



# Notice

8 September 2023

## Lancelin South Pty Ltd

### 2023 Operational audit and asset management system review

The Economic Regulation Authority has published the 2023 [operational audit and asset management system review report](#) and the [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 residential development (22 properties) two kilometres south of Lancelin, in the Shire of Gingin.

#### The ERA's decision

The ERA considers that Lancelin South has achieved a high level of compliance with its licence and has an effective asset management system, but there is room for improvement.

The ERA has decided to maintain the audit and review period at 24 months. The next audit and review will cover the period 1 April 2023 to 31 March 2025, with the report due to be provided by 30 June 2025.

#### Audit and review findings

##### Audit

The audit of the 191 licence obligations applicable to Lancelin South found no non-compliances or control deficiencies; therefore, the auditor did not make any recommendations and a post-audit implementation plan was not required.

##### Review

The assessment of the 12 asset management system processes prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences* are broken down into 58 effectiveness criteria. The auditor found two deficiencies from the 58 criteria, which were in the policies and procedures for asset operations.

- The process for resolving issues raised from fortnightly inspections needs to be reviewed to ensure tasks are allocated to a responsible person to action.
- The asset register needs to be updated, as some of the assets are not included and it does not have a field to record asset condition following an inspection, or when an asset has been replaced or is overdue to be replaced.

The auditor made two recommendations to address the deficiencies. The post-review implementation plan states that Lancelin South will address the recommendations by the end of September 2023.

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

### **Audit**

Lancelin South has achieved a high level of compliance with its licence obligations. This is the first audit where Lancelin South has achieved such a level of compliance. It has had two other audits since its licence was granted in 2017 (in 2019 and 2021). In both audits it reported a substantial number of non-compliances (35 and 18 respectively). However, it has gradually improved its performance since its licence was granted. This has resulted in Lancelin South reporting no non-compliances in its 2023 audit.

Due to Lancelin South's previous performance in its 2019 and 2021 audits and its preference to keep the audit and review together in one process, the ERA has decided to maintain the audit period at 24 months rather than increase it to 36 months (the ERA has decided to maintain the review period at 24 months for the reasons explained below). If Lancelin South reports a high level of compliance in its next audit and addresses its asset management system deficiencies, the ERA will consider increasing the audit and review period to 36 months in 2025.

### **Review**

The auditor determined that Lancelin South's asset management system is effective, with only two out of the 58 asset management effectiveness criteria rated deficient.

During the review period, the auditor found that Lancelin South provided its customers with a reliable service, and it has significantly improved its practices in risk management, contingency planning, financial planning, capital expenditure and the review of its asset management system.

The performance ratings slightly deteriorated in asset planning, environmental analysis and asset maintenance, but no deficiencies were found.

The only asset management process with deficiencies was asset operations, which are considered significant and could have a material effect on its operations. The auditor found that there is an increased risk of service interruptions if Lancelin South does not have an accurate understanding of the condition and replacement requirements for its assets. Accordingly, the ERA has decided to maintain the review period at 24 months.

Lancelin South accepts that it needs to improve its record keeping so it is aware at all times of the condition of its assets and its asset replacement activities, and has engaged a technical expert on a full-time basis to oversee its asset management system.

### **Further information**

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