



Notice

15 June 2015

City of Kalgoorlie-Boulder

2014 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (**ERA**) has published the 2014 performance audit (**Audit**) and asset management system review (**Review**) report, and the post-audit and post-review implementation plan, for the City of Kalgoorlie-Boulder's (**City**) water services licence WL4.

- [2014 Audit and Review report](#)
- [2014 Post-Audit and Post-Review implementation plan](#)

Action by the ERA

The ERA is not satisfied with the standard of policy and procedural documentation that the City has in place to manage its compliance with the licence, and to manage the assets used to provide the sewerage and non-potable water services.

The City is required to complete all of the actions in the post-audit and post-review implementation plan by 30 April 2016.

The ERA will make its decision regarding the next Audit and Review period when it receives the updated post-audit and post-review implementation plan in May 2016.

BACKGROUND

Audit

The auditor assessed 23 licence conditions that were in the previous licence, made under the Water Services Licensing Act 1995 (**1995 Act**); and 189 obligations with respect to the licence made under the Water Services 2012 Act (**2012 Act**), giving a total of 212 licence conditions/obligations.

With regard to the previous (1995 Act) licence, the auditor identified three non-compliances, which are summarised below:

- No formal customer consultation processes were undertaken.
- The City did not establish a customer council.
- The City did not consult the ERA regarding the customer consultation.

The auditor did not make any recommendations to address these non-compliances, as these licence conditions were not carried forward into the licence made under the 2012 Act.

Of the 189 current (2012 Act) licence obligations, 28 obligations were deemed not applicable (NA) and 94



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obligations were rated NR (no activity took place during the Audit period). Of the remaining 67 obligations that were tested, 53 obligations achieved a rating of 1 (compliant) and 14 obligations were rated as 2 (minor non-compliance).

Because this was the first audit of the licence made under the 2012 Act, the auditor also assessed the controls in place to ensure compliance for all of the licence obligations. The auditor rated 20 obligations as A (adequate controls), six obligations as B (generally adequate controls), four obligations as C (inadequate controls) and 115 obligations as D (no controls evident). The remaining 44 obligations were not tested for controls.

The Audit disclosed a total of 14 non-compliances in relation to: the City's complaints handling process (four non-compliances), various policy and documentation issues (i.e. lack of policy for reviewing a bill, no written procedure for giving notice of entry to property, rates notices missing required information, and the exclusion of the non-potable water system documents from the asset management plan), and providing late annual reports to the ERA.

With regard to the 115 obligations that were given a controls rating of D, the ERA notes that, in a number of instances, the rating was applied because the City's procedural documentation did include reference to the relevant source legislation, or the City had not developed a policy for a licence obligation (even if the activity covered by the policy did not occur during the Audit period – such as the City ceasing to provide water service).

After considering the Audit findings in some detail, the ERA has concluded that, despite the large number of recommendations made in the Audit, for most part the City is meeting the requirements of its licence at the operational level. Throughout the report there is evidence that the City does have some controls in place to manage its licence obligations, and it is complying with the majority of the obligations, but there is room to further improve the controls.

Of the 73 recommendations made in the Audit, 61 recommendations address controls improvement opportunities; the City is required to include references to the source legislation in its procedure documents. The remaining 12 recommendations address the 14 non-compliances disclosed in the Audit.

The ERA is of the view that all of the non-compliances disclosed in the Audit are relatively minor administrative issues (rating of 2, minor impact on customers or third parties) and is satisfied that the City's post-audit implementation plan adequately addresses all of the identified issues.

The majority of the 73 recommendations are due to be addressed by 30 April 2016. The ERA requires the City to bring forward, to 30 April 2016, the completion date for the recommendations that are not due to be completed until after April 2016. This will allow the ERA to make a decision on the next Audit period when it receives an updated post-audit implementation plan from the City in May 2016.

Review

The 2014 Review assessed 12 asset management components: five components achieved a rating of B1 (performing efficiently, improvement opportunity in documentation), one component was rated C1 (performing efficiently, documentation requires improvement), three components were rated C2 (performing adequately, documentation requires improvement), one component was rated C3 (both performance and documentation require improvement) and one component was rated C4 (inefficient). One component was



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rated B/NA (not rated for performance, improvement opportunity in documentation).

The ERA is particularly concerned by the following findings, which have been outstanding since the previous Review, undertaken in 2011:

- The City's asset management information system uses an old version of software, which has become unstable.
- The City's financial and capital expenditure planning relies on outdated figures from 1997.
- The City's non-potable water reticulation network is not included in the Asset Management Plan (**AMP**).
- A number of gaps and inconsistencies were identified between the AMP and the standard operating procedures (**SOP**).

The ERA understands that the AMP and SOP are asset management tools for different purposes and the level of detail is understandably different. However, the information should be consistent and appropriately cross-referenced so that, together, the two sets of documentation can be used to effectively manage the City's assets.

The auditor made 22 recommendations in the 2014 Review. The ERA is of the view that of the 22 recommendations, 14 represent process improvement opportunities and eight represent process deficiencies. In addition, one of the seven outstanding recommendations from the 2011 Review has not been integrated into the 2014 Review recommendations and needs to be actioned by the City.

The ERA notes that the City has included both the 2014 Review recommendations, and the outstanding 2011 recommendation in the post-review implementation plan. The City's post-review implementation plan shows that six of the 2014 Review recommendations, and one of the 2011 Review recommendations are not due to be addressed before September 2016. All of the remaining recommendations are due to be addressed by 30 April 2016.

The ERA requires the City to bring forward, to 30 April 2016, the completion date for the recommendations that are not due to be completed until after April 2016. This will allow the ERA to make a decision on the next Review period when it receives an updated post-review implementation plan from the City in May 2016.

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