



Notice

21 June 2018

Shire of Gnowangerup

2017 OPERATIONAL AUDIT AND ASSET MANAGEMENT SYSTEM REVIEW

The Economic Regulation Authority (ERA) has published the Shire of Gnowangerup's 2017 operational audit and asset management system review [report](#) and post-audit and post-review implementation [plan](#) for water services licence WL11.

ERA's response to the audit and review

The ERA has decided to leave the Shire's audit and review period at 36 months. The findings of the audit indicate the Shire has an adequate level of compliance with its licence. The review findings indicate the Shire's asset management system meets the minimum standard, but documentation and processes need to be improved.

The next audit and review will cover 1 December 2017 to 30 November 2020, with the report due by 28 February 2021.

BACKGROUND TO THE ERA'S DECISION

Audit ratings

The auditor determined that there were 165 licence obligations applicable to the Shire's licence.

- 13 were rated A1 (adequate controls, compliant);
- two were rated A2 (adequate controls, non-compliant with minor impact);
- one was rated B2 (generally adequate controls, non-compliant with minor impact);
- 18 were rated D1 (no controls evident, compliant);
- five were rated D2 (no controls evident, non-compliant with minor impact);
- four were rated D3 (no controls evident, non-compliant with moderate impact);
- five were rated D4 (no controls evident, non-compliant with major impact);
- 66 were rated D/NR (no controls evident, not rated for compliance);
- two were rated A/NR (adequate controls, not rated for compliance);
- 20 were rated NP/NR (controls and compliance were not assessed);¹
- two were rated NP/1 (controls were not assessed, compliant);
- 27 were rated NA/NA (not applicable during audit period);

Thirteen of the 17 non-compliances identified by the auditor were obligations under the *Water Services Code of Conduct (Customer Service Standards) 2013* and three were non-compliances

¹ Because there was no relevant activity during the audit period.

with the licence. The remaining non-compliance was an obligation under the *Water Services Act 2012*.

The 17 non-compliant obligations are summarised below:

- 12 non-compliances covered relatively minor administrative issues that were unlikely to affect most customers.
- three non-compliances were a result of the Shire providing reports and data to the ERA after the due date.
- one non-compliance resulted from the Shire not making provision for customer bills to be paid using Centrepay or direct-debit payment facilities. These payment methods are not a requirement under the *Local Government Act 1995*.²
- one non-compliance was due to the Shire not considering reducing the amount of money owed by a customer in financial hardship. However, the audit report was unclear on whether the Shire had actually assessed any of its customers to be in financial hardship.

Audit recommendations and post-audit implementation plan

The auditor made 20 recommendations to address 17 non-compliances and 86 licence obligations that require controls improvements.

The post-audit implementation plan states that the Shire will address the recommendations by 30 June 2019.

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's *Audit and Review Guidelines: Water Licences*³ found:

- five were rated C3 (documentation and performance require significant improvement);
- six were rated C2 (documentation requires significant improvement; performance requires some improvement); and
- one was rated B2 (documentation and performance require some improvement).

The auditor rated five components as deficient: environmental analysis; risk management; contingency planning; financial planning; and the review of the asset management system.

The review found that, since the previous review in 2014, the Shire has focused its attention on rectifying issues with the physical assets. This has resulted in improvements in the asset condition, standard of maintenance, and the Shire's knowledge of its sewerage system operations.

Review recommendations and post-review implementation plan

The auditor made 12 recommendations to improve documentation and/or performance for all 12 of the asset system components.

The post-review implementation plan states the Shire is due to address the recommendations by 30 June 2019.

² Recent amendments to the Code provide for the LG Act to prevail in the event of a conflict between the Code and the LG Act covering the same matter.

³ A copy of the Guidelines is available on the ERA's website <https://www.erawa.com.au/water1/water-licensing/regulatory-guidelines>

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