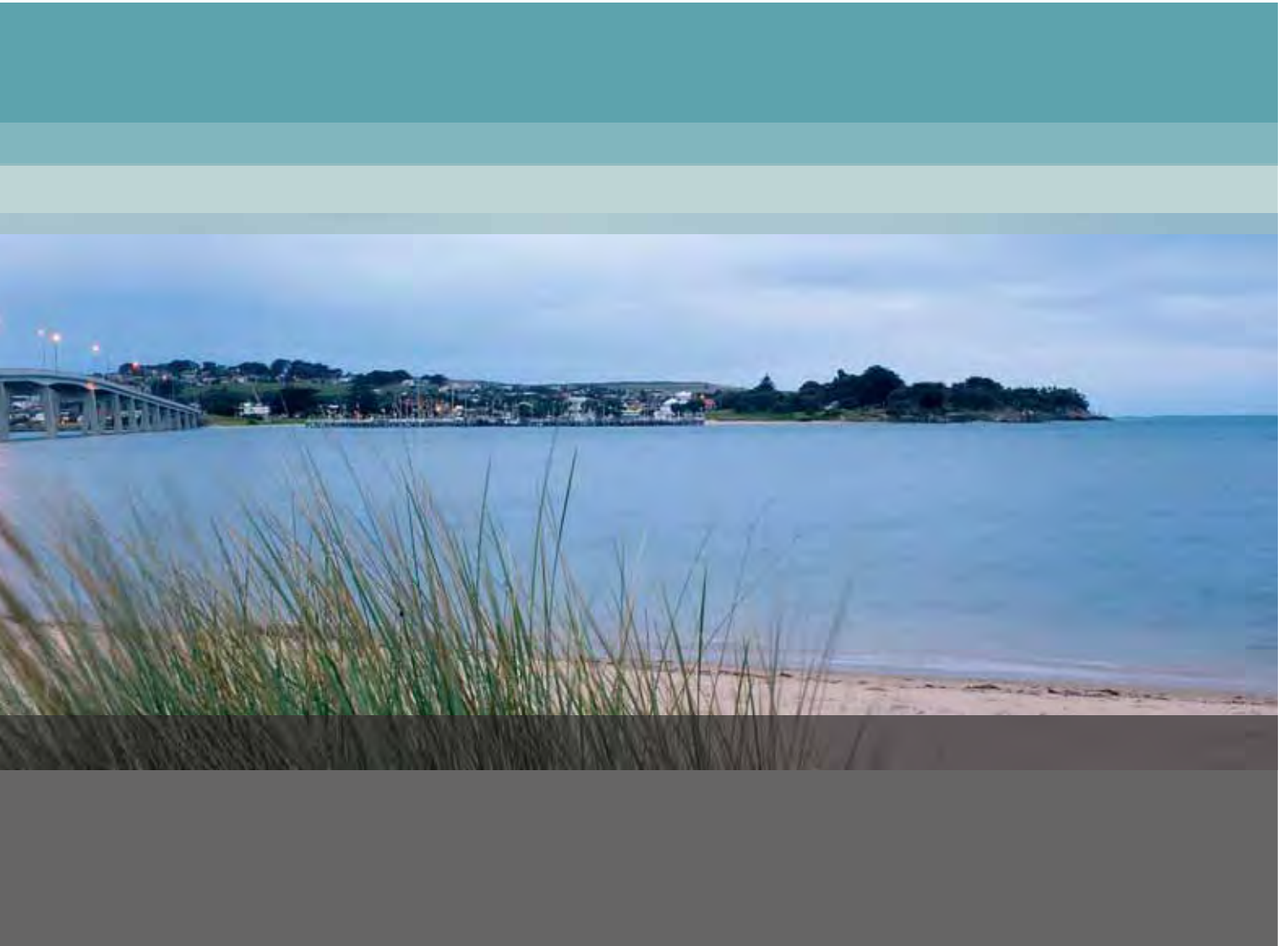


Westernport Water Annual Report 2006



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Westernport Water focused on good customer relations and the development of our assets.





Vision & Mission

Vision

That Westernport Water is the preferred multi-utility service provider in the South West Gippsland Region.

Mission

Through being **customer driven** and **asset focused**, Westernport Water will provide quality water, wastewater and other utility services as required to the South West Gippsland Region.

Through the provision of these essential services Westernport Water aims to enhance the social, environmental and competitive position of the region.

At a glance

Permanent population	13,911
Peak population	50,000
Total properties	15,389
Water mains (KM)	361
Sewer mains (KM)	305
Connected domestic water customers	12,242
Connected non-domestic water customers	856
Connected sewerage customers	11,290
Connected non-domestic sewerage customers	235
Volume of water distributed (ML)	1982.75
Candowie Reservoir capacity (ML) (maximum)	2207
% water quality meeting E.coli standard	100
% EPA Licence compliance	100
Volume of effluent produced (ML)	1219
Volume of effluent reused (ML)	210
% Overall customer satisfaction	92
Total revenue (\$M)	11.8
Total profit (\$M)	1.1
Total assets (\$M)	115.1



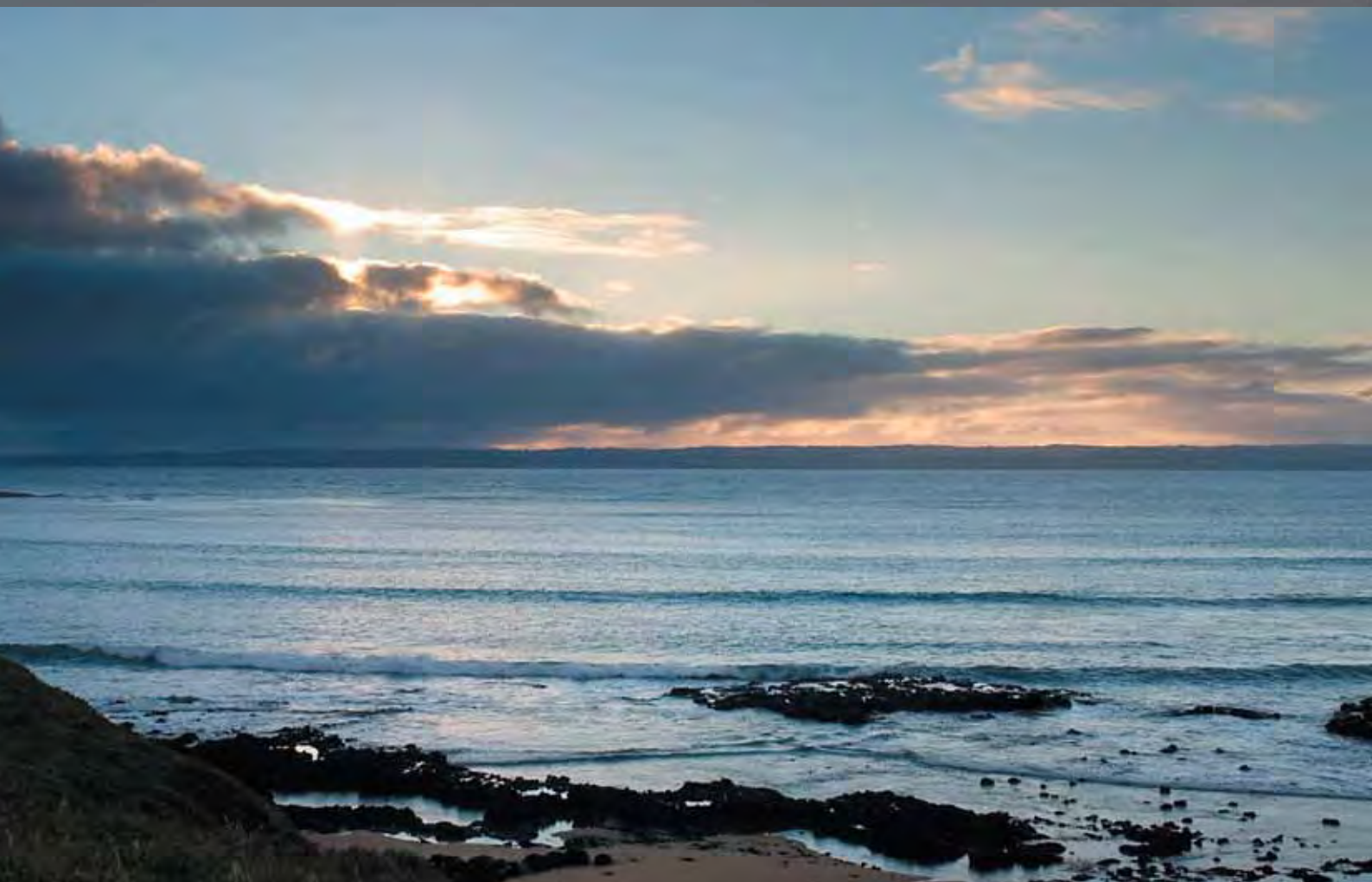
Services provided

Westernport Region Water Authority (trading as Westernport Water) provides water and wastewater services to properties located within its district. Water is sourced from the Candowie Reservoir in the Bass Hills near Glen Forbes. Source water is treated at the Ian Bartlett Water Purification Plant, which uses advanced filtration techniques to enhance water quality, and distributed to communities through a network of supply mains. Wastewater services are provided to approximately 90% of properties that are connected to the water supply service.

The Authority has two major wastewater treatment plants. The Cowes Wastewater Treatment Plant serves the population of Phillip Island and the township of San Remo. The King Road Wastewater Treatment Plant, located near Coronet Bay, serves the various townships located on the east coast of Western Port. Wastewater from the townships of Kilcunda and Dalyston is treated under agreement by South Gippsland Water at its Wonthaggi Treatment Plant.

In addition, the Authority provides the following services:

- A liquid waste disposal facility installed at the Cowes Wastewater Treatment Plant.
- The sale of treated wastewater for recreational, horticultural and pastoral activities.
- Reticulated gas services.
- The removal of greasy waste.



Chairperson & Chief Executive Officer Report

Dear Minister

For Westernport Water, 2005-2006 has been characterised by a period of building organisational capability to ensure we continue to satisfy the expectations of our stakeholders and to meet the demands of a sustainable future.

Our organisation

We have started to reap the benefits of our ongoing management and training programs. The results of staff surveys carried out in the year showed a pleasing increase in staff satisfaction rates. Eleven members of the Operations and Maintenance Team completed their Certificate III in Water Industry Operations through the University of Ballarat. We have also successfully achieved our process improvement targets for the Enterprise Agreement. This combined with significant information technology development will support improved effectiveness and efficiency across the business. Our occupational health and safety performance is considerably improved with only one lost time injury for the year.

Our customers

We updated our Customer Charter during the year, setting out clearly our service undertakings and commitment to providing ongoing quality product and service to our customers. We also completed a major internal project to individually identify and verify all meter data information across our customer base. Such data scrubbing provides the foundation for the continuing role out of an expanded Management Information System.

Our environment

Westernport Water's customers comprise a unique blend of recreational and permanent households. We operate in an area of Victoria renowned for its natural beauty and close affinity with native Australian flora and fauna. In acknowledging the obligation bestowed on us as guardians of that heritage for the future generations to come, Westernport Water is mindful of the impact of our day to day activities on our environment. We continue to support local initiatives to manage the condition of our local waterways and to relieve and repair stressed areas.

Our community

Our commitment to our region and community is demonstrated by our awarding educational scholarships to talented local students to assist their progress in needed engineering and environmental sciences. As well as receiving a financial contribution, successful applicants are offered on the job work experience during annual study breaks and a full time position for the first year after graduation.

Our future

Government published the draft Central Regional Sustainable Water Strategy during the year. This represents a significant step forward in establishing a considered response to the challenged posed to our future water supply by growth and environmental change. Along with the rest of the Victorian water industry we are actively playing our part in meeting that challenge through:

Demand management: On 1 April 2006 we introduced our first permanent water saving measures. Through these and our ongoing community education programs we seek to shape the attitudes and actions of our customers as they use a valuable resource.

Interconnection of supply and augmentation: We continue to develop plans to augment our existing water supply. Our preferred option remains a connection to Melbourne Water. However, mindful of the need to consider the availability of water to all Victorians, we continue to evaluate all our options to ensure we achieve the most appropriate outcome.

Recycled water: Westernport Water produces high quality, treated recycled water from its wastewater treatment facilities. While we currently supply some of that water for use on recreational grounds and for commercial application we continue to seek to identify additional uses for the remainder. During the year we advertised for the first time for expressions of interest from other potential users of our recycled water. Westernport Water has both water and land available for trials. We received some innovative responses and look forward to working with the successful applicants to progress their ideas.

Financial performance

The Authority recorded a profit of \$1.1 Million for the year.

Three issues had a significant impact on Westernport Water's reported financial and service performance throughout 2005-2006. The Authority experienced a low raw water quality event due to abnormally high levels of naturally occurring manganese in the Candowie reservoir. This led to an increased level of dirty water complaints. In order to minimise the effect and remove the dirty water from the system, the Authority undertook an extensive mains flushing and air scouring program combined with a cleaning of the San Remo basin. The cost of these works was not budgeted and amounted to \$224,041. The Authority was required to make additional payments in respect to unfunded defined benefits superannuation payouts amounting to \$190,000. In addition, there was higher contract services expenditure due to an increased operational demand for services.

The achievements of Westernport Water for the 2005-2006 year would not have been possible without the combined efforts of our Board, management and staff. We wish to acknowledge those contributions and thank all involved for their work.

In February we bid farewell to our Chief Executive Officer of almost six years, Mr Mike Paine. We congratulated Mr Paine for his strong management and strategic leadership that enabled Westernport Water to develop as a viable, customer driven organisation, well prepared to meet the ever changing and challenging issues facing the water industry.

Mr Paine shared his vision with the water industry as a Director of the restructured Board of the Victorian Water Industry Association Inc., representing the Regional Urban Water Authorities Chief Executive Officers. He also became a founding Director of savewater.com.

We welcomed Mr David Mawer as our new Chief Executive Officer in April. Mr Mawer has wide management experience in both the gas and electricity industries in Australia and New Zealand and will bring many synergies to Westernport Water and, we believe, to the wider industry.

Pamela Cameron, Chairperson

David Mawer, Chief Executive Officer

Governance structure

MANNER OF ESTABLISHMENT AND THE RELEVANT MINISTER

Westernport Region Water Authority was constituted on 22 December 1994, by the former Minister for Natural Resources, the Hon. Geoff Coleman, by Order, under section 98(2)(a) of the Water Act 1989, published in the Victorian Government Gazette No S102.

The Authority is responsible to the Victorian Government through the Hon. John Thwaites MP, Minister for Water.

In accordance with Section 99(2)(d), 99(3) and Schedule 1(1) of the Water Act 1989, the Hon John Thwaites, Minister for Water, appoints members to the Board of Westernport Region Water Authority for varying terms.

OBJECTIVES, FUNCTIONS, POWERS AND DUTIES

The Westernport Region Water Authority Board, as appointed by the Minister for Water, derives its powers from the Water Act 1989.

THE BOARD

Key functions of the board include:

- Setting the strategic direction and policy framework by adopting, implementing and resourcing a Corporate Plan and Water Plan.
- Establishing measurable goals and objectives.
- Establishing and setting service levels and monitoring achievement.
- Ensuring operational, environmental and financial risk-management systems are in place.
- Ensuring compliance with legislative and regulatory obligations.
- Evaluating Board and Executive Officers' performance to ensure integrity of corporate governance practice and ethical conduct.

STATEMENT OF OBLIGATIONS

The Statement of Obligations was issued by the Minister for Water, the Hon John Thwaites, under section 41 of the Water Industry Act on 27 July 2004. The purpose of the Statement of Obligations is to clarify the obligations of the Authority in relation to the performance of its functions and the exercise of its powers.



Board of Directors

Pamela Cameron (Chairperson)

Pamela Cameron was appointed Chairperson on 30 June 2001. Mrs Cameron is Manager of the Child, Family and Allied Health Team and Physiotherapist at Bass Coast Community Health Service Inc. She is a partner operating a family farm on Phillip Island. For many years Pamela has held several senior committee and director positions, providing local and regional knowledge and expertise. She is currently President of the Phillip Island Aquatic Centre Fund Inc., a Life Governor of Newhaven College, a Member of the Institute of Water Administration, the Australian Institute of Company Directors and an inaugural member of Phillip Island Landcare.

