

SQ2C: Conduct regular audits to check service quality indicators

REGULATORY FUNCTION: SERVICE QUALITY REGULATION		SQ2C
OBJECTIVE SQ2 Establish mechanisms for monitoring adherence to service requirements	ACTION CARD SQ2C <h1>CONDUCT REGULAR AUDITS TO CHECK SERVICE QUALITY INDICATORS</h1>	
COST: High FREQUENCY: Regular TARGET GROUPS: Regulators, service operators, consumer associations		
DESCRIPTION <p>It is very important to verify that collected data about service quality is accurate. Even more important is to ensure the impartiality of auditors or controllers assigned to perform such a delicate job. Regulators, therefore, develop sets of policies, procedures and guidelines on how to approve, conduct, and report audits, that aim to meet the stated objectives. Guidelines ensure the regular, transparent and independent auditing of service operators. Audit guidelines must clearly outline respective obligations and rights on both sides, both of regulators and operators. When setting the ground for transparent control, these guidelines can also incentivize operators to detect and declare any service quality non-compliance. Digitalization of information offers opportunities to improve the efficiency of this task.</p>		
EXPECTED OUTCOMES <ul style="list-style-type: none"> • There is a reliable and transparent auditing process. • Service operators' internal structure is aligned with the audits. • Consumers' interests are adequately protected. 		
EXAMPLE 1: AUSTRALIA <p>In Australia, the Essential Services Commission in Victoria, an independent regulator that promotes the long term interests of consumers with respect to the price, quality and reliability of energy, water and transport services, established a framework for its audit functions related to the respective regulated industry obligations. The framework includes guideline to meet the following:</p> <ul style="list-style-type: none"> - Ensure that audits are conducted in an independent, rigorous and comparable manner by establishing minimum requirements for the independence and expertise of auditors, and the conduct and reporting of audits. - Provide incentives for businesses to achieve compliance by minimizing the probability that significant non-compliance will go undetected, providing regulated water businesses with an opportunity to rectify non-compliance, and taking any further action required to achieve compliance. - Maximize the cost-effectiveness of the audits by taking a risk-based approach to defining the scope and frequency of the audits to be undertaken. - 		
EXAMPLE 2: BOLIVIA <p>The Authority for the Auditing and Social Supervision of Drinking Water and Basic Sanitation (AAPS) is the Bolivian regulator, whose functions include monitoring compliance with the commitments undertaken by providers in relation to drinking water and sewerage service provision quality, with the aim of ensuring the achievement of management indicators in the areas of coverage, continuity, quality, quantity and sustainability.</p> <p>In the context of its SUPERVISORY duties, providers submit periodic information to the AAPS and the latter supervises them from its headquarters and on the field, for which it deploys a series of actions for verification, analysis, assessment and monitoring of compliance with the regulation as well as with technical, economic, commercial and legal obligations, with the aim of making observations and recommendations and requesting corrective measures.</p> <p>Additionally, and in the context of its AUDITING functions, the AAPS applies a series of technical, economic and legal procedures with the aim of VERIFYING compliance with regulations in force and regulatory provisions through information reported by providers.</p>		

EXAMPLE 3: ECUADOR

The Water Regulation and Monitoring Agency (ARCA) defines technical standards for the assessment and diagnosis of public drinking water and/or sanitation utilities in urban and rural areas on Ecuadorian territory, which regulate parameters and indicators for such assessments and diagnoses.

These regulations specifically establish that after providers submit reports for their assessment, ARCA may carry out monitoring visits to provider facilities, whether directly or through its hired agents, with the aim of ratifying the results of management and system infrastructure assessments that are used to elaborate provider improvement plans.

LINKS

Australia: Guideline for Approving, Conducting and Reporting Audits for Victorian Water Businesses:

<https://www.esc.vic.gov.au/sites/default/files/documents/regulatory-auditing-framework-to-apply-for-victorian-water-businesses-guideline.pdf>

Bolivia: Regulation and General Assessment of Results 2020:

http://www.aaps.gob.bo/images/DER/Indicadores_Desempeo_2020_1era_parte.pdf

Ecuador: Regulation for the assessment of public drinking water services: [http://www.regulacionagua.gob.ec/wp-](http://www.regulacionagua.gob.ec/wp-content/uploads/downloads/2018/11/NORMATIVA-PARA-EVALUACION-DE-LOS-SERVICIOS-P%C3%A9BLICOS-DE-AGUA-POTABLE....pdf)

[content/uploads/downloads/2018/11/NORMATIVA-PARA-EVALUACION-DE-LOS-SERVICIOS-P%C3%A9BLICOS-DE-AGUA-POTABLE....pdf](http://www.regulacionagua.gob.ec/wp-content/uploads/downloads/2018/11/NORMATIVA-PARA-EVALUACION-DE-LOS-SERVICIOS-P%C3%A9BLICOS-DE-AGUA-POTABLE....pdf)

INTERNAL CAPACITIES NEEDED AND THE ROLE OF PARTNERS

A range of administrative, legal and inspection skills necessary to complete this action obliges regulators to build their internal capacity through training, often seeking support from other national institutions or development partners. Judiciary institutions can, for instance, extend their expertise when outlining the content of guidelines. Development partners could also build on this through training on how to establish implementation procedures.