



Notice

29 April 2015

Shire of Gnowangerup

2014 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the 2014 operational audit (**audit**) and asset management system review (**review**) report, and the post-audit and post-review implementation plan, for the Shire of Gnowangerup's (**Shire**) water services licence WL11.

- [2014 Audit and Review Report](#)
- [2014 Post-Audit and Post-Review Implementation Plan](#)

Action by the ERA

The ERA is satisfied that the Shire has demonstrated an adequate level of compliance with its licence conditions, and has decided to maintain the period of time until the next audit at 36 months. The next audit will cover the period from 1 December 2014 to 30 November 2017, with the report on the audit to be provided to us by 28 February 2018.

The ERA is satisfied that the Shire has an effective asset management system, with the exception of the asset maintenance issues identified in the review that are discussed later in this notice, and has decided to defer its decision on the period of time until the next review until it has received an updated post-review implementation plan in November 2015.

BACKGROUND

Audit

The audit report disclosed a total of eight non-compliances, of which two non-compliances relate to the Shire's complaints procedure not including some information prescribed by the *Water Services Act 2012 (Act)*.¹ Two non-compliances relate to the Shire failing to provide a compliance report to the ERA by the due date. One non-compliance relates to the Shire not publishing the required information on its website relating to its fees and charges, bill payment options, exemptions discounts, rebates and concessions, and another non-compliance relates to the Shire not having a written procedure for the review of a bill on the customer's request.

A further two non-compliances are consequential to the Shire failing to comply with the *Water Services Code of Conduct (Customer Service Standards) 2013*, the Act and the licence as noted

¹ The Shire's complaints procedure did not state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act; include the customer's option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and set out the benefits to the customer should they choose to use the Shire's complaints procedure instead of, or before, using the procedures under the Act.



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above.²

The auditor has made six recommendations with respect to the audit. Four of these recommendations address the non-compliances, one recommendation addresses a process improvement and one recommendation addresses licence conditions that were found to have ineffective controls because there was a lack of written policies and procedures.

The ERA is satisfied that the audit recommendations address non-compliances that relate to minor administrative matters, or licence conditions with inadequate controls that had limited impact on customers.

The post-audit implementation plan provided by the Shire shows that the actions to address the recommendations are due to be completed by 30 September 2015.

Review

The review report disclosed two ineffective asset management system components: asset maintenance and financial planning. The ERA is particularly concerned about the maintenance issues identified by the review. In particular, the treatment ponds require desludging and do not appear to be progressively cleansing the wastewater; the levy bank between two treatment ponds has been breached; and the treatment ponds lack adequate security fencing. The auditor also identified outstanding maintenance with relation to the sewer pipes and access chambers.

The review report states that overgrown vegetation surrounding the treatment ponds is reducing the capacity of the ponds. The ERA notes the auditor did not provide a specific recommendation addressing this issue and has requested that the Shire address this issue when undertaking the refurbishment of the treatment ponds.³

While the sewerage scheme is a relatively simple system, ongoing maintenance works are required to ensure it operates effectively.

The review also found that the Shire has a long term funding shortfall with its sewerage scheme.⁴ The Shire has stated that a submission will be made to Council to address this issue at the April 2015 meeting.

The auditor has made four recommendations, of which three recommendations address process deficiencies and one addresses a process improvement.

The post-review implementation plan prepared by the Shire shows that the actions to address the auditor's recommendations will be completed by 30 October 2015. The ERA considers the Shire has an effective asset management system with the exception of its asset maintenance practices. Consequently, the ERA will consider the appropriate period of time to be applied to the next review once it has reviewed an updated post-review implementation plan in November 2015.

² The two obligations concerned require the licensee to comply with applicable legislation, therefore any contravention of the legislation results in a contravention of these obligations.

³ Refer to page 65 of the Audit and Review Report.

⁴ Over the next 20 years, there is an annual funding gap of \$5,610 in 2015/16 rising to \$15,310 in 2033/34.



Notice

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