Leah Young (Deputy Chairperson)

Leah Young provides support to the Board in business management and strategic planning. She holds a Bachelor of Business, a Graduate Diploma in Business, is a Fellow of the Australian Institute of Company Directors and a Member of the Australian Institute of Management. Ms Young has been Business Manager at St Paul's Anglican Grammar School since 1996. She has lived in Gippsland all her life. Before joining, St Paul's, Ms Young had more than 12 years experience in local government, holding senior positions in key areas such as financial and corporate planning, capital works development, administration and human resource management. Ms Young has been a Director of the Central Gippsland Water Authority for the past six years.

Anthea Dacy

Anthea Dacy has a Bachelor of Arts (Asian Studies), Grad. Dip. Business Studies, and is currently undertaking part-time studies in Law.

Anthea currently lives in Melbourne with her family where her husband was recently posted with the Army. The family continues to maintain their rural property in West Gippsland which produces organic beef cattle. Major re-vegetation works are a feature of the property which is also the site of a collaborative project with the State Government to establish a carbon sink.

In addition she does freelance writing and marketing consulting. She holds a number of positions on Ministerial advisory panels and in local community organisations.

Leigh Hocking

Leigh Hocking was appointed to the Board of Westernport Water in June 2005 and also serves on the Remuneration Committee of the Board. He is also a Director of Rural Ambulance Victoria where he has served since February 2002. He is formerly the Chair of the Audit & Risk Committee of that Board and is now the Chair of that Board.

Leigh's background is in Human Resources and Management consulting and is currently a Director of Magellan Consulting Pty Ltd, a Human Resource and Organisational Development consulting firm that specialises in major organisational change and development and employee relations. He is a Fellow of the Australian Institute of Company Directors.

Chris Pattas

Chris Pattas is the General Manager, Business Division at MYOB - an Australian listed company which provides solutions to enterprises worldwide. He holds a Bachelor of Engineering, a Masters of Business Administration and is a Member of the Australian Institute of Company Directors.

Mr Pattas is also a Board member with Eastern Health - a network of hospitals in the eastern suburbs of Melbourne. As a former councillor and Mayor of the City of Boroondara, Mr Pattas also has extensive experience with local government. Previous roles include senior executive positions with Ericsson, NEC, and Sensis.

Sue Walpole

Sue Walpole most recently was the Chief Executive Officer of the Legal Practice Board, holds a Bachelor of Jurisprudence (specialising in Industrial Relations), Bachelor of Laws, and a Graduate Diploma Media Management.

Ms Walpole possesses extensive experience in superannuation, industrial relations and human resource management. Her previous employment includes Manager, Industry Fund and Business Development, Superpartners, Federal Sex Discrimination Commissioner and Federal Head of Human Resources, ABC TV. Ms Walpole is also a member of the Nurses Board of Victoria.

Philip Westwood

Philip Westwood is an Environmental Auditor.

He is a primary producer and a self-employed Director of Blue Mountain Creek Pty Ltd, consulting in environmental management and public relations. He has a Diploma in Journalism and is a member of the Port Phillip and Westernport Catchment Management Authority, Bushland Research Council, Free Range Farmers Association Inc, the Mornington Peninsula and Western Port Biosphere and Friends of Bass Valley Bush Landcare Group.



Top row from left: Pamela Cameron, Leah Young, Anthea Dacy,

Bottom row from left: Leigh Hocking, Chris Pattas, Susan Walpole, Philip Westwood

Board Committees

REMUNERATION COMMITTEE

The Remuneration Committee is a sub-committee of the Board and provides oversight and recommendations to the Board on the performance and remuneration of executives, development of the organisation and employees and development of workplace policies, procedures and management systems.

Throughout the year the Remuneration Committee oversaw:

- the recruitment of the Chief Executive Officer;
- the ongoing program to improve employee morale via monitoring of the action plan arising from the employee opinion survey;
- the management of executive performance and remuneration arrangements;
- a comprehensive review of remuneration of employees and update of the remuneration policy.

The Remuneration Committee consists of three independent members. For 2005-2006 they were Pamela Cameron (Chairperson), Susan Walpole and Leigh Hocking.

AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Board with responsibilities to:

- review and recommend to the Board the acceptance of the Auditor General's audit report with or without comment;

- monitor the internal audit function;
- recommend risk-management strategies; and
- monitor the level of regulatory compliance.

During the year the Audit Committee oversaw the development and implementation of the Risk Management system, the establishment of a forward Internal Audit Program and the initial Essential Services Commission Audit into data quality, customer code and Statement of Obligations compliance.

The Audit Committee received reports from the Internal Auditor in relation to:

- Asset Management (Data Migration);
- Compliance Audit (Corporate Credit Cards/FBT);
- Human Resources & Treasury Operations;
- Asset Management;
- Purchasing Cards;
- Internal Financial Controls;
- Establishing an ongoing rolling 3-year Internal Audit Plan.

The Audit Committee consists of four independent members. For 2005-2006 they were Leah Young (Chairperson), Anthea Dacy, Chris Pattas and Philip Westwood.

Directors attendance at Board and Committee meetings

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Pamela Cameron (Chairperson)	13	12	–	–	4	4
Leah Young (Deputy Chairperson)	13	12	6	6	–	–
Anthea Dacy	13	13	6	6	–	–
Leigh Hocking	13	13	–	–	4	4
Chris Pattas	13	13	6	6	–	–
Susan Walpole	13	11	–	–	4	3
Phil Westwood	13	13	6	6	–	–



Organisational structure





David Mawer
Chief Executive Officer

David Mawer commenced as CEO in April 2006. He has 16 years experience in energy utilities, latterly working in State and National Manager roles for multi-national corporations. A metallurgist, David has a MSM (USyd) and a MBA (Henley)



Andrew Kneebone
Manager Corporate Services

Andrew Kneebone was appointed in September 2002 and currently holds the role of Manager Corporate Services. This role encompasses customer service, public and stakeholder relations, information technology, human resource, risk and occupational health and safety management. He holds a Graduate Certificate and Diploma in Executive Management Operations and is currently studying his Masters.



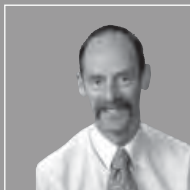
James Young
Manager Operations

James Young was appointed to the position of Manager Operations in 2003. James has 10 years experience in the water and wastewater industry implementing systems to improve functional and organisation wide performance and he has a Bachelor of Civil Engineering and a Masters in Environmental Engineering.



Steven Porter
Manager Assets Planning & Delivery

Steven Porter, appointed in October 2002 is responsible for shaping the direction of the Authority's asset utilisation and development. He has over 20 years experience in both public and private sectors of the water industry including developing and implementing strategic and business plans, management of client/customer relationships and extensive experience at developing strategies for asset and resource use and planning for asset development (growth).



Gary Cossens
Chief Financial Officer

Gary Cossens (Bachelor of Business) was appointed to the position of Chief Financial Officer in April 2005. He is responsible for maintaining and developing the Authority's financial management systems, and providing a full range of financial and accounting services.

From top: David Mawer, Andrew Kneebone, James Young, Steven Porter and Gary Cossens.



Objectives and performance

Westernport Water continued the pursuit of its 2005-2008 strategic plan objectives throughout 2005-2006:

The objectives were developed using a triple bottom line approach and are expressed as a balanced scorecard encompassing objectives relating to:

- Customer
- Financial
- Internal Business Processes
- People and Systems

The strategic objectives are central to the Authority's planned level of triple bottom line performance as stipulated in the Water Plan and its 2005-2008 Strategic and Corporate Plan.

KEY RESULT AREA:

Customer

Objectives

Establish and maintain a reputation for delivering excellent customer service

To understand our customers' needs and expectations and incorporate into our decision-making

Actions and Achievements

In pursuit of these objectives Westernport Water fulfilled its planned action to survey its customers throughout the year to determine the:

- level of overall customer satisfaction; and
- level of satisfaction with customer service.

The results of these surveys revealed that overall 92% of customers were either satisfied or very satisfied with Westernport Water.

As a result of the information gathered from these surveys and other sources a number of initiatives were also implemented throughout the year.

- 13WATER emergency telephone number implemented to offer a one point of contact state wide for the reporting of system faults;
- improved works order processes implemented to improve responsiveness to emergency situations;

- ongoing skills training for all customer service staff;
- review of the debt management processes to ensure that customers in hardship were protected and that the process was fair and efficient; and
- improved collection and reporting of key customer service performance data.

In addition a comprehensive customer data integrity project was completed in order to ensure that the authority's records of property, customer and billing information were reliable and up to date.

The Board approved an upgrade to the Fujitsu billing and property data base package over the next 2 years at an estimated cost of \$200,000. This upgrade is aimed at improving the usability and reporting ability of the current package to assist in the provision of superior service to customers.

Community Education

The Authority continued its community education program throughout the year with the following activities:

- National Water Week, involving local schools and representatives of a number of community groups;
- World Environment Day Expo (two days) involving more than 600 students from local schools;
- regular press releases promoting water conservation ideas;
- promotion of the savewater.com.au website and regular updating of the Authority's page on the site;
- visits to schools and community groups to talk about the Authority and water conservation;
- preparation of information sheets;
- updating of the reservoir level on signage and the Authority's website;
- The Authority's Account Newsletter.

In addition the Authority undertook a comprehensive water conservation campaign in the local press and with prominent bill boards over the summer period aimed at instilling the message around the responsible use of water using the slogan the "Water conservation never takes a holiday"

KEY RESULT AREA:

Financial

Objectives

Implement whole-of-life asset management for delivery of all services

Make all our decisions on a balance of economic, commercial, environmental and social criteria for long term sustainability of resources

Actions and Achievements

Security of Supply

Development of the detailed design of the proposed connection to Melbourne Water continued during the year. The alignment is close to finalisation and negotiations with landowners for easement acquisition are currently underway. A peer review confirmed the whole of life merits of a smaller diameter pumped system versus a larger diameter gravity flow system. Preparation of a business case to Department Sustainability and Environment and Department Treasury and Finance to allow assessment of the project against the requirements of the Government's Partnerships Victoria Policy was commenced.

Asset Management

The asset management system (Asset Life) was successfully integrated with the customer relationship system (Merit) during the year. This provides seamless transfer of customer information and fault data between the Customer Service and Operations work groups. An extensive suite of reports was developed within AssetLife paving the way for corporate wide access to fault data and consistent, repeatable reporting to the Essential Services Commission.

The componentisation of the Asset Register continued during the year taking the Authority's information on its assets down to maintenance item level for water and sewer (linear) infrastructure. A review of the effective lives of assets was undertaken bringing the Authority in line with water industry standards.

The preparation of a business case to assess the need for a geographical information system (GIS) was commenced. The development of comprehensive Asset Management Plans (AMPs) was also commenced during the year and involved stages participants from Operations, Customer Service and Finance. The AMPs will be progressively developed and provide the framework to establish targeted and effective preventative maintenance plans.

Automation and remote access

The Authority commenced the second stage of its strategic intent to maximize the operational efficiencies of its key facilities through automation. The second stage, at the Ian Bartlett Water Purification Plant (IBWPP), involves an upgraded programmable logic controller (PLC) that provides enhanced operational flexibility, monitoring and control. Several separate operational systems are being consolidated within the upgraded PLC.

During the year broadband access was made available to the Cowes and King Road Wastewater Treatment Plants. This allowed these remote sites to become part of the Authority's corporate network in line with the Authority's information technology strategy and provided the capacity to remotely monitor and control these sites. In addition IBWPP was linked to the corporate network via satellite and broadband.

Over the remaining period of the 2005-2008 Water Plan the King Road Wastewater Treatment Plant facility will be automated and a corporate SCADA system implemented.

Reticulated gas network

The delivery of a key part of the Authority's vision to develop into a multi-utility service provider was delayed during the year. Negotiations to obtain an appropriate site for a gas tank farm and obtain a Planning Permit to locate the gas tanks on the site have taken longer than anticipated. A site has now been obtained and a Planning Permit is expected shortly. The construction of the first 1.5km of reticulated LPG to the Bass Coast Golf Resort and surrounding area of San Remo will then commence.

Capital works

During 2005-2006 the following major projects were commenced:

Ian Bartlett Water Purification Plant automation	\$478,000
Ian Bartlett Water Purification Plant chlorination upgrade	\$70,000
Cowes Wastewater Treatment Plant upgrades	\$263,000
Cowes Wastewater Treatment Plant safety upgrades	\$70,000
Wastewater pump stations – pumps/facility upgrades	\$80,000

Finance

Throughout the year the finance department has been strengthened through the recruitment of two accountants. This has allowed the department to focus on :

- implementing the International Financial Reporting Standards requirements;
- identifying and progressively addressing the Financial Management Compliance Framework gaps;
- amending the capital expenditure budget process to include additional financial analysis;
- developing a process improvement costing process;
- improving timeliness of Board and executive financial information;
- reporting and control of capital expenditure thorough implementation of the capital expenditure/project reporting module in the financial reporting system;
- training of all Finance staff in Fujitsu and legislative and compliance issues (FBT, GST, etc) has been undertaken.

Reuse water

Westernport Water continued to explore options for the development of opportunities for the use of recycled water. These included undertaking a design of a proposed system to supply reuse to proposed golf club developments. The Authority also called for expressions of interest from interested parties to explore the potential for utilising reuse water in value added activities and is offering the parties the ability to utilise Westernport Water land holdings to conduct trials.



Objectives and performance *continued*

KEY RESULT AREA:

Internal Business Processes

Objective

Embed customer-driven process thinking and process improvement across the entire business

Actions and Achievements

The aim for 2005-2006 was to further refine and implement the concept of process improvement through effective measurement and monitoring of both performance through key performance indicators and process improvement projects.

The achievements of 2005-2006 were the ongoing reporting and refinement of the Corporate KPI's and the establishment of departmental key performance measures was achieved across the business. A register of improvement projects was completed and is being maintained. A range of improvement projects were undertaken mainly at the departmental level however limited formalised cross functional process improvements were achieved throughout the year.

Improvements were achieved in:

- IT delivery
- Debt management performance
- Purchasing
- Operations and maintenance, in particular chemical usage.

The review of customer data through the data integrity project produced a side benefit of improving the processes surrounding collation and inputting of customer and property related data.

The planned training program in process improvement was deferred.

Objective

Reduce the Authority's environmental footprint

Actions and Achievements

Westernport Water continued to evolve its understanding of its environmental impact throughout 2005-2006. In support of its objective to reduce its environmental

impact the Authority continued to investigate alternative energy options under its *Close to Zero* alternative energy policy.

In addition the Authority maintained its close working relationship with the local Landcare networks contributing to local plantings for the Phillip Island nature corridor, water way protection and sediment reduction works in its catchment. 2005-2006 saw the second award of the Westernport Water Urban Landcare Award to local gardeners for their efforts in demonstrating water wise gardening and improving the biodiversity of the local urban area.

Westernport Water supported Phillip Island Landcare's application for federal government funding to establish tank to toilet systems in local schools. The application was granted and the two organisations are now progressing the project to minimise potable water usage in the local schools through collection and utilisation of rain water.

Objective

Re-engineer the Performance monitoring, Feedback and Reporting process

Actions and Achievements

The course of action pursued in 2005-2006 to achieve this objective was to develop a Management Information and Reporting System that would facilitate reporting of performance based data across both external stakeholder and internal management reporting requirements.

In May 2006 the Board approved a \$200,000 two year contract for the development of a Management Information System (MIS) that utilised a common software platform with the proposed corporate intranet and would also provide portal access to the new financial, property and billing application.

This project was commenced in June 2006 with the first deliverables achieved by the end of this month. This project included a comprehensive review and documentation of the processes associated with data collection and reporting to ensure ongoing compliance with a variety of regulatory reporting requirements.

KEY RESULT AREA:

People and Systems

Objective

Develop a highly skilled, adaptable, responsive, accountable and sustainable organisation

Actions and Achievements

Commitment to training

Westernport Water continued its commitment to up skilling its employee base with a focused commitment to training. 11 of Westernport Water's operations and maintenance staff were awarded Certificate III in Water Industry Operations from the University of Ballarat.

The Customer Service and Finance teams have also undertaken significant training in the use of various modules of the Fujitsu billing, financial and property system.

The Authority conducted organisation wide training in:

- negotiation skills;
- the new industrial relations system and its application;
- Occupational Health and Safety
 - o refresher training in confined space entry and manual handling;
 - o employee/employer responsibilities under the OH&S Act;
 - o policy and procedures;
- anti discrimination and bullying and harassment, including contact officer training;
- asset management plan development;
- risk management;
- emergency response and fire warden training;
- return to work coordination;
- recruitment and selection;
- issue resolution.

