three recommendations to address the asset management system deficiencies. The post-review implementation plan states that RIA will address the recommendations by December 2023.

The ERA's assessment of the review findings

The ERA is concerned by the deterioration of RIA's asset management system, including the repeat deficiency with assessing the condition of its assets.

Many of RIA's assets having no condition rating is a significant risk, as several assets are close to the end of their operational life. RIA needs to complete asset condition assessments and determine its asset maintenance and replacement needs. RIA also needs to update its asset management plan to include its drainage assets.

Given the material nature of the deficiencies and that some of RIA's assets are reaching the end of their operational life, the ERA has decided to decrease the review period from 36 to 24 months.

It is noted that the auditor found that overall RIA's asset management system is effective, and its assets are well maintained and in good working order. The State Government also allocated funding to RIA this year to upgrade its water assets.¹

The ERA will monitor RIA's progress in completing the action items in the post-review implementation plan, with the expectation that RIA's proposed actions will resolve the asset management system deficiencies before the next review.

Further information

General enquiries

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

Media enquiries

Danielle Asarpota
Mob: 0428 859 826
media@erawa.com.au

¹ RIA has been allocated \$33 million in the State Budget to upgrade its aging water assets (reported in RIA's 2021/22 annual report).