



# Notice

30 June 2014

## Shire of Brookton

### 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 Shire of Brookton's (**Shire**) water services licence WL12.

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

### Action by the ERA

The ERA is satisfied the Shire has demonstrated an adequate level of compliance with its licence conditions, and has an effective asset management system.

The ERA has decided to retain the period of time until the next Audit at 36 months and has decided to increase the period of time until the next Review to 36 months. The next Audit and Review will cover the period from 1 December 2014 to 30 November 2017, with the reports on the Audit and Review to be provided to the ERA by 28 February 2018.

The ERA has decided to close the notice under section 39(1) of the *Water Services Licensing Act 1995* (**1995 Act**) that was served on the Shire on 23 April 2013.

### BACKGROUND

#### Audit

The Audit report disclosed a total of 26 non-compliances, of which 11 non-compliances relate to various obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013* (**Code of Conduct**), and 15 non-compliances related to failure to comply with applicable legislation. Four of these relate to obligations which are no longer in force.<sup>1</sup>

The ERA considers the majority of the non-compliances with the Code of Conduct relate to administrative issues that require the Shire to amend its complaints handling processes to fully comply with the Code of Conduct, develop processes to review bills at the request of its customers,<sup>2</sup> and make prescribed information available to customers. These administrative issues involve overlaps between other legislation applicable to local government water licensees and the Code of Conduct; that appear to impose an unnecessary regulatory

<sup>1</sup> The four obligations are no longer in force as they were in the previous version of WL12, which was made under the *Water Services Licensing Act 1995* which was replaced by the *Water Services Act 2012* on 18 November 2013.

<sup>2</sup> The Shire bills its customers for sewerage services through the rates; the *Local Government Act 1995* makes provision for customers to have their rates bill reviewed, and adjusted if required.



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burden on the licensees.

The ERA notes the Department of Water is currently conducting a review of local government water service licensing, the purpose of which is to identify ways that the regulation of small local government water licensees could be simplified. If, after the Department has concluded its review, there are still overlaps between the obligations under the Code of Conduct and other legislation, the ERA will refer them for consideration when the Code of Conduct is next reviewed.

The ERA considers the majority of non-compliances stemming from the Shire's failure to comply with applicable legislation relate to minor administrative matters.

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

The post-audit implementation plan prepared by the Shire does not include actions to address recommendation A15/2015. After considering this matter further, the ERA has decided to require the Shire to include an action to address the recommendation when it provides an updated post-audit implementation plan in April 2016.

## Review

The auditor has rated all 12 asset management components as effective (rated B2 or better), but there was a single sub-component with respect to Asset Creation and Acquisition that was rated a process deficiency, because the Shire had not yet completed the commissioning test of the works on its pump station. The Shire's post-review implementation plan states this has since been completed. Two further sub-components, one relating to Asset Maintenance and one relating to Asset Management Information System, were also rated as process deficiencies; however the ERA considers the observations and recommendation made by the auditor addresses process improvement opportunities.

The auditor has made 11 recommendations to address 13 issues that were identified in the Review; one recommendation addresses the process deficiency, and 10 recommendations address process improvement opportunities.

The post-review implementation plan prepared by the Shire shows that the actions to address the auditor's recommendations will be completed by September 2015.

## Section 39 Notice

On 23 April 2013, the ERA served a notice under section 39(1) of the 1995 Act (**Section 39 Notice**) on the Shire, in response to the 2012 Review. The ERA also shortened the Shire's Review period to 12 months.

In the 2013 Review the auditor made 33 recommendations. Four recommendations addressed process improvement opportunities, while the remaining 29 recommendations addressed process deficiencies. In response to the 2013 Review, the ERA decided to keep the Section 39 Notice open.

The Shire has implemented 25 of the 33 recommendations from the 2013 review, with the eight outstanding recommendations being carried forward into the 2014 Review recommendations. Of the eight outstanding recommendations, all but one relate to process improvement opportunities.



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The ERA considers that of the eight recommendations carried forward, three relate to updating documentation. The remaining five recommendations are partly completed. The Shire has advised through its post-review implementation plan that the single recommendation relating to a process deficiency has since been resolved. Given the significant progress made by the Shire to address the issues identified in the Section 39 Notice and the subsequent Review carried out in 2013, the ERA has decided to close the Section 39 Notice.

For further information contact:

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