



Notice

17 April 2020

Shire of Lake Grace

2019 asset management system review

The Economic Regulation Authority has published the 2019 [asset management system review report](#) and [post-review implementation plan](#) for the Shire of Lake Grace's water services licence WL22.

The Shire provides sewerage services to 339 residential and commercial properties in the town of Lake Grace in the southeast of Western Australia, about 345 kilometres from Perth.

The ERA's decision

The ERA considers that the Shire's asset management system is ineffective, with eight of the 12 components of the asset management system rated deficient by the auditor.

The ERA has decided to maintain the review period at 24 months. The next review will cover the period 1 December 2019 to 30 November 2021, with the report due by 28 February 2022.

The ERA is concerned at the deficiencies found by the review and has asked the Shire to rectify them in accordance with its post-review implementation plan. If the Shire does not resolve the recommendations to the ERA's satisfaction by the due dates in the plan, the ERA will consider taking compliance enforcement action against the Shire under section 31 of the *Water Services Act 2012*.

Background to the ERA's decision

Review ratings

The assessment of the 12 asset management components prescribed in the ERA's *2019 Audit and Review Guidelines: Water Licences* found:¹

- One component was rated A1 (documentation adequately defined; performing effectively).
- Three components were rated B2 (documentation and performance require some improvement).

¹ A copy of the guidelines is available on the ERA [website](#).

- One component was rated C2 (documentation requires significant improvement; performance requires some improvement)
- Seven components were rated C3 (documentation and performance require significant improvement).

The review found deficiencies in the areas of:

- Asset planning
- Asset operations
- Asset maintenance
- Risk management
- Contingency planning
- Financial planning
- Capital expenditure planning
- Review of asset management system.

The deficiencies included:

- Several parts of the asset management plan were out of date or incomplete. For example, the plan contained insufficient evidence of the financial and capital expenditure planning, or the review of documents within the plan undertaken by the Shire.
- There were no procedures in the asset management plan for the operation and desludging of the Imhoff Tank (a critical component of the sewage treatment system).
- While the asset management plan describes operation and maintenance tasks and their frequency, there was no evidence that these tasks had been completed.
- The Shire did not have a formal agreement with the adjacent landholder onto whose land the overflow wastewater from the treatment ponds was being discharged.
- The Shire had not obtained the necessary regulatory approvals for the disposal of effluent.
- The Shire's risk analysis did not include an assessment of the risks from a bushfire.

Review recommendations

The auditor made eight recommendations to address the asset management system deficiencies.

The post-review implementation plan states that the Shire will address the review recommendations between now and 30 November 2020.²

The ERA's assessment of the review findings

The ERA is concerned that the Shire has made little progress since the 2017 review in addressing the deficiencies in its asset management system. Two recommendations from the

² As per section 5.1.8 of the [2019 Audit and Review Guidelines: Water Licences](#), the licensee is only required to provide a post-review implementation plan for asset management process deficiencies rated 3, 4, C or D.

2017 review were partly resolved, with no progress made on the remaining six recommendations.

The Shire made some improvement in the areas of contingency planning and environmental analysis, but there has been deterioration in asset planning, asset maintenance and risk management.

There is no evidence that the level of service provided by the Shire to customers is inadequate, but there is a risk of asset failure if the Shire does not improve its asset management practices.

The ERA will ensure the Shire maintains its focus on addressing the review recommendations by closely monitoring the Shire's progress with completing the post-review implementation plan.

Further information

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