

Westernport Water Annual Report 2007



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“To be a smart company providing **quality water services** and more”

We value our community, our reputation, our people and **outstanding performance.**”

**Vision Statement**  
Westernport Water

2007

## At a glance

Permanent population	13,267
Peak population	60,000
Total properties	15,919
Water mains (KM)	368
Sewer mains (KM)	306
Connected domestic water customers	12,870
Connected non-domestic water customers	982
Connected domestic sewerage customers	11,923
Connected non-domestic sewerage customers	411
Volume of water distributed (ML)	1,558
Candowie Reservoir capacity (ML)	2207
Water quality meeting E.coli standard (%)	100
EPA licence compliance (%)	100
Volume of effluent produced (ML)	913
Volume of effluent used (ML)	225
Overall customer satisfaction (%)	90
Total revenue (\$M)	12.6
Total profit (\$M)	1.0
Total assets (\$M)	115.8

at a glance



## 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 on Tennent Creek 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 before distribution to communities through a network of supply mains. Wastewater services are provided to approximately 90% of properties that are connected to the reticulated water supply.

The Authority has two major wastewater treatment plants. The Cowes Wastewater Treatment Plant services 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 Westernport Bay. 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.
- A pilot reticulated gas business.
- Removal of minor trade wastes (greasy wastes) - no major industrial trade waste producers currently exist within the serviced area.
- Other utility orientated services including specialist advice on infrastructure and