Several key individuals were supported with professional development and or training in:

- IT security
- Finance for non-financial managers
- Certified Practising Accountant (CPA).

Performance Management

Performance management and personal accountability were taken to a new level within the organisation throughout 2005–2006 with a greater focus on personal accountability for performance with the results of individual performance directly impacting the level of performance based remuneration available to each employee. In support of the refinement of the performance management approach the Behavioural Charter was reviewed and further integrated into the induction processes.

Organisational development

The overall commitment to organisational development was strengthened throughout the year with the restructure of the associated roles and the establishment of a dedicated section reporting directly to the Chief Executive Officer. The Organisational Development team will undertake a combined regulatory compliance and internal consulting role within the organisation in the areas of OH&S, risk management, human resources management and cultural development.

Scholarship

The Board offered its tertiary scholarship for the third year and was so impressed by two applicants that it offered two scholarships for 2005-2006. The awardees are Dean Jagoe of Wonthaggi who is studying Engineering and Thomas Mitchell from Corinella who is studying Environmental Science. Both students receive \$1000 per annum towards their study costs plus guaranteed annual employment for a period up to 13 weeks per year. In addition both awardees are offered twelve months employment at the completion of their courses. The total gross value of the scholarship is a minimum of \$65,000 per student.

Objective

Develop an organisation where the people are valued, encouraged, challenged and rewarded and there is a consistently high level of morale.

Actions and Achievements

2005-2006 saw Westernport Water implement a formalised reward and recognition scheme culminating in the presentation of a series of Excellence

Awards at the staff Christmas function. The recipients of the awards were:

- Lessa Moir, Customer Service Officer for demonstrated personal achievement and growth in the performance of her duties;
- Genny Clarke, Executive Assistant for demonstrated personal achievement in study;
- Peter Brown, Stores Officer for excellence in improving business performance;
- Chris West, Wastewater Treatment Plant Operator for excellence in health and safety.

Employee opinion survey results

In order to monitor the effectiveness of programs specifically put in place to improve staff morale the Authority undertook two mini employee opinion surveys throughout the year focused on the worst performing dimensions of a previous survey. The results have demonstrated an improving trend of employee perception particularly in relation to the areas of communication, recognition and performance management.

Objective

Develop an integrated suite of management systems that assist managers and employees execute their business and support processes

Actions and Achievements

2005-2006 has been a year of consolidation of Westernport Water's business management and compliance systems, in particular the development of a comprehensive risk management system incorporating whole of business risk assessment and management including emergency response and business continuity planning. Emphasis on improving the internal communication capability of the organisation, has lead to improved interconnectivity of remote sites to the Authority's computer network providing access to corporate data and systems for field staff.

In support of the management system developments it has been a busy year for the Westernport Water Information Technology team. The IT Strategic Plan called for the development and implementation of a range of new or upgraded systems to support key

management systems these have included:

- selection and implementation of a Risk Management System;
- selection and implementation of a Management information and reporting system;
- design and construction of a corporate Intranet
- redesign of the Web site and development of a content management approach;
- selection of a Human Resources Information system;
- update of the electronic records management system.

In addition the Authority has completed a multi layer cost benefit analysis of a proposal to upgrade its current integrated financial, billing and property management data base. The result was that the Board accepted the proposal, phase 1 of the 3 phase project is currently being implemented.

The Authority also developed a comprehensive Information Technology Disaster Recovery Plan (ITDRP) as a key input into the overall Risk Management Strategy.



Environmental sustainability

Our Water our Future

Throughout 2005-2006 Westernport Water has been actively reviewing the region's long term water supply strategy. This strategy is being developed as part of the wider (Draft) Central Region Sustainable Water Strategy (CRSWS) that is currently published for public comment.

The Central Region Sustainable Water Strategy is a key action of the Victorian Government's White Paper "Our Water Our Future" and has been run and coordinated by the Department of Sustainability and Environment.

Significantly the principles of this CRSWS are being considered in the local long term water supply strategy, specifically:

- Protecting and improving rivers and aquifers; including maintaining and where necessary improving river health by providing sufficient water to maintain environmental flows and by providing groundwater management plans to sustainably manage these systems.
- Conservation and efficiency; to firstly support industry, farming and residential water conservation measures including water-efficient showerheads, water-efficient washing machines, water-efficient evaporative coolers, water-efficient gardens, water-efficient water irrigation and water-efficient programs for industry.
- Interconnection of water supply systems; to provide more flexibility to move water where it is needed most and provides potential to trade water from low-value uses to high-value uses.
- Alternative sources; substituting treated recycled water or storm water for river and aquifer water in uses where appropriate, allowing the river and aquifer water to be used to meet our growing needs for drinking water.
- Augmenting supplies; to increase the capacity of existing supply systems to provide greater water security.

Given that climate change is likely to impact on the availability of water harvested from the local catchment and that population growth in the region is expected to be around 3%+ per annum then the strategy needs to consider increased demands on a further constrained resource.

Westernport Water, as proposed in the CRSWS, has a number of conservation, efficiency or water substitution projects planned that will continue the work already undertaken.

There are 2 principle projects identified in the CRSWS to increase the volume of water available to Westernport Water to the year 2055. These 2 projects will increase the volume of water available by 4,000 ML and should be staged over the next 30 years and are the system interconnection between Melbourne Water and Westernport Water and access to groundwater at Corinella.

Melbourne Water interconnection

The proposal is for a 44 kilometre pipeline from the Melbourne Water system to the Westernport Water system. Westernport Water advanced this proposal in 2005-2006 by further communicating the project to various stakeholders and initiating discussions with the major metropolitan retailers, Melbourne Water, DSE and the Essential Services Commission.

Currently this project is under review as a result of the unbundling of Melbourne Water's water entitlements and the White Paper's delegation of the bulk entitlements management to the retailers. The fixed and variable costs of supply of the water and the connection costs into the Melbourne system has the potential to make this project uneconomical to pursue further.

Corinella aquifer

The proposed project of the Corinella groundwater has been included in the Draft CRSWS by DSE as a possible medium to long term option that will be required in 20+ years from now. This project will require additional planning and investigation before final acceptance and should be considered as preliminary.

Regional catchment management strategy

Westernport Water maintained funding to the Lance Creek/Candowie Community Catchment Management Group. This funding provided for a Landcare facilitator to provide guidance to the group as well as \$20,000 worth of onsite catchment improvements.

These included:

o *Victorian Biodiversity Strategy*

In 2004/2005 Westernport Water partnered the Bass Region Landcare group to document the biodiversity on the authority's land holdings. This document formed the basis of projects undertaken in 2005-2006.

Major project completed in 2005-2006 included:

o *Extensions to Wildlife Corridors*

- 2000 trees planted at the King Road wastewater treatment plant site.
- 2000 trees planted at the Cowes wastewater treatment plant site.

o *Revegetation*

500 trees were planted to replace pine trees at the Cowes Service Basin

o *Victorian River Health Strategy*

Westernport Water installed an inflow stream monitoring station on Tennent Creek, a tributary to the upper Bass River. The data from the stream monitoring station is utilised to determine management strategies for the operation of the Candowie Reservoir. No downstream monitoring of aquatic environments were conducted.

Significant improvements to the sludge handling at the Ian Bartlett Water Purification Plant has eliminated all supernatant being discharged into Tennent Creek.

Corporate water consumption

Over the 2005-2006 year the Authority accessed a total of 275kL of water [179kL potable and 96kL of tank water (potable substitution)] at its corporate office site, 2-16 Boys Home Road, Newhaven

For the 43.9 full time equivalent staff members this equates to 6.3kL per person during 2005-2006.

Greenhouse gas emission

The Authority's CO₂ emissions for 2005-2006 are detailed. The transport component has been reported for the first time leading to an apparent increase in CO₂ equivalent emissions since last year. Overall electricity consumption has reduced by over 9% since 2003/2004.

CO ₂ Equivalent emissions	2005-2006	2004-2005
Water treatment and supply (tonne)	1388	1477
Sewerage treatment and management (tonne)	2845	2852
Transport (tonne)	232	Not reported
Other (tonne)	196	153
Total CO ₂ emissions (tonne)	4661	4482

Water consumption

District	Residential customers		Non-residential customers		Non revenue water ¹ (ML)	Total Consumption ² (ML)	3-Year Average annual consumption (ML)
	Number	Volume consumed (ML)	Number	Volume consumed (ML)			
Candowie reservoir	12242	1382.18	856	573.617	26.955	1982.75	2108

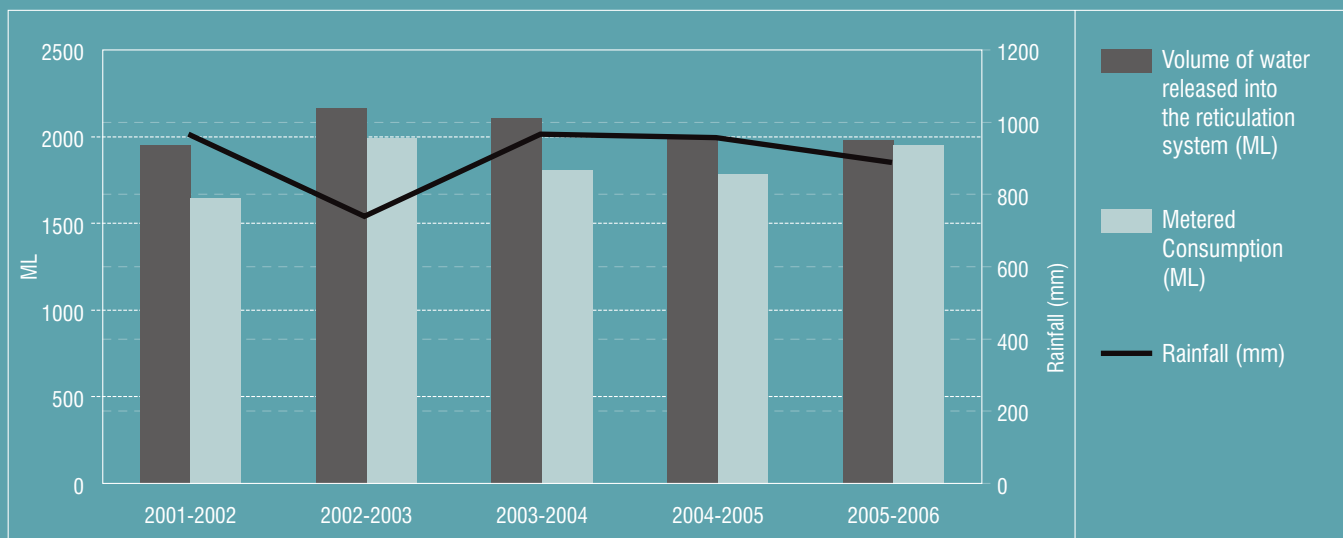
(1) Difference between volume of water entering the reticulation system and the volume of metered consumption (including water lost through bursts and leaks, mains flushing and unauthorised use).

(2) Total volume water entering the reticulation system.



Environmental sustainability *continued*

RAINFALL AND WATER CONSUMPTION



Figures for 2005-2006 show a reduction in produced water (treated potable water) by approximately 183 ML from 2002-2003.

Drought response

During 2005-2006 Westernport Water reviewed its Drought Response Plan and updated the Water Restriction By-Law to ensure consistency with State policy. Westernport Water was not required to implement water restrictions during the financial year.

Bulk entitlement

The Authority holds a Bulk Entitlement (Westernport) Conversion Order 1997.

In accordance with Section 12 of the Bulk Entitlement the Authority advises that no waterway works were undertaken requiring an environmental management program.

In accordance with Section 13 of the Bulk Entitlement the Authority advises that it has recently upgraded the bulk metering of treated water out of the treatment plant with the installation of a Siemens Magflo meter with an accuracy of 0.5%. Further work is planned over 2006-2007 to refine the metering of flows into and through the treatment plant. The Authority has an ongoing monitoring and calibration program to verify the amount of water in the reservoir.

In accordance with Section 14 of the Bulk Entitlement the Authority advises that;

14.1 (a) The rate of extraction from Candowie Reservoir may not exceed 50ML per day, with 12.8960ML being the maximum volume taken from the Reservoir in any one day during this period.

14.1 (b) As at 30 June 2006 the water level in the reservoir was 2.47m below the spillway which equates to 42.9% full and the amount of water stored was 949.8ML.

14.1 (c) The Authority's Bulk Entitlement from Candowie Reservoir is 2,911 million litres (ML) with 1982ML extracted between 1 July 2005 and 30 June 2006.

14.1 (d) The Authority has commenced documenting its monitoring programs to comply with the requirements of the Bulk Entitlement.

14.1 (e) There were no temporary or permanent transfers of this Bulk Entitlement during 2005-2006.

14.1 (f) There were no temporary or permanent Bulk Entitlement or licence transfers to the Authority with respect to the Westernport Water supply system

14.1 (g) There were no amendments to this Bulk Entitlement.

14.1 (h) There were no new Bulk Entitlement's granted to the Authority with respect to the Westernport Water supply system.

14.1 (i) The Authority is completing its documentation with respect to its metering and monitoring programs and is not aware of any failure to comply with the provisions of this Bulk Entitlement.

14.1 (j) The Authority has not experienced or anticipated any difficulties with this Bulk Entitlement and any remedial action taken or proposed.

Social sustainability

Customer Reference Advisory Committees

Westernport Water is committed to building partnerships with its customer base and the community. It is keen to incorporate community expertise and advice into its service planning and decision making process. To this end, Westernport Water established a Customer Consultative Panel in 1997.

The Panel currently comprises nine members. It meets on the first Wednesday of each month except for January. Minutes of the meeting are recorded and distributed widely within the Authority and provided to the Board.

Promotion of the work of the Panel appears regularly in the Authority's Annual Report and the November customer account newsletter. Of special note this year, the Panel hosted a visit by the Customer Advisory Group from Western Water and details appeared in the local media and the Victorian Water Industry Association News WaterMatters.

The visit by Western Water was an opportunity to share experiences, strategies and develop a strategic path to continuously improving customer service and consultation. Attended by Western Water staff and Customer Advisory Group members, the day was a success with valuable relationships being formed and a wealth of information transferred between the two organisations.

As well, the Panel has been involved in the development of a number of significant initiatives by Westernport Water including:

- implementation of the Customer Charter;
- Customer Welcome Pack;
- Backflow Prevention Policy;
- Permanent Water Savings Plan;
- Water Restriction By-law 103;
- Central Region Sustainable Water Strategy.

It has also been reflective about its own workings by completing a self-assessment process.

Special mention needs to be made of the retirement of Joan Christie and Charles Gentner from the Panel. Westernport Water wishes them well with their future endeavours. The Panel welcomes their replacements Lars Olsen, Alan Wittick and Robert Andrews.

The Authority would like to thank each Panel member for giving up their time to attend meetings, review new policy and to support the work of the Authority.

Management of social and economic impacts

Westernport Water recognises that any customer may experience times of financial hardship and that the Authority will need to be proactive to ensure that financial difficulty is recognised early in the credit cycle and that by its actions the Authority will not add to the customer's burden. Its Hardship Policy provides for a range of support for residential

customers that includes but is not limited to flexible payment arrangements, deferral of collection action and penalty interest. In addition customers have access to a wide range of materials in relation to water conservation and minimizing water usage in the home.

Westernport Water implemented its Permanent Water Saving Plan in April this year. The measures introduced were decided by extensive community consultation. They cater for the particular characteristics of Westernport Water's permanent population.

Community inclusiveness

Westernport Water is aware of the State Government's policies on multicultural, women, youth and indigenous affairs.

The requirements for delivery of culturally appropriate communication is to be addressed through the development of the Authority's Customer Engagement Strategy and is continually tested utilising the Customer Consultative Panel. This strategy has included cultural mapping of our customer base to facilitate and better understand their communication needs through the development of a comprehensive demographic profile. In relation to all areas, Westernport Water operates in an equal opportunity environment and policies and procedures are in place to support this particularly in recruitment and selection of employees and consultative panel members.

Specifically, in terms of youth, Westernport Water developed and is implementing an annual scholarship to support and retain local youth in the area.

Community Services Obligations

	05-06 \$	04-05 \$	03-04 \$
Concessions to pensioners	338,365	340,548	261,642
Rebates to not-for-profit organisations under water and sewerage rebate scheme	24,977	22,825	22,686
Utility relief grant scheme payments	11,459	11,428	6,211
Water concession on life support machines	179		
Hardship relief grant scheme (Sewerage Connection Scheme)	3,090	9,161	19,353
TOTAL COMMUNITY SERVICE OBLIGATIONS PROVIDED	378,070	383,962	309,892

Statutory information

Statement of Workforce Data

Westernport Water employed 62 people in 2005-2006. The breakdown of staff for the Authority in 2005-2006 is as follows:

Directorate	Total Full-time Equivalent		Male Full-time Equivalent		Female Full-time Equivalent	
	2006	2005	2006	2005	2006	2005
Corporate Governance	1.9	2.4	0.9	1.4	1.0	1.0
Corporate Services	14.6	13.6	5.1	5.7	9.5	7.9
Finance	3.8	2.5	1.4	0.5	2.4	2.0
Assets Planning & Delivery	6.0	6.0	5.0	5.0	1.0	1.0
Operations	16.6	18.5	16.6	18.5	0	0
Totals	42.9	43.0	29.0	31.1	13.9	11.9

Executive officers	Full-time equivalent		Male		Female	
	2006	2005	2006	2005	2006	2005
Corporate governance	1	1	1	1	0	0
Corporate services	1	1	1	1	0	0
Finance	1	1	1	1	0	0
Assets Planning & Delivery	1	1	1	1	0	0
Operations	1	1	1	1	0	0
Totals	5	5	5	5	0	0

Merit & Equity

Westernport Water has established policies, procedures and systems to ensure the application and implementation of the public sector values and employment principles outlined in Sections 7 & 8 of the *Public Administration Act 2004* namely that:

Employers must ensure:	Employees must:
• decisions are based on merit	• act with impartiality
• employees are treated fairly and reasonably	• display integrity, including avoiding real or apparent conflicts of interest
• equal employment opportunity is provided	• show accountability for actions
• reasonable avenues of redress against unfair or unreasonable treatment	• provide responsive service

Westernport Water adopted the Victorian Public Service Code of Conduct for all staff and incorporated its principles in our Performance Management System and Behavioural Charter.

The Authority also has an established Equal Employment Opportunity and Anti Discrimination Policy. It is illegal under Victorian equal opportunity legislation for any employee, or potential employee, to be discriminated against on such grounds as sex, race, disability, age, religion, pregnancy, potential pregnancy, marital status, HIV/Aids or homosexuality.

The Authority ensures that all current and future staff are given an equal chance when they apply for employment, promotion or training. The Authority monitors its performance to ensure its personnel, recruitment and training procedures remain non-discriminatory. All staff will be selected on their merits.

Discrimination on the basis of an attribute of a relative or associate is unlawful. In order to promote a culture of tolerance and the acceptance of diversity within the Authority, ongoing equal employment opportunity information

is communicated to staff via work-site visits and induction programs, thereby maintaining and communicating to all staff equal employment opportunity principles and practices that assist in creating a discrimination free workplace and encourages and embraces the highest standards of professionalism.

5 YEAR FINANCIAL SUMMARY

	2005-2006 \$ million	2004-2005 \$ million	2003-2004 \$ million	2002-2003 \$ million	2001-2002 \$ million
Financial Performance					
Revenue*	11.8	11.9	11.3	12.6	10.6
Expenses	10.4	9.1	9.2	8.3	7.5
Borrowing Costs	0.3	0.3	0.3	0.4	0.5
Profit (before one off items)	1.1	2.5	1.8	3.9	2.6
One off Items ⁽¹⁾	–	–	6.8	–	–
Net Profit	1.1	2.5	8.6	3.9	2.6
Financial Position					
Total Assets	115.1	113.9	108.0	99.0	96.1
Total Liabilities	5.5	6.4	6.7	6.0	6.6
Total Equity	109.6	107.5	101.3	93.0	89.5

* Revenue from tariffs and charges

(1) The Authority took over the mains to meter assets of its customers on 30 June 2004.
This income is the accounting treatment of the contributed capital from this action

Significant Changes in Financial Position

There are no significant changes relating to the financial position that warrant further explanation or comment other than as referred to in the accompanying notes to the Financial Statement.



*Westernport Water is an
equal opportunity employer –
we don't discriminate*

Statutory information *continued*

Consultancies

During 2005-2006 a number of consultants were engaged to carry out specific tasks for the Authority. Twelve consultants were engaged during the period for a total cost of \$346,255. No consultancies exceeding \$100,000 were entered into during the year.

Major contracts

Westernport Water, in accordance with the requirements of Government Policy and accompanying guidelines, advises that no major contracts over \$10 million were entered into during the 2005-2006 financial year.

Freedom of Information

The Freedom of Information Act 1982 allows the public a right of access to documents held by the Authority. For the twelve months ending 30 June 2006 no requests were received. Members of the public wishing to obtain access to Authority documents are required to make their request in writing and pay a \$21.50 fee.

The FOI Officer is the Executive Assistant.

Victorian Industry Participation Policy

In October 2003 the Victorian Parliament passed the Victorian Industry Participation Policy Act 2003 which requires public bodies and Departments to report on the implementation of the Victorian Industry Participation Policy (VIPPP). Westernport Water is required to apply VIPPP in all tenders over \$1million.

During 2005-2006 Westernport Water commenced no contracts to which VIPPP applied.

Whistleblowers Protection Act 2001

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Section 104 of the Act requires that public bodies provide the following statistical information.

The number and type of disclosures made to the public body since the commencement of the Act (in January 2002)	Nil
The number and type of disclosures referred to the Ombudsman (to determine whether they are public interest disclosures)	Nil
The number and type of disclosures referred to the public body by the Ombudsman	Nil
The number and type of disclosures referred by the public body to the Ombudsman to investigate	Nil
The number and type of investigations or disclosures taken over by the Ombudsman from the public body	Nil
The number of requests made by complainants to have their disclosure investigated by the Ombudsman due to their dissatisfaction with the way the public body is investigating the matter. (The circumstances are set out in section 74 of the Act).	Nil
The number and types of disclosures that the public body declined to investigate.	Nil
The number and type of disclosed matters that were substantiated on investigation and the action taken on completion of the investigation.	Nil
Any recommendations made by the Ombudsman that relate to the public body.	Nil

Disclosures of improper conduct by the Authority or its employees may be made to the following:

Genny Clarke

Westernport Region Water Authority
2 Boys Home Road
Newhaven VIC 3925

Telephone: (03) 5956 4118

Facsimile: (03) 5956 4101

Email: gclarke@westernportwater.com.au

or

The Ombudsman Victoria

Level 3 (South Tower), 459 Collins Street
Melbourne VIC 3000

Telephone: (03) 9613 6222

Toll free: 1800 806 314

<http://www.ombudsman.vic.gov.au/>

Building Act 1993

To the best of its knowledge Westernport Water and its contractors have complied with the building and maintenance provisions of the Building Act 1993.

National Competition Policy

Westernport Water has developed and will continue to develop policies to ensure compliance with the Victorian Government's requirements for the National Competition Policy.

Occupational Health & Safety

The consolidation of the Occupational Health and Safety Management system combined with a revitalization of the Health and Safety Committee was the priority for 2005-2006. This involved a restatement of the OH&S Policy for the organisation combined with review and republishing of all management system related procedural documentation. All Authority employees received training in the OH&S Act, in particular the associated responsibilities and relevant procedure. The annual operational risk assessment process was completed on all major sites across the Authority and appropriate corrective actions were implemented to manage risks.

All field staff received regulatory medical assessments through out the year, this was combined with an ongoing immunisation program for all staff and refresher training in first aid, confined space entry, asbestos handling and manual handling.

A major OH&S focus for the year was the review of the Equal Opportunity and Anti Discrimination Policy to ensure that the Authority was at best practice levels to manage the issues of discrimination and workplace bullying and that all employees are aware of their roles and responsibilities in relation to this most important matter.

Availability of other information

Other information required by the Financial Management Act 1994 but not specifically referred to has been retained by the Accountable Officer and is available to the Minister, Members of Parliament and the public on request.

Information Privacy

Westernport Water complies with the ten Information Privacy Principles contained within the Information Privacy Act 2000 which ensure responsible collection and handling of personal information within the Victorian Public Sector.

Overseas travel

No overseas travel was undertaken by employees or Members of the Authority during 2005-2006.



*Westernport Water
- committed to
building partnerships
with its customers*

Performance Indicators

FINANCIAL PERFORMANCE INDICATORS

Performance indicator	2005-06 Target*	2005-06 Result	Variance* %
Long term profitability	1.5%	1.0%	-34.3 ⁽¹⁾
Owner's investment	1.3%	1.0%	-20.0 ⁽²⁾
Long term financial viability	4.0%	5.0%	20.3 ⁽³⁾
Liquidity and debt servicing (interest cover)	7.58	4.55	-40.0 ⁽⁴⁾
Immediate liquidity and debt servicing (cash cover)	37	15	-59.4 ⁽⁵⁾

Operating efficiency water supply / wastewater collection

Water supply bulk	No Target	\$261	
Water supply reticulation	No Target	\$1,173	
Water supply treatment	No Target	\$1,550	
Sewerage reticulation	No Target	\$1,419	
Sewerage treatment	No Target	\$1,896	

- (1) Profit lower than target
 (2) Profit lower than target and asset revaluation undertaken that was not included in target
 (3) Total asset higher than target due to revaluation and higher than targeted capitalisation at year end
 (4) Lower profit and lower interest
 (5) Cash flow variation from target

SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS

Performance indicator	2005-06 Target*	2005-06 Result	Variance* %
Water supply interruptions			
Number of customers receiving at least 1 unplanned interruption in the year	4500	4530	+0.67%
Interruption time indicators			
Average duration of unplanned water supply interruptions	110 minutes	96 minutes	-11.82% ^(a)
Average duration of planned water supply interruptions	365 minutes	235 minutes	-35.6% ^(b)
Restoration of water supply			
Unplanned water supply interruptions restored within 5 hours	99%	97.22%	-1.85
Reliability of sewerage collection services indicators			
Sewer spills from reticulation and branch sewers	5	0 Priority 1 spills 5 Priority 2 spills	
Sewage spilt from emergency relief structures and pumping stations	No Target	0.00028%	



Performance indicator

Containment of sewer spillages

Sewerage spills contained within 5 hours
--

Customer complaints indicators (per 1000 customers)
--

Water quality complaints

Water supply reliability complaints

Sewerage service quality and reliability complaints

Affordability complaint

Billing complaint

Pressure complaints

Sewage odours complaints

Other complaints

Reuse indicators

Effluent reuse (volume) (Cowes)

Effluent reuse (volume) (King Road)

Biosolids reuse (dry mass) (Cowes)

Biosolids reuse (dry mass) (King Road)
--

Sewage treatment standards

Number of analyses complying with licence agreements (Cowes)
--

Number of analyses complying with licence agreements (King Road)
--

2005-06 Target*	2005-06 Result	Variance* %
-----------------	----------------	-------------

100%	100%	
------	------	--

5	16.18	+323.6% ^(c)
---	-------	------------------------

1.3	2.21	+170% ^(d)
-----	------	----------------------

0.5	0	
-----	---	--

2	0.61	-69.5% ^(e)
---	------	-----------------------

No Target	2.67	
-----------	------	--

No Target	6.94	
-----------	------	--

No Target	2.42	
-----------	------	--

1.5	4.88	+325% ^(f)
-----	------	----------------------

No target set for individual treatment plants	7.47%	
	96.2% ^(g)	

100%	0%	100% ^(h)
------	----	---------------------

0%	0%	
----	----	--

100%	100%	
------	------	--

100%	100%	
------	------	--

- (a) Increased efficiency of reactive services.
- (b) 2005-2006 target set to accommodate work on major infrastructure servicing all customers. Work of this nature was not required during the reporting period. A one off raw water quality event caused a spike in customer complaints during the year. This event resulted in 83 complaints about water color.
- (c) In addition we are required to report all contacts about water quality as a complaint not just expressions of dissatisfaction.
- (d) Increased complaints attributed to a burst on the supply main in February 2006 which impacted the residents of Pioneer Bay.
- (e) Target based on number of customer expressing their dissatisfaction however we are now required to classify any contact with a customer about our service as a complaint.
- (f) Target based on number of customer expressing their dissatisfaction however we are now required to classify any contact with a customer about our service as a complaint.
- (g) Land available for irrigation was irrigated to maximum capacity.
- (h) No biosolids used.



Statutory Certificate - Performance Statement

In our opinion the accompanying Statement of Performance of Westernport Water in respect of the 2005/2006 financial year is presented in accordance with the Financial Management Act 1994.

The Statement of Performance outlines the relevant performance indicators as determined by the responsible Minister, the actual results achieved for the financial year against predetermined targets and these indicators and an explanation of any significant variation between the actual results and performance target.

At the date of signing we are not aware of any circumstances which would render any particulars included in the Statement of Performance to be misleading or inaccurate.



A. Kneebone
Acting Chief Executive Officer
Westernport Water

Melbourne
15-September-2006



P. Cameron
Chairperson
Westernport Water

Melbourne
15-September-2006



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Westernport Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Matters Relating to the Electronic Presentation of the Audited Performance Statement

This audit report for the financial year ended 30 June 2006 relates to the performance statement of Westernport Region Water Authority included on its web site. The Members of the Board of Westernport Region Water Authority are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited performance statement to confirm the information included in the audited performance statement presented on this web site.

Scope

The Statement of Performance

The accompanying statement of performance for the year ended 30 June 2006 of Westernport Region Water Authority consists of the statement, the related notes and the statutory certificate.

Members' Responsibility

The Members of the Board of Westernport Region Water Authority are responsible for the preparation and presentation of the statement of performance and the information it contains.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the statement of performance. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statement of performance is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the statement
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the statement of performance.

These procedures, which did not extend to an assessment of the relevance or the appropriateness of the performance indicators contained within the statement, have been undertaken to form an opinion as to whether, in all material respects, the statement of performance is presented fairly in accordance with the *Financial Management Act 1994*.

The audit opinion expressed in this report has been formed on the above basis.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the statement of performance of Westernport Region Water Authority in respect of the 2006 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

MELBOURNE
15 September 2006



JW CAMERON
Auditor-General

Disclosure index

The 2005-2006 Annual Report of the Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Westernport Water's compliance with statutory disclosure requirements

Clause	Disclosure	Page
FRD 22A	Manner of establishment and the relevant Ministers	7
FRD 22A	Objectives, functions, powers and duties	7
FRD 22A	Nature and range of services provided	5
FRD 22A	Organisational structure	10
FRD 22A	Operational and budgetary objectives and performance against objectives	12–15
FRD 22A	Statement of workforce data and merit and equity	20
FRD 22A	Occupational Health and Safety	22
FRD 15A	Executive officer disclosures	20
FRD 22A	Summary of the financial results for the year	21
FRD 22A	Significant changes in financial position during the year	21
FRD 22A	Major changes or factors affecting performance	6
FRD 22A	Subsequent events	21
FRD 22A	Application and operation of the Freedom of Information Act 1982	22
FRD 22A	Compliance with building and maintenance provision of Building Act 1993	22
FRD 25	Victorian Industry Participation Policy disclosures	22
FRD 22A	Statement on National Competition Policy	22
FRD 22A	Application and operation of the Whistleblowers Protection Act 2001	22, 62–69
FRD 22A	Details of consultancies over \$100,000	22
FRD 22A	Details of consultancies under \$100,000	22
FRD 12A	Disclosure of major contracts	22
FRD 24A	Reporting of office-based environmental impacts	N/A
FRD 22A	Statement of available of other information	23
FRD 10	Disclosure index	28
SD 4.2(f)	Model Financial Report	30
SD 4.2(b)	Operating Statement	30
SD 4.2(b)	Balance Sheet	31
SD 4.2(a)	Statement of Recognised Income and Expenditure	32
SD 4.2(b)	Cash Flow Statement	33
SD 4.2(c)	Accountable officer's declaration	59
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	34
SD 4.2(c)	Compliance with Ministerial Directions	34
SD 4.2(d)	Rounding of Amounts	34
FRD 13	Disclosure of parliamentary appropriations	N/A
FRD 9A	Departmental disclosure of administered assets and liabilities	N/A
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21A	Responsible persons and executive officer disclosures	51, 52
Legislation		
	<i>Water Act 1989</i>	
	<i>Water Industry Act 1994</i>	
	<i>Freedom of Information Act 1982</i>	
	<i>Whistleblowers Protection Act 2001</i>	
	<i>Victorian Industry Participation Policy Act 2003</i>	
	<i>Building Act 1993</i>	
	<i>Financial Management Act 1994</i>	
	<i>Audit Act 1994</i>	

Financial Statements



Operating Statement

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<i>Revenue from operating activities</i>			
Service charges	1(b) 2(a)	8,476	7,412
Volumetric charges (water)	1(b) 2(a)	1,869	1,745
Developer contributions	1(b) 2(a)	596	1,489
		10,941	10,646
<i>Revenue from non-operating activities</i>			
Interest	1(b)	196	191
Other revenue	1(b)	424	818
Owner Contributed assets	1(b)	181	145
		801	1,154
Total Revenue		11,741	11,800
<i>Expenses</i>			
Depreciation	1(e) 2(c)	3,096	3,120
Amortisation	1(r) 7	96	32
Employee benefits	1(j)	2,820	2,687
Repairs and maintenance expense	1(d)	331	468
Loss on sale of fixed assets	2(b)	93	52
Environmental Contributions	1(n)	450	340
Borrowing costs	1(c) 2(c)	248	288
Other		3,478	2,278
Total expenses		10,612	9,265
Net result before tax		1,129	2,535
Income tax expense	1(l)	-	-
Net result after tax		1,129	2,535

The above operating statement should be read in conjunction with the accompanying notes

Balance Sheet

as at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
ASSETS			
<i>Current assets</i>			
Cash and Cash equivalents	1(f) 3	3,484	2,449
Receivables	1(g) 4	655	1,015
Prepayments	6	25	–
Inventories	1(h) 5	349	366
Other assets	6	848	712
Total current assets		5,361	4,542
<i>Non-current assets</i>			
Receivables	1(g) 4	186	236
Property, plant and equipment	1(d) 8	109,433	108,804
Intangible Assets	1(r) 7	186	269
Total non-current assets		109,805	109,309
TOTAL ASSETS		115,166	113,851
LIABILITIES			
<i>Current liabilities</i>			
Payables	1(i) 9	1,158	1,339
Interest bearing liabilities	1(q) 10	247	1,253
Employee benefits	1(j) 11	299	219
Total current liabilities		1,704	2,811
<i>Non-current liabilities</i>			
Interest bearing liabilities	1(q) 10	3,675	3,387
Employee benefits	1(j) 11	164	156
Total non-current liabilities		3,839	3,543
TOTAL LIABILITIES		5,542	6,354
NET ASSETS		109,623	107,497
<i>Equity</i>			
Contributed capital	13	51,323	51,323
Asset revaluation reserve	14	7,098	6,097
Accumulated funds	15	51,202	50,077
TOTAL EQUITY		109,623	107,497

The above balance sheet should be read in conjunction with the accompanying notes

Statement of Recognised Income and Expense

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
Gain/(loss) on property revaluation net of tax	14	1,002	3,719
Net income recognised directly in equity		1,002	3,719
Net result for the period		1,129	2,535
Total recognised income and expense for the period		2,131	6,254

The above statement of recognised income and expense should be read in conjunction with the accompanying notes

Cash Flow Statement

for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Rates, tariffs fees and charges		11,982	9,083
Interest received		221	270
Other revenues		868	820
		13,071	10,173
<i>Payments</i>			
Payments to employees		(2,438)	(2,755)
Payments to suppliers		(6,183)	(2,950)
Interest paid		(251)	(288)
Environmental contributions		(450)	(340)
Net cash provided by operating activities	20	3,749	3,840
CASH FLOWS FROM INVESTING ACTIVITIES			
Income received for capital purposes		850	916
Payments for property, plant & equipment		(2,777)	(3,429)
Proceeds from sale of non-current assets		–	167
Net cash (used in) investing activities		(1,927)	(2,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(715)	(677)
Dividends paid		(72)	–
Net cash provided by/(used in) financing activities		(787)	(677)
Net increase/(decrease) in cash held		1,035	817
Cash at beginning of financial year		2,449	1,632
Cash at end of financial year	3(a)	3,484	2,449

The above cash flow statement should be read in conjunction with the accompanying notes

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

General

This financial report of Westernport Region Water Authority (The Authority) is a general purpose financial report that consists of an Operating Statement, a Balance Sheet, a Statement of Recognised Income and Expense, a Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretation and the requirements of the Financial Management Act 1994 and applicable Ministerial Directions.

This financial report has been prepared on an accrual and going concern basis.

The financial report has also been prepared under the historical cost convention, except where specifically stated in note 1(d).

Accounting policies

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year. Where appropriate, comparative figures have been amended to accord with current presentation and disclosure made of material changes to comparatives.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Authority's operational cycle.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Application of AASB1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial statements are the first Westernport Water financial statements to be prepared in accordance with AIFRS. AASB1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing the financial statements.

Financial statements of Westernport Water until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain aspects from AIFRS. When preparing 30 June 2006 financial statements, management has amended certain accounting, valuation and consolidated methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 30 June 2005 were restated to reflect these adjustments. The Authority has taken the exemption available under AASB1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the entity's equity and its net income are in note 23.

Early adoption of standard

Westernport Water has elected to apply AASB 119 Employee Benefits (issued in December 2004) to the reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the entity's accounting policies.

(b) Revenue recognition

Water and sewerage charges

Water and sewerage charges are recognised as revenue when levied or determined.

Water and sewerage charges by measure are recognised as revenue when the product is provided. Meter reading is undertaken on a trimester basis during the reporting period. An estimation, calculated by multiplying the number of days since the last reading by each customer's average service usage, is made at the end of each accounting period in respect of meters which have not been read at balance date.

Services acquired for no cost

The value of services received free of charge are recognised as revenue when received.

Developer contributions

Fees paid by developers to connect new developments to the Authority's existing water supply and sewerage systems are recognised as revenue when the contributions are received.

Assets received from developers

When infrastructure assets are provided to the Authority free of charge, the fair value of those assets is recognised as revenue when the assets are controlled.

Interest and rents

Interest and rentals are recognised as revenue when earned or the service provided.

(c) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and finance lease charges.

(d) Recognition and Measurement of Assets

Acquisition

The purchase method of accounting is used for all acquisitions of assets, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where assets are constructed by the Authority, the cost at which they are recorded includes an appropriate share of fixed and variable overheads and any associated borrowing cost.

Assets acquired at no cost or for nominal consideration by the Authority are recognised at fair value at the date of acquisition.

Property, plant and equipment represent non-current assets comprising land, buildings, water, sewerage and drainage infrastructure, plant, equipment and motor vehicles, used by the Authority in its operations. Items with a cost or value less than \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed at the time of purchase.

Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

Non-Current Physical Assets

Land and buildings are measured at the amounts for which assets could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Plant, equipment and vehicles are measured at cost less accumulated depreciation.

Notes to the Financial Report

for the year ended 30 June 2006

Infrastructure assets

In accordance with FRD 103, Non-Current Physical Assets, water infrastructure assets are to be measured at cost less any accumulated depreciation and any accumulated impairment losses. Such assets comprise substructures or underlying systems held to facilitate the harvesting, storage and transfer of water to meet customer needs. They include infrastructure assets that underlie sewage and drainage systems.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Operating Statement. When revalued assets are sold, it is the Authority's policy to transfer the amounts included in other reserves in respect of those assets to accumulated funds.

All assets are tested for impairment on an annual basis. Such assets are tested to ascertain whether the carrying amounts exceed their recoverable amounts.

Revaluations

Assets other than those that are carried at cost are revalued with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value. This revaluation process normally occurs every three to four years for assets with useful lives of less than 30 years or six to eight years for assets with useful lives of 30 or greater years. Revaluation increments or decrements arise from differences between the asset's depreciated cost or deemed cost and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as expense in determining the net result, the increment is recognised as revenue in determining the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are offset in respect of assets in different classes.

Revaluation reserves are not transferred to accumulated funds on derecognition of the relevant asset.

Land and Buildings were revalued as at 30 June 2006 by Valuel Pty Ltd. This revaluation of land highlighted land that was previously recognised but not owned by Westernport Water. This land has now been excluded as part of the revaluation process.

Impairment of Assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment except for:

- Inventories; and
- Financial assets.

If there is any indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset or that specific asset.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

An impairment loss on a revalued asset is recognised directly against any revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation reserve. However, to the extent that an impairment loss on the same class of asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit and loss.

(e) Depreciation and Amortisation of Non-current Assets

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Major depreciation periods used are listed below and are consistent with the prior year, unless otherwise stated:

Buildings	Periods
• Buildings	40–70 years
Infrastructure	
<i>Water</i>	
• Storage	20–100 years
• Distribution network	15–80 years
• Treatment plants	15–70 years
<i>Wastewater</i>	
• Pump Stations	10–70 years
• Storage	80 years
• Distribution network	25–70 years
• Treatment plants	15–70 years
<i>Other assets</i>	
• Equipment	5–10 years
• Machinery	5–10 years
• Furniture & computers	2.5–13 years

(f) Cash and Cash Equivalent Assets

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in values, and bank overdrafts. Bank overdrafts are shown within interest bearing liabilities on the balance sheet.

(g) Receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Tariff receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Tariff receivables are due for settlement no more than 28 days from date of recognition and no more than 30 days for other debtors.

Collectivity of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the operating statement.

(h) Inventories

Inventories comprise stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date using the weighted average cost method of assigning costs. Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business operations. It includes land held for sale and excludes depreciable assets.

Where inventories are acquired at no cost, or for nominal consideration, the cost shall be the current replacement cost as at the date of acquisition.

Notes to the Financial Report

for the year ended 30 June 2006

(i) Payables

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid with 30 days of recognition.

(j) Employee Benefits

(i) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement and are recognised as current liabilities.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by Westernport Water in respect of services provided by employees up to reporting date. These provisions are recognised as non-current liabilities.

(ii) Superannuation

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined Benefit Plans

The amount charged to the Operating Statement in respect of defined benefit plan superannuation represents the contributions made by Westernport Water to the superannuation plan in respect to the current services of current Westernport Water staff. Superannuation contributions are made to the plans based on the relevant rules of each plan.

Westernport Water does not recognise any defined benefit liability in respect of the superannuation plan because Westernport Water has no legal or constructive obligation to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the State's defined benefit liabilities in its financial report.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflow.

Employee Benefit On-Costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Performance payments

Performance payments for the Authority's Executive Officers are based on a percentage of the annual salary package provided under their contract(s) of employment. A liability is recognised and is measured as the aggregate amount of the amounts accrued under the term of the contracts to balance date.

(k) Changes in Accounting Policy

The accounting policies are consistent with those of the previous year, unless stated otherwise.

(l) Taxation

The Authority became subject to the National Tax Equivalent Regime (NTER) from 1 July 2002. The NTER is administered by the Australian Taxation Office (ATO). The Authority has determined a tax expense for the financial year of \$0, (2004/05 \$7,000) but the tax expense is not payable due to prior year tax losses being recouped. There has been no impact in the year ended 30 June 2006 in assets/liabilities or operating surplus due to the inability of the Authority to derive future assessable income of a nature and sufficient amount to enable this benefit to be realized beyond any reasonable doubt. These amounts have not been recorded in the financial statements.

The Authority has adopted the liability method of Tax Effect Accounting in accordance with the requirements of AASB 112.

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and calculated on accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial report and when items are taken into account in determining taxable income, the net related taxation benefit and liability, calculated at tax rates applicable at the point of reversal, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset as the benefit is not virtually certain of being realised.

It is unlikely that the Authority will generate sufficient operating profits, however, in the event that it does, the directors estimate that the potential future income tax benefit at 30 June 2006 in respect of tax losses not brought to account is \$1.374m (2004/05 \$2.27m).

(m) Dividend policy

The Authority is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net profit.

An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer.

The dividend paid, as determined by the Treasurer, in the year ended 30 June 2006 was \$72,000.

(n) Environmental Contributions

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply authorities.

The Act establishes an obligation for authorities to pay into the consolidated fund annual contributions for the first period from 1 October 2004 to 30 June 2008 in accordance with the pre-established schedule of payments, which sets out the amounts payable by each authority.

The purpose of the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives.

The environmental contributions are disclosed separately within expenses.

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the acquisition cost of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cashflows arising from operating activities are included in the Cashflow Statement on a gross basis – inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(p) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Westernport Water classifies its other investments in the following categories – financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial Assets at Fair Value Through Profit and Loss

Investments held for trading purposes are classified as current assets and stated at fair value, with any resultant gain or loss recognised in profit or loss.

Notes to the Financial Report

for the year ended 30 June 2006

Loans and Receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the operating statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to Westernport Water.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

**NOTE 2
OPERATING STATEMENT – DISCLOSURES**

	2006 \$'000	2005 \$'000
(a) Significant Revenues		
<i>Service charges</i>		
Sewerage charges	4,792	4,390
Trade waste charges	68	68
Water service charges	3,615	2,954
	8,476	7,412
<i>Volumetric charges (water)</i>		
	1,869	1,745
<i>Developer contributions</i>		
Fees paid by developers	322	638
Assets received from developers	274	851
	596	1,489
(b) Net gains and expenses		
The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:		
Proceeds from sale	211	167
Written down value on sale	(304)	(219)
Net gain/(loss) on disposal	(93)	(52)
(c) Expenses		
<i>Depreciation</i>		
Buildings	88	99
Water infrastructure	1,284	1,082
Wastewater infrastructure	1,375	1,572
Plant, equipment and motor vehicles	349	367
Total depreciation	3,096	3,120
Bad and doubtful debts	38	(62)
<i>Movements in Employee Benefits</i>		
Annual leave	25	(98)
Long service leave	(9)	5
Other	–	17
Total movements	16	(76)
<i>Borrowing costs</i>		
Total Borrowing costs	248	288
less amount capitalised	–	–
Borrowing cost expense	248	288
Superannuation contributions	419	212
<i>Auditors' remuneration</i>		
Auditor-General for audit of financial statements	46	23
Internal audit – Haines Norton	29	30
Other services – other auditors	64	15
	139	68

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 3 CASH ASSETS AND CASH EQUIVALENT ASSETS

	2006 \$'000	2005 \$'000
Cash on hand and at bank	(99)	145
Deposits at call	3,583	2,304
	3,484	2,449

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Cash Flow Statement as follows:

Balances as above	3,484	2,449
Balances as per Cash Flow Statement	3,484	2,449

(b) Cash at bank and on hand

These are non interest bearing	(99)	145
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(c) Deposits at call

	3,583	2,304
--	--------------	--------------

The deposits are bearing floating interest rates of 5.7% (2005 5.45%).
These deposits are available on call.

NOTE 4 RECEIVABLES

CURRENT

Trade receivables	575	743
Other receivables	80	272
	655	1,015

NON-CURRENT

Trade receivables	186	236
	186	236

NOTE 5 INVENTORIES

Stores and consumables at cost	349	366
Total inventories	349	366

All inventories are valued at the lower of cost or net realisable value. Costs are assigned to inventory quantities on hand at balance date using the weighted average cost method of assigning costs

NOTE 6 OTHER CURRENT ASSETS

Prepayments	25	–
Accrued revenue	843	712
Loan	5	–
	873	712

**NOTE 7
INTANGIBLE ASSETS**

	Software \$
YEAR ENDED 30 JUNE 2006	
At 1 July 2005, net of accumulated amortisation	269
Additions	13
Impairment	–
Amortisation	96
At 30 June 2006, net of accumulated amortisation	186
At 1 July 2005	
Cost (gross carrying amount)	504
Accumulated amortisation and impairment	234
Net carrying amount	269
At 30 June 2006	
Cost (gross carrying amount)	517
Accumulated amortisation and impairment	331
Net carrying amount	186
YEAR ENDED 30 JUNE 2005	
At 1 July 2004, net of accumulated amortisation	49
Additions	252
Impairment	–
Amortisation	32
At 30 June 2005, net of accumulated amortisation	269
At 1 July 2004	
Cost (gross carrying amount)	252
Accumulated amortisation and impairment	202
Net carrying amount	49
At 30 June 2005	
Cost (gross carrying amount)	504
Accumulated amortisation and impairment	234
Net carrying amount	269

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2006 \$'000	2005 \$'000
(a) Classes of property, plant and equipment		
<i>Land</i>		
at valuation (as at 30 June 2006)	8,991	–
at cost (as at 1 July 2004)	–	8,839
	8,991	8,839
<i>Buildings</i>		
at valuation (as at 30 June 2006)	4,400	–
less: accumulated depreciation	–	–
at cost (as at 1 July 2004)	–	3,717
less: accumulated depreciation	–	(124)
	4,400	3,593
<i>Water infrastructure</i>		
at deemed cost (as at 1 July 2004)	42,747	42,836
less: accumulated depreciation	(4,563)	(3,279)
	38,184	39,557
<i>Wastewater infrastructure</i>		
at deemed cost (as at 1 July 2004)	61,222	59,535
less: accumulated depreciation	(7,504)	(6,129)
	53,718	53,406
<i>Equipment and motor vehicles</i>		
at cost	3,502	3,495
less: accumulated depreciation	(1,480)	(1,554)
	2,022	1,941
<i>Works under construction</i>		
	2,118	1,737
	2,118	1,737
Total property, plant and equipment	109,433	109,073

Land and Buildings were revalued at 30 June 2006 by an independent valuer Mr. K. Cundall (AAPI Certified Practising Valuer, Australian Property Institute) from the firm Valuelt Pty Ltd.

NOTE 8 (continued)

PROPERTY, PLANT AND EQUIPMENT

	Opening WDV	Additions	Disposals	Asset Revaluation	Depreciation	Closing WDV
(b) Movements during the reporting period 2005–2006						
Land	8,839	21	–	131	–	8,991
Buildings	3,593	24	–	871	(88)	4,400
Water infrastructure	39,557	–	(89)	–	(1,284)	38,184
Wastewater infrastructure	53,406	1,687	–	–	(1,375)	53,718
Equipment and motor vehicles	1,941	1,035	(605)	–	(349)	2,021
Works under construction	1,737	2,682	(2,301)	–	–	2,118
Total property, plant and equipment	109,073	5,449	(2,995)	1,002	(3,096)	109,433

2004–2005

Land	3,946	1,218	(43)	3,718	–	8,839
Buildings	3,668	20	–	–	(95)	3,593
Water infrastructure	39,905	735	–	–	(1,083)	39,557
Wastewater infrastructure	52,373	2,614	(6)	–	(1,575)	53,406
Equipment and motor vehicles	1,849	704	(213)	–	(399)	1,941
Works under construction	2,286	3,187	(3,736)	–	–	1,737
Total property, plant and equipment	104,027	8,478	(3,998)	3,718	(3,152)	109,073

NOTE 9

CURRENT AND NON-CURRENT LIABILITIES – PAYABLES

	2006 \$'000	2005 \$'000
<i>Current Payables</i>		
Trade Payables	804	1,285
Other creditors	355	54
Total Current Payables	1,159	1,339
Total Payables	1,159	1,339

NOTE 10

CURRENT AND NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Interest bearing liabilities represent loans from Treasury Corporation Victoria that are fixed term/fixed interest rate loans.

Current

<i>Unsecured</i>		
Other loans	248	1,253
Total current secured interest bearing liabilities	248	1,253

Non-current

<i>Unsecured</i>		
Other loans	3,676	3,387
Total non-current unsecured interest bearing liabilities	3,676	3,387
Total interest bearing liabilities	3,924	4,640

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 10 (continued)

CURRENT AND NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Interest rate risk exposures

The following table sets out the Authority's exposure to interest rate risk, including the contractual repricing dates and the effective weighted interest rate by maturity periods.

Exposures arise predominately from liabilities bearing variable interest rates as the Authority intends to hold fixed rate liabilities to maturity.

<i>Financial instruments</i>	Floating interest rate		Fixed interest rate maturing in:					
			One year or less		Over 1 to 2 years		Over 2 to 3 years	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Financial Assets</i>								
Cash Assets	3,484	2,449	–	–	–	–	–	–
Receivables	–	–	138	106	19	4	19	4
Other	–	–	–	–	–	–	–	–
	3,484	2,449	138	106	19	4	19	4
<i>Financial Liabilities</i>								
Payables	–	–	–	–	–	–	–	–
Interest-bearing liabilities	–	–	248	717	759	2,926	804	–
	–	–	248	717	759	2,926	804	–

Fair value

The aggregate net fair values of financial assets and financial liabilities at balance date are as follows:

<i>Financial instruments</i>	Carrying amount			Fair Value	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	
<i>Financial assets</i>					
Cash assets	3,484	2,449	3,484	2,449	
Receivables	841	1,251	841	1,226	
Other Assets	873	712	873	712	
Total Financial Assets	5,198	4,412	5,198	4,387	
<i>Financial liabilities</i>					
Payables	1,159	1,339	1,339	1,339	
Interest-bearing liabilities	3,895	4,640	3,924	4,697	
Total Financial Liabilities	5,054	5,979	5,263	6,036	

Fair value is inclusive of costs which would be incurred on settlement of a liability.

Over 3 to 4 years		Over 4 to 5 years		Over 5 years		Non interest bearing		Total carrying amount per Statement of Financial Position		Weighted average interest rates	
2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
-	-	-	-	-	-	-	-	3,484	2,449	5.55%	5.33%
19	4	19	4	112	21	518	1,110	841	1,251	12.50%	12.50%
-	-	-	-	-	-	873	712	873	712		
19	4	19	4	112	21	1,391	1,822	5,198	4,412		
-	-	-	-	-	-	1,159	1,339	1,159	1,339		
429	-	454	-	1,230	997	-	-	3,924	4,640	5.74%	5.75%
429	-	454	-	1,230	997	1,159	1,339	5,083	5,979		

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 11 CURRENT AND NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	2006 \$'000	2005 \$'000
<i>Current</i>		
Annual leave	198	172
Long service leave	13	30
Other	88	17
Total Current	299	219
<i>Non-current</i>		
Long service leave	164	156
Total Non-Current	164	156
<i>Aggregate carrying amount</i>		
Current	299	219
Non-current	164	156
Total Employee Benefits	463	375
Employee numbers at end of financial year	43	40

The following assumptions were adopted in measuring the present value of long service leave

	2006	2005
Weighted average rates of increase in annual employee entitlement to settlement of liabilities	4.75%	4.75%
Weighted average discount rates	2.96%	2.87%
Weighted average terms to settlement of the liability	6.3 years	5.5 years

NOTE 12 EMPLOYEE ENTITLEMENTS

	2006 \$'000	2005 \$'000
<i>Current</i>		
<i>All annual leave and LSL entitlements representing 7 + years of continuous service</i>		
Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value	198	172
Other long-term employee benefits, that do not fall due within 12 months after the end of the period measured at present value	13	30
	211	202
<i>Non-current</i>		
<i>LSL representing less than 7 years of continuous service measured at present value</i>	164	156

**NOTE 13
CONTRIBUTED CAPITAL**

	2006 \$'000	2005 \$'000
Balance at beginning of reporting period	51,323	51,323
Capital contributions in the year	–	–
Balance at the end of reporting period	51,323	51,323

**NOTE 14
RESERVES**

Asset revaluation reserve

The Asset Revaluation Reserve is used to record asset revaluation increments and decrements in the value of non-current physical assets.

Balance 1 July	6,097	2,378
Revaluation increment on non-current assets	1,002	3,719
Balance 30 June	7,099	6,097

**NOTE 15
ACCUMULATED FUNDS**

Accumulated funds at beginning of reporting period	50,076	47,613
Profit	1,126	2,535
Dividend provided	–	(72)
Accumulated surplus at the end of the reporting period	51,202	50,076

**NOTE 16
COMMITMENTS**

Capital commitments

At 30 June the Authority had the following capital commitments:

Melbourne Water connection design	668	650
Cowes Wastewater Treatment Plant upgrade	181	–
Ian Bartlett Water Purification Plant	207	–

Outstanding capital commitments are likely to be exercised as follows:

Payment due:

within one year	1056	650
one to five years	–	–
over five years	–	–
	1,056	650

Other significant operating commitments

At 30 June the Authority had the following other significant operating commitments:

Water Industry Environmental Contributions	900	1,350
--	-----	-------

Other significant operating commitments are due for payment as follows:

Payment due:

within one year	450	450
one to five years	450	900
over five years	–	–
	900	1,350

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

Action has been initiated against the Authority for unspecified damages. The matter is presently being resolved through the Victorian Civil and Administrative Tribunal. The extent of any potential liability is yet to be determined.

NOTE 18 SUPERANNUATION

The Authority contributes in respect of its employees to the following superannuation schemes:

Vision Super

The Authority makes employee superannuation contributions in respect of some employees to Vision Super. The fund has two categories of membership, each of which is funded differently:

(a) Vision Super LASPLAN scheme receives employer contributions on a monthly basis. Employer contributions are based on a fixed percentage of employee gross earnings in accordance with the superannuation guarantee legislation. No former liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets.

(b) Vision Super Defined Benefits Scheme receives both employer and employee contributions on a quarterly basis. Employer contributions are based on a fixed percentage of employee gross earnings as determined by the Fund's Trustees on the advice of the actuary. On the basis of the results of the most recent full actuarial investigation, the trustee has determined that the Authority should make contributions as per previous year.

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, the Authority does not use defined benefits accounting for these contributions.

Miscellaneous Schemes

The Authority also made payments to various superannuation schemes, which included a number of self managed funds, during the reporting period Employer contributions to these schemes are based on a fixed percentage of employee gross earnings in accordance with superannuation guarantee legislation

Contribution details are shown in the following table:

Name of scheme	Contribution rate	2006 \$'000	2005 \$'000
Miscellaneous Schemes	9.00%	69	56
Vision Super	9.00%	112	114
Vision Super Defined Benefits	9.25%	32	42
Unfunded Liability payment		–	–
Total contributions to all funds		213	212

As at the reporting date, there were no outstanding contributions payable to the above funds.

As at the reporting date, there were no loans to or from the Authority to any of the above funds.

The Authority is not liable for any unfunded liability in respect of the above employer sponsored defined benefits superannuation schemes.

NOTE 19 RESPONSIBLE PERSONS RELATED DISCLOSURES

(a) Responsible Persons

The names of persons who were responsible persons at anytime during the financial year were:

Responsible Minister

- The Hon John Thwaites MP, Minister for Environment and Minister for Water (1 July 2005 to 30 June 2006)

Directors

- Pamela Cameron (Chairperson)
- Leah Young (Deputy Chairperson)
- Anthea Dacy (Director)
- Leigh Hocking (Director)
- Chris Pattas (Director)
- Susan Walpole (Director)
- Philip Westwood (Director)

Accountable Officer

- Michael (Mike) Paine (Chief Executive Officer) – 1 July 2005 to 3 February 2006
- David Mawer (Chief Executive Officer) – 27 April 2006 to 30 June 2006
- Andrew Kneebone (Acting Chief Executive Officer) – 28 December 2005 to 25 January 2006; 27 February 2006 to 24 March 2006
- Steven Porter (Acting Chief Executive Officer) – 8 August 2005 to 12 August 2005; 27 January 2006 to 23 February 2006; 27 March 2006 to 26 April 2006

Remuneration of responsible persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet.

Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

	2006 \$'000	2005 \$'000
Remuneration received, or due and receivable from the Authority in connection with the management of the Authority (includes termination payments and bonuses paid at the end of contracts and superannuation).	255	283

The number of responsible persons whose remuneration from the Authority was within the specified bands are as follows:

Income band	2006 Number	2005 Number
\$0 – 9,999	2	–
\$10,000 – 19,999	6	6
\$20,000 – 29,999	1	–
\$30,000 – 39,999	1	1
\$110,000 – 119,999	1	–
\$130,000 – 139,999	–	–
\$140,000 – 149,999	–	–
\$150,000 – 159,999	–	1
\$160,000 – 169,999	–	–

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 19 (continued)

RESPONSIBLE PERSONS RELATED DISCLOSURES

Responsible persons retirement benefits

There were no amounts paid by the Authority in connection with the retirement of responsible persons of the Authority during the financial year. (2005, \$0)

Loans

There were no loans in existence by the Authority to responsible persons or related parties at the date of this report. (2005, \$0)

Other transactions

There were no other transactions between the Authority and responsible persons and their related parties during the financial year. (2005, \$0)

b) Executive officers' remuneration

The number of executive officers, other than responsible persons, whose total remuneration falls within the specified bands above \$100,000 are as follows:

Income band	Total remuneration		Base remuneration	
	2006 Number	2005 Number	2006 Number	2005 Number
\$100,000 – 109,999	–	2	1	1
\$110,000 – 119,999	1	1	1	–
\$120,000 – 129,999	1	–	1	–
\$130,000 – 139,999	1	–	–	–
Total Numbers	3	3	3	1
Total Amount	380	317	336	277

NOTE 20

RECONCILIATION OF PROFIT/(LOSS) FOR THE PERIOD AFTER RELATED INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2006 \$'000	2005 \$'000
<i>Profit/(Loss) for the period after income tax</i>	1,129	2,535
Add/(less) Non-Cash Flows in Net Profit/(Loss)		
Depreciation	3,096	3,152
Developer contributions for capital purposes	(596)	(1,489)
Owner contributed Assets	(181)	(145)
Bad debts written off	38	(62)
Net profit/(loss) on sale of non-current assets	(93)	52
	3,393	4,043
<i>Change in Assets and Liabilities</i>		
Decrease/(increase) in receivables	410	197
Decrease/(increase) in inventories	17	(32)
Decrease/(increase) in other operating assets	(161)	18
Decrease/(increase) in payables	181	(326)
Decrease/(increase) in provisions	(90)	(60)
	356	(203)
Net cash flows from Operating Activities	3,749	3,840

NOTE 21 DIVIDEND

The 2004/05 dividend payment has not been made as formal advice has not been received from the Treasurer. No provision for this dividend has been made at 30 June 2006.

The process to determine the 2006 dividend has not yet been completed at the reporting date.

NOTE 22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

NOTE 23 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
<i>Current assets</i>				
Cash and Cash equivalents		1,632		1,632
Receivables		1,114		1,114
Inventories		335		335
Other assets		654		654
Total current assets		3,735		3,735
<i>Non-current assets</i>				
Receivables		236		236
Intangible assets	1	–	49	49
Property, plant and equipment	1	104,027	(49)	103,978
Total non-current assets		104,263		104,263
TOTAL ASSETS		107,998		107,998
LIABILITIES				
<i>Current liabilities</i>				
Payables		916		916
Interest bearing liabilities		677		677
Employee benefits		304		304
Total current liabilities		1,897		1,897
<i>Non-current liabilities</i>				
Interest bearing liabilities		4,639		4,639
Employee benefits		148		148
Total non-current liabilities		4,787		4,787
TOTAL LIABILITIES		6,684		6,684
NET ASSETS		101,314		101,314
<i>Equity</i>				
Contributed capital		51,323		51,323
Asset revaluation reserve	2	36,888	(34,510)	2,378
Accumulated funds	2	13,103	34,510	47,613
TOTAL EQUITY		101,314		101,314

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 23 (continued)

EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
<i>Current assets</i>				
Cash and Cash equivalents		2,449		2,449
Receivables		1,015		1,015
Inventories		366		366
Other assets		712		712
Total current assets		4,542		4,542
<i>Non-current assets</i>				
Receivables		236		236
Intangible assets	1	–	269	269
Property, plant and equipment	1	109,073	(269)	108,804
Total non-current assets		109,309		109,309
TOTAL ASSETS		113,851		113,851
LIABILITIES				
<i>Current liabilities</i>				
Payables		1,339		1,339
Interest bearing liabilities		1,253		1,253
Employee benefits		219		219
Total current liabilities		2,811		2,811
<i>Non-current liabilities</i>				
Interest bearing liabilities		3,387		3,387
Employee benefits		156		156
Total non-current liabilities		3,543		3,543
TOTAL LIABILITIES		6,354		6,354
NET ASSETS		107,497		107,497
<i>Equity</i>				
Contributed capital		51,323		51,323
Asset revaluation reserve	1	40,607	(34,510)	6,097
Accumulated funds	1	15,567	34,510	50,077
TOTAL EQUITY		107,497		107,497

NOTE 23 (continued)

EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(c) Reconciliation of profit for the year ended 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<i>Revenue from ordinary activities</i>				
<i>Revenue from operating activities</i>				
Service charges		7,412		7,412
Volumetric charges (water)		1,745		1,745
Government contributions		–		–
Developer contributions		1,489		1,489
Total operating revenue		10,646		10,646
<i>Revenue from non-operating activities</i>				
Interest		191		191
Proceeds from sale of assets	3	167	167	–
Other revenue		818		818
Owner Contributed assets		145		145
Total non-operating revenue		1,321		1,154
<i>Expenses from ordinary activities</i>				
Depreciation		3,152		3,152
Employee benefits		2,687		2,687
Repairs and maintenance expense		468		468
Written-down value of assets sold	3	219	219	–
Suppliers		2,618		2,618
Profit/(loss) on sale of fixed assets	3	–	(52)	52
Total expenses from ordinary activities		9,144		8,977
Borrowing costs		288		288
Surplus from ordinary activities before tax		2,535		2,535
Income tax expense		–		–
Net result for reporting period		2,535		2,535

(d) Reconciliation of cash flow statement for the year ended 30 June 2005

There were no material differences between the cash flow statement presented under Australian equivalents to IFRS and the cash flow statement presented under previous AGAAP.

Notes to the reconciliations

- 1 Internal use software assets recognised as Intangible assets.
- 2 Finance Regulation Direction 115 requires a cost to be determined for Non Current Physical Assets at the date of transition to A IFRS (being 1 July 2004). The directors of Westernport Water have determined that the cost of assets at date of transition is \$105,413,674. Accordingly, all revaluation reserves other than Land and Buildings have been transferred to Retained Earnings. The impact of this transfer is \$34.510m on the Asset Revaluation Reserve and Retained Earnings.
- 3 Profit/(loss) on sale of fixed assets adjusted as per IFRS disclosures

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 24

OPERATING STATEMENT OF WHOLESALE AND RETAIL SEGMENTS

In accordance with Directions issued by the Minister for Agriculture and Resources under the Financial Management Act 1994, the Authority is providing as part of its financial statements separate details of the revenue, expenses, assets and liabilities and results of its wholesale and retail operations. Information is shown by way of a note included in these financial statements

	Wholesale		Retail		Operating Statement	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Revenue from ordinary activities</i>						
Service charges	–	–	8,375	8,333	8,375	8,333
Volumetric charges	21	676	1,872	1,745	1,893	2,421
Government contributions	–	–	–	–	–	–
Developer contributions	–	–	–	596	–	596
<i>Revenue from outside ordinary activities</i>						
Interest	–	–	–	196	–	196
Proceeds from sale of assets	–	–	–	–	–	–
Other revenue	–	–	1,472	536	1,472	536
Owner Contributed Assets	–	–	–	181	–	181
Total revenue	21	676	11,719	11,586	11,740	12,262
<i>Expenses of ordinary activities</i>						
Depreciation	191	204	3,044	2,948	3,235	3,152
Employee expenses	157	100	2,663	2,587	2,820	2,687
Repairs and maintenance expense	43	24	287	444	330	468
Write-down amount of asset sold	–	–	–	–	–	–
Suppliers	–	396	–	2,222	–	2,618
Total expenses	391	724	5,994	8,201	6,385	8,925
Borrowing costs	–	37	248	251	248	288
Profit/(loss) from ordinary activities before tax	(370)	(85)	5,477	3,134	5,107	3,049
Income Tax expense (revenue)	–	–	–	–	–	–
Net result for the reporting period	(370)	(85)	5,477	3,134	5,107	3,049

This note only includes Retail and Wholesale segments of the business and therefore does not reconcile to the Operating Statement.

NOTE 25
BALANCE SHEET DISAGGREGATED AS AT 30 JUNE 2006

	Wholesale		Retail		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Assets</i>						
Cash assets	–	–	–	2,449	–	2,449
Property, plant and equipment	7,429	8,442	93,014	100,631	100,443	109,073
Other assets	1,354	–	8,009	2,329	9,363	2,329
Total assets	8,783	8,442	101,023	105,409	109,807	113,851
<i>Liabilities</i>						
Payables	–	–	1,159	1,339	1,159	1,339
Interest bearing liabilities	–	–	3,924	4,640	3,924	4,640
Employee benefits	–	–	463	375	463	375
Total liabilities	–	–	5,546	6,354	5,546	6,354
NET ASSETS	8,783	8,442	95,478	99,055	104,261	107,497

STATEMENT OF CASH FLOWS DISAGGREGATED FOR YEAR ENDED 30 JUNE 2006

	Wholesale		Retail		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Net cash from operating activities	21	–	3,728	3,725	3,749	3,725
Cash flow used in investment activities	–	(125)	(1,927)	(1,718)	(1,927)	(1,843)
Cash flow used in financing activities	–	–	(787)	(847)	(787)	(847)

This note only includes Retail and Wholesale segments of the business and therefore does not reconcile to the Balance Sheet and Statement of Cash Flows.

Notes to the Financial Report

for the year ended 30 June 2006

NOTE 26 SEGMENT INFORMATION

	Water		Wastewater		Inter-segment elimination		Consolidated	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Sales to external customers	5,986	4,682	5,105	4,456	–	–	11,091	9,138
Inter-segment sales	–	–	–	–	–	14	–	14
Total sales revenue	5,986	4,682	5,105	4,456	–	14	11,091	9,152
Other revenue	147	840	277	1,183	–	–	424	2,023
Total segment revenue	6,133	5,522	5,382	5,639	–	14	11,515	11,175
Unallocated revenue less unallocated expenses	(5,212)	(3,545)	(5,153)	(5,081)	–	–	(10,365)	(8,626)
Surplus	920	1,977	229	558	–	14	1,149	2,549
Segment assets	9,904	43,470	59,829	59,726	–	–	69,734	103,196
Unallocated assets	6,451	4,060	38,983	6,595	–	–	45,434	10,655
Total assets	16,355	47,530	98,813	66,321	–	–	115,168	113,851
Segment liabilities	788	2,393	4,758	3,889	–	–	5,546	6,282
Unallocated liabilities	–	72	–	–	–	–	–	72
Total Liabilities	788	2,465	4,758	3,889	–	–	5,546	6,354
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	–	4,528	–	2,789	–	–	–	7,317
Depreciation expense	1,675	1,082	1,421	1,572	–	–	3,096	2,654
Other non-cash expenses	–	–	–	–	–	–	–	–
Inventory write-down	–	6	–	–	–	–	–	6
Profit on sale of freehold land	–	–	–	–	–	–	–	–

This note only includes water and wastewater segments of the business and therefore does not reconcile to the Operating Statement and Balance Sheet.

Accountable officer's and chief finance and accounting officer's declaration

We certify that the attached financial statements for Westernport Water have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian accounting standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the operating statement, balance sheet, statement of recognised income and expense, cash flow statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2006 and financial position of the entity as at 30 June 2006.

We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.




P Cameron
Chairperson
Westernport Water

Melbourne
15 September 2006



Andrew Kneebone
Acting Chief Executive Officer
Westernport Water

Melbourne
15 September 2006



G. Cossens
Chief Financial Officer
Westernport Water

Melbourne
15 September 2006



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Westernport Region Water Authority

To the Members of the Parliament of Victoria and Members of the Board of the Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2006 relates to the financial report of Westernport Region Water Authority included on its web site. The Members of the Board of Westernport Region Water Authority are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of Westernport Region Water Authority consists of operating statement, balance sheet, statement of recognised income and expense, cash flow statement, notes to and forming part of the financial report, and the accountable officer's and chief finance and accounting officer's declaration.

Members' Responsibility

The Members of the Board of Westernport Region Water Authority are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.



AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of Westernport Region Water Authority as at 30 June 2006 and its financial performance and cash flows for the year then ended.

MELBOURNE
15 September 2006



JW CAMERON
Auditor-General

Westernport Water – Whistleblowers Policy

1. Statement of support to whistleblowers

Westernport Water is committed to the aims and objectives of the Whistleblowers Protection Act 2001 (the Act). It does not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

Westernport Water recognises the value of transparency and accountability in its administrative and management practices, and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

Westernport Water will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure.

2. Purpose of these procedures

These procedures establish a system for reporting disclosures of improper conduct or detrimental action by Westernport Water or its employees. The system enables such disclosures to be made to the protected disclosure coordinator. Disclosures may be made by employees or by members of the public.

These procedures are designed to complement normal communication channels between supervisors and employees. Employees are encouraged to continue to raise appropriate matters at any time with their supervisors. As an alternative, employees may make a disclosure of improper conduct or detrimental action under the Act in accordance with these procedures.

3. Objects of the Act

The Whistleblowers Protection Act 2001 commenced operation on 1 January 2002.

The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection

to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

4. Definitions of key terms

Three key concepts in the reporting system are improper conduct, corrupt conduct and detrimental action. Definitions of these terms are set out below.

4.1 Improper conduct

A disclosure may be made about improper conduct by a public body or public official. Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment. The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

Examples

To avoid closure of a town's only industry, an environmental health officer ignores or conceals evidence of illegal dumping of waste.

An agricultural officer delays or declines imposing quarantine to allow a financially distressed farmer to sell diseased stock.

A building inspector tolerates poor practices and structural defects in the work of a leading local builder.

4.2 Corrupt conduct

Corrupt conduct means:

- Conduct of any person (whether or not a public official) that adversely affects the honest performance of a public officer's or public body's functions;
- The performance of a public officer's functions dishonestly or with inappropriate partiality;
- Conduct of a public officer, former public officer or a public body that amounts to a breach of public trust;

- Conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions; or
- A conspiracy or attempt to engage in the above conduct.

Examples

A public officer takes a bribe or receives a payment other than his or her wages or salary in exchange for the discharge of a public duty.

A public officer favours unmeritorious applications for jobs or permits by friends and relatives.

A public officer sells confidential information.

4.3 Detrimental action

The Act makes it an offence for a person to take detrimental action against a person in reprisal for a protected disclosure. Detrimental action includes:

- Action causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business, including the taking of disciplinary action.

Examples

A public body refuses a deserved promotion of a whistleblower.

A public body demotes, transfers, isolates in the workplace or changes the duties of a whistleblower due to the making of a disclosure.

A person threatens, abuses or carries out other forms of harassment directly or indirectly against the whistleblower, his or her family or friends.

A public body discriminates against the whistleblower or his or her family and associates in subsequent applications for jobs, permits or tenders.

5. The reporting system

5.1 Contact persons within Westernport Water

Disclosures of improper conduct or detrimental action by Westernport Water or its employees, may be made to the Protected Disclosure Coordinator:

Genny Clarke
Executive Assistant
Westernport Water

2 Boys Home Road
Newhaven, 3925

Telephone: (03) 5956 4118

Email:
gclarke@westernportwater.com.au

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the protected disclosure coordinator.

Where a person is contemplating making a disclosure and is concerned about approaching the protected disclosure coordinator in the workplace, he or she can call the protected disclosure coordinator and request a meeting in a discreet location away from the workplace.

5.2 Alternative contact persons

A disclosure about improper conduct or detrimental action by Westernport Water or its employees, may also be made directly to the Ombudsman:

The Ombudsman Victoria
Level 22, 459 Collins Street
Melbourne Victoria 3000
(DX 210174)

Internet:
www.ombudsman.vic.gov.au

Email:
ombudvic@ombudsman.vic.gov.au

Telephone: 9613 6222

Toll Free: 1800 806 314

Ombudsman: Dr Barry Perry
Telephone: (03) 9613 6202

The following table sets out where disclosures about persons other than employees of Westernport Water should be made.

Person who is the subject of the disclosure	Person/body to whom the disclosure must be made
Employee of a public body	That public body or the Ombudsman
Member of Parliament (Legislative Assembly)	Speaker of the Legislative Assembly
Member of Parliament (Legislative Council)	President of the Legislative Council
Councillor	The Ombudsman
Chief Commissioner of Police	The Ombudsman or Deputy Ombudsman
Member of the police force	The Ombudsman, Deputy Ombudsman or Chief Commissioner of Police

6. Roles and responsibilities

6.1 Employees

Employees are encouraged to report known or suspected incidences of improper conduct or detrimental action in accordance with these procedures.

All employees of Westernport Water have an important role to play in supporting those who have made a legitimate disclosure. They must refrain from any activity that is, or could be perceived to be, victimisation or harassment of a person who makes a disclosure. Furthermore, they should protect and maintain the confidentiality of a person they know or suspect to have made a disclosure.

6.2 Protected Disclosure Coordinator

The Protected Disclosure Coordinator has a central clearinghouse role in the internal reporting system. He or she will:

- Receive all phone calls, emails and letters from members of the public or employees seeking to make a disclosure;
- Impartially assess each disclosure to determine whether it is a public interest disclosure;
- Refer all public interest disclosures to the Ombudsman;
- Be responsible for appointing an investigator to carry out an investigation referred to Westernport Water by the Ombudsman;
- Be responsible for overseeing and coordinating an investigation;

- Appoint a welfare manager to support the whistleblower and to protect him or her from any reprisals;
- Advise the whistleblower of the progress of an investigation into the disclosed matter;
- Establish and manage a confidential filing system;
- Collate and publish statistics on disclosures made;
- Liaise with the chief executive officer of Westernport Water;
- Be a contact point for general advice about the operation of the Act for any person wishing to make a disclosure about improper conduct or detrimental action;
- Make arrangements for a disclosure to be made privately and discreetly and, if necessary, away from the workplace;
- Receive any disclosure made orally or in writing (from internal and external whistleblowers);
- Commit to writing any disclosure made orally;
- Impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act (that is, a protected disclosure); and
- Take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential.

The Protected Disclosure Coordinator will be the Manager Corporate Services of Westernport Water.

If the Manager Corporate Services has a personal or direct interest in the matter being investigated the Chief Executive Officer will either appoint another departmental manager to be the Protected Disclosure Coordinator or be the Protected Disclosure Coordinator.

6.3 Investigator

The investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to Westernport Water.

An investigator will be a consultant engaged for that purpose.

6.4 Welfare manager

The welfare manager is responsible for looking after the general welfare of the whistleblower. The welfare manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and seek to foster a supportive work environment;
- Advise the whistleblower of the legislative and administrative protections available to him or her;
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure; and
- Ensure the expectations of the whistleblower are realistic.

A welfare manager will be a consultant engaged for that purpose.

7. Confidentiality

Westernport Water will take all reasonable steps to protect the identity of the whistleblower. Maintaining confidentiality is crucial in ensuring reprisals are not made against a whistleblower.

The Act requires any person who receives information due to the handling or investigation of a protected disclosure, not to disclose that information except in certain limited circumstances. Disclosure of information in breach of section 22 constitutes an offence that is punishable by a maximum fine of 60 penalty units (\$6000) or six months imprisonment or both.

The circumstances in which a person may disclose information obtained about a protected disclosure include:

- Where exercising the functions of Westernport Water under the Act;
- When making a report or recommendation under the Act;
- When publishing statistics in the annual report of Westernport Water; and
- In criminal proceedings for certain offences in the Act.

However, the Act prohibits the inclusion of particulars in any report or recommendation that is likely to lead to the identification of the whistleblower. The Act also prohibits the identification of the person who is the subject of the disclosure in any particulars included in an annual report.

Westernport Water will ensure all files, whether paper or electronic, are kept secure and can only be accessed by the protected disclosure coordinator, the investigator or welfare manager (in relation to welfare matters). All printed material will be kept in files that are clearly marked as a Whistleblower Protection Act matter, and warn of the criminal penalties that apply to any unauthorised divulging information concerning a protected disclosure. All electronic files will be produced and stored on a stand-alone computer and be given password protection. Backup files will be kept on floppy disc. All materials relevant to an investigation, such as tapes from interviews, will also be stored securely with the whistleblower files.

Westernport Water will not email documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

8. Collating and publishing statistics

The protected disclosure coordinator will establish a secure register to record the information required to be published in the annual report, and to generally keep account of the status of whistleblower disclosures. The register will be confidential and will not record any information that may identify the whistleblower.

The register will contain the following information:

- The number and types of disclosures made to Westernport Water during the year;

- The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures;
- The number and types of disclosed matters referred to Westernport Water by the Ombudsman for investigation;
- The number and types of disclosures referred by Westernport Water to the Ombudsman for investigation;
- The number and types of investigations taken over from Westernport Water by the Ombudsman;
- The number of requests made by a whistleblower to the Ombudsman to take over an investigation by Westernport Water;
- The number and types of disclosed matters that Westernport Water has declined to investigate;
- The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation; and
- Any recommendations made by the Ombudsman that relate to Westernport Water.

9. Receiving and assessing disclosures

9.1 Has the disclosure been made in accordance with Part 2 of the Act?

Where a disclosure has been received by the protected disclosure coordinator, he or she will assess whether the disclosure has been made in accordance with Part 2 of the Act and is, therefore, a protected disclosure.

9.1.1 Has the disclosure been made to the appropriate person?

For the disclosure to be responded to by Westernport Water, it must concern an employee, member or officer of Westernport Water. If the disclosure concerns an employee, officer or member of another public body, the person who has made the disclosure must be advised of the correct person or body to whom the disclosure should be directed. (See the table in 5.2). If the disclosure has been made anonymously, it should be referred to the Ombudsman.

9.1.2 Does the disclosure contain the essential elements of a protected disclosure?

To be a protected disclosure, a disclosure must satisfy the following criteria:

- Did a natural person (that is, an individual person rather than a corporation) make the disclosure?
- Does the disclosure relate to conduct of Westernport Water or employee, member or officer of Westernport Water acting in their official capacity?
- Is the alleged conduct either improper conduct or detrimental action taken against a person in reprisal for making a protected disclosure?
- Does the person making a disclosure have reasonable grounds for believing the alleged conduct has occurred?

Where a disclosure is assessed to be a protected disclosure, the protected disclosure coordinator will determine whether the disclosure is a public interest disclosure.

Where a disclosure is assessed not to be a protected disclosure, the matter does not need to be dealt with under the Act. The protected disclosure coordinator will decide how the matter should be responded to.

9.2 Is the disclosure a public interest disclosure?

Where the protected disclosure coordinator has received a disclosure that has been assessed to be a protected disclosure, the protected disclosure coordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment will be made within 45 days of the receipt of the disclosure.

In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the protected disclosure coordinator will consider whether the disclosure shows, or tends to show, that the public officer to whom the disclosure relates:

- Has engaged, is engaging or proposes to engage in improper conduct in his or her capacity as a public officer; or

- Has taken, is taking or proposes to take detrimental action in reprisal for the making of the protected disclosure.

Where the protected disclosure coordinator concludes that the disclosure amounts to a public interest disclosure, he or she will:

1. Notify the person who made the disclosure of that conclusion; and
2. Refer the disclosure to the Ombudsman for formal determination as to whether it is indeed a public interest disclosure.

Where the protected disclosure coordinator concludes that the disclosure is not a public interest disclosure, he or she will:

1. Notify the person who made the disclosure of that conclusion; and
2. Advise that person that he or she may request Westernport Water to refer the disclosure to the Ombudsman for a formal determination as to whether the disclosure is a public interest disclosure, and that this request must be made within 28 days of the notification.

In either case, the protected disclosure coordinator will make the notification and the referral within 14 days of the conclusion being reached by Westernport Water.

Notification to the whistleblower is not necessary where the disclosure has been made anonymously.

10. Investigations

10.1 Introduction

Where the Ombudsman refers a protected disclosure to Westernport Water for investigation, the protected disclosure coordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:

- To collate information relating to the allegation as quickly as possible. This may involve taking steps to protect or preserve documents, materials and equipment;
- To consider the information collected and to draw conclusions objectively and impartially;

- To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure; and
- To make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

10.2 Terms of reference

Before commencing an investigation, the protected disclosure coordinator will draw up terms of reference and obtain authorisation for those terms by the chief executive officer. The terms of reference will set a date by which the investigation report is to be concluded, and will describe the resources available to the investigator to complete the investigation within the time set. The protected disclosure coordinator may approve, if reasonable, an extension of time requested by the investigator. The terms of reference will require the investigator to make regular reports to the protected disclosure coordinator who, in turn, is to keep the Ombudsman informed of general progress.

10.3 Investigation plan

The investigator will prepare an investigation plan for approval by the protected disclosure coordinator. The plan will list the issues to be substantiated and describe the avenue of inquiry. It will address the following issues:

- What is being alleged?
- What are the possible findings or offences?
- What are the facts in issue?
- How is the inquiry to be conducted?
- What resources are required?

At the commencement of the investigation, the whistleblower should be:

- Notified by the investigator that he or she has been appointed to conduct the investigation;
- Asked to clarify any matters; and
- Asked to provide any additional material he or she might have.

The investigator will be sensitive to the whistleblower's possible fear of reprisals and will be aware of the statutory protections provided to the whistleblower.

10.4 Natural justice

The principles of natural justice will be followed in any investigation of a public interest disclosure. The principles of natural justice concern procedural fairness and ensure a fair decision is reached by an objective decision maker. Maintaining procedural fairness protects the rights of individuals and enhances public confidence in the process.

Westernport Water will have regard to the following issues in ensuring procedural fairness:

- The person who is the subject of the disclosure is entitled to know the allegations made against him or her and must be given the right to respond. (This does not mean the person must be advised of the allegation as soon as the disclosure is received or the investigation has commenced);
- If the investigator is contemplating making a report adverse to the interests of any person, that person should be given the opportunity to put forward further material that may influence the outcome of the report and that person's defence should be fairly set out in the report;
- All relevant parties to a matter should be heard and all submissions should be considered;
- A decision should not be made until all reasonable inquiries have been made;
- The investigator or any decision maker should not have a personal or direct interest in the matter being investigated;
- All proceedings must be carried out fairly and without bias. Care should be taken to exclude perceived bias from the process; and
- The investigator must be impartial in assessing the credibility of the whistleblowers and any witnesses. Where appropriate, conclusions as to credibility should be included in the investigation report.

10.5 Conduct of the investigation

The investigator will make contemporaneous notes of all discussions and phone calls, and all interviews with witnesses will be taped. All information gathered in an investigation will be stored securely. Interviews will be conducted in private and the investigator will take all reasonable steps to protect the identity of the whistleblower. Where disclosure of the identity of the whistleblower cannot be avoided, due to the nature of the allegations, the investigator will warn the whistleblower and his or her welfare manager of this probability.

It is in the discretion of the investigator to allow any witness to have legal or other representation or support during an interview. If a witness has a special need for legal representation or support, permission should be granted.

10.6 Referral of an investigation to the Ombudsman

The protected disclosure coordinator will make a decision regarding the referral of an investigation to the Ombudsman where, on the advice of the investigator:

- The investigation is being obstructed by, for example, the non-cooperation of key witnesses; or
- The investigation has revealed conduct that may constitute a criminal offence.

10.7 Reporting requirements

The protected disclosure coordinator will ensure the whistleblower is kept regularly informed concerning the handling of a protected disclosure and an investigation.

The protected disclosure coordinator will report to the Ombudsman about the progress of an investigation.

Where the Ombudsman or the whistleblower requests information about the progress of an investigation, that information will be provided within 28 days of the date of the request.

11. Action taken after an investigation

11.1 Investigator's final report

At the conclusion of the investigation, the investigator will submit a written report of his or her findings to the protected disclosure coordinator. The report will contain:

- The allegation/s;
- An account of all relevant information received and, if the investigator has rejected evidence as being unreliable, the reasons for this opinion being formed;
- The conclusions reached and the basis for them; and
- Any recommendations arising from the conclusions.

Where the investigator has found that the conduct disclosed by the whistleblower has occurred, recommendations made by the investigator will include:

- The steps that need to be taken by Westernport Water to prevent the conduct from continuing or occurring in the future; and
- Any action that should be taken by Westernport Water to remedy any harm or loss arising from the conduct. This action may include bringing disciplinary proceedings against the person responsible for the conduct, and referring the matter to an appropriate authority for further consideration.

The report will be accompanied by:

- The transcript or other record of any oral evidence taken, including tape recordings; and
- All documents, statements or other exhibits received by the officer and accepted as evidence during the course of the investigation.

Where the investigator's report is to include an adverse comment against any person, that person will be given the opportunity to respond and his or her defence will be fairly included in the report.

The report will not disclose particulars likely to lead to the identification of the whistleblower.

11.2 Action to be taken

If the protected disclosure coordinator is satisfied that the investigation has found that the disclosed conduct has occurred, he or she will recommend to the chief executive officer the action that must be taken to prevent the conduct from continuing or occurring in the future. The protected disclosure coordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The protected disclosure coordinator will provide a written report to the Minister for Environment and Conservation, the Ombudsman and the whistleblower setting out the findings of the investigation and any remedial steps taken.

Where the investigation concludes that the disclosed conduct did not occur, the protected disclosure coordinator will report these findings to the Ombudsman and to the whistleblower.

12. Managing the welfare of the whistleblower

12.1 Commitment to protecting whistleblowers

Westernport Water is committed to the protection of genuine whistleblowers against detrimental action taken in reprisal for the making of protected disclosures. The protected disclosure coordinator is responsible for ensuring whistleblowers are protected from direct and indirect detrimental action, and that the culture of the workplace is supportive of protected disclosures being made.

The protected disclosure coordinator will appoint a welfare manager to all whistleblowers who have made a protected disclosure. The welfare manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and, where the whistleblower is an employee, seek to foster a supportive work environment;
- Advise the whistleblower of the legislative and administrative protections available to him or her;
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure;

- Keep a contemporaneous record of all aspects of the case management of the whistleblower including all contact and follow-up action; and
- Ensure the expectations of the whistleblower are realistic.

All employees will be advised that it is an offence for a person to take detrimental action in reprisal for a protected disclosure. The maximum penalty is a fine of 240 penalty units (\$24,000) or two years imprisonment or both. The taking of detrimental action in breach of this provision can also be grounds for making a disclosure under the Act and can result in an investigation.

Detrimental action includes:

- Causing injury, loss or damage;
- Intimidation or harassment; and
- Discrimination, disadvantage or adverse treatment in relation to a person's employment, career, profession, trade or business (including the taking of disciplinary action).

12.2 Keeping the whistleblower informed

The protected disclosure coordinator will ensure the whistleblower is kept informed of action taken in relation to his or her disclosure, and the time frames that apply. The whistleblower will be informed of the objectives of an investigation, the findings of an investigation, and the steps taken by Westernport Water to address any improper conduct that has been found to have occurred. The whistleblower will be given reasons for decisions made by Westernport Water in relation to a protected disclosure. All communication with the whistleblower will be in plain English.

12.3 Occurrence of detrimental action

If a whistleblower reports an incident of harassment, discrimination or adverse treatment that would amount to detrimental action taken in reprisal for the making of the disclosure, the welfare manager will:

- Record details of the incident;
- Advise the whistleblower of his or her rights under the Act; and

- Advise the protected disclosure coordinator or chief executive officer of the detrimental action.

The taking of detrimental action in reprisal for the making of a disclosure can be an offence against the Act as well as grounds for making a further disclosure. Where such detrimental action is reported, the protected disclosure coordinator will assess the report as a new disclosure under the Act. Where the protected disclosure coordinator is satisfied that the disclosure is a public interest disclosure, he or she will refer it to the Ombudsman. If the Ombudsman subsequently determines the matter to be a public interest disclosure, the Ombudsman may investigate the matter or refer it to another body for investigation as outlined in the Act.

12.4 Whistleblowers implicated in improper conduct

Where a person who makes a disclosure is implicated in misconduct, Westernport Water will handle the disclosure and protect the whistleblower from reprisals in accordance with the Act, the Ombudsman's guidelines and these procedures. Westernport Water acknowledges that the act of whistleblowing should not shield whistleblowers from the reasonable consequences flowing from any involvement in improper conduct. Section 17 of the Act specifically provides that a person's liability for his or her own conduct is not affected by the person's disclosure of that conduct under the Act. However, in some circumstances, an admission may be a mitigating factor when considering disciplinary or other action.

The chief executive officer will make the final decision on the advice of the protected disclosure coordinator as to whether disciplinary or other action will be taken against a whistleblower. Where disciplinary or other action relates to conduct that is the subject of the whistleblower's disclosure, the disciplinary or other action will only be taken after the disclosed matter has been appropriately dealt with.

In all cases where disciplinary or other action is being contemplated, the chief executive officer must be satisfied that it has been clearly demonstrated that:

- The intention to proceed with disciplinary action is not causally connected to the making of the disclosure (as opposed to the content of the disclosure or other available information);
- There are good and sufficient grounds that would fully justify action against any non-whistleblower in the same circumstances; and
- There are good and sufficient grounds that justify exercising any discretion to institute disciplinary or other action.

The protected disclosure coordinator will thoroughly document the process including recording the reasons why the disciplinary or other action is being taken, and the reasons why the action is not in retribution for the making of the disclosure. The protected disclosure coordinator will clearly advise the whistleblower of the proposed action to be taken, and of any mitigating factors that have been taken into account.

13. Management of the person against whom a disclosure has been made

Westernport Water recognises that employees against whom disclosures are made must also be supported during the handling and investigation of disclosures. Westernport Water will take all reasonable steps to ensure the confidentiality of the person who is the subject of the disclosure during the assessment and investigation process. Where investigations do not substantiate disclosures, the fact that the investigation has been carried out, the results of the investigation, and the identity of the person who is the subject of the disclosure will remain confidential.

The protected disclosure coordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of Westernport Water is:

- Informed as to the substance of the allegations;
- Given the opportunity to answer the allegations before a final decision is made;
- Informed as to the substance of any adverse comment that may be included in any report arising from the investigation; and has
- His or her defence set out fairly in any report.

Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the protected disclosure coordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

Westernport Water will give its full support to a person who is the subject of a disclosure where the allegations contained in a disclosure are clearly wrong or unsubstantiated. If the matter has been publicly disclosed, the chief executive officer of Westernport Water will consider any request by that person to issue a statement of support setting out that the allegations were clearly wrong or unsubstantiated.

14. Criminal offences

Westernport Water will ensure officers appointed to handle protected disclosures and all other employees are aware of the following offences created by the Act:

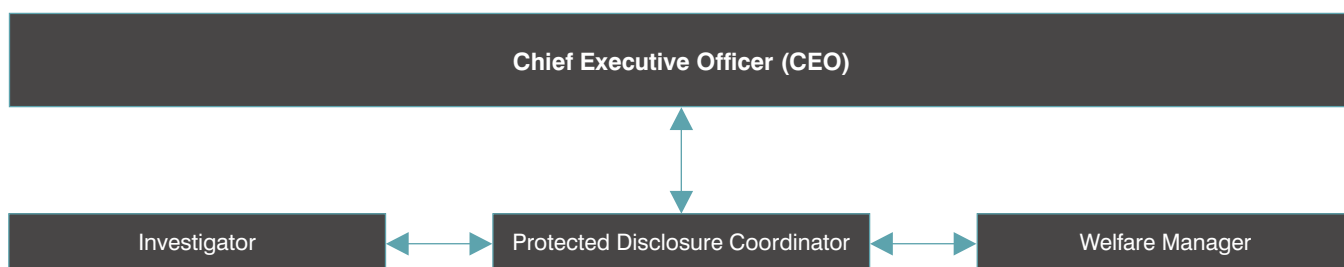
1. It is an offence for a person to take detrimental action against a person in reprisal for a protected disclosure being made. The Act provides a maximum penalty of a fine of 240 penalty units (\$24,000) or two years imprisonment or both.

2. It is an offence for a person to divulge information obtained as a result of the handling or investigation of a protected disclosure without legislative authority. The Act provides a maximum penalty of 60 penalty units (\$6,000) or six months imprisonment or both.
3. It is an offence for a person to obstruct the Ombudsman in performing his responsibilities under the Act. The Act provides a maximum penalty of 240 penalty units (\$24,000) or two years imprisonment or both.
4. It is an offence for a person to knowingly provide false information under the Act with the intention that it be acted on as a disclosed matter. The Act provides a maximum penalty of 240 penalty units (\$24,000) or two years imprisonment or both.

15. Review

These procedures will be reviewed annually to ensure they meet the objectives of the Act and accord with the Ombudsman's guidelines.

Annexure A – Reporting structure



Annexure B – Register of disclosures

The register below records information about disclosures made to Westernport Water that have been determined to be protected disclosures.

	File A	File B	File C
Date disclosure received			
Type of disclosure			
Is disclosure a public interest disclosure?			
Date above determination made			
Date WB* informed of determination			
Date disclosure referred to the Ombudsman			
Determination made by Ombudsman			
Was the investigation referred back to the Ombudsman?			
Did the Ombudsman take over the investigation?			
Did WB request the Ombudsman to take over investigation?			
Findings of Westernport Water			
Recommendations made by the Ombudsman			
Date reporting requirements satisfied			

*WB refers to the whistleblower.

Directory

Head office

2 Boys Home Road
Newhaven VIC 3925
Ph: (03) 5956 4100
Fax: (03) 5956 4101
Email: westport@westernportwater.com.au
Website: www.westernportwater.com.au

Responsible Minister

The Hon. John Thwaites, MP

Bankers

National Australia Bank
Thompson Avenue
Coves Vic 3922

Auditors

Auditor General, Victoria
By Agent RSM Bird Cameron

Insurers

Jardine Australian Insurance
Brokers Pty Ltd

Solicitors

Russell Kennedy

Industry Associations

- Victorian Water Industry Association
- Australian Water and Wastewater Association
- Institute of Water Administration

Photography

Ray Stewart
Revolver Productions
Newhaven

Design

Blue Star Creative
Melbourne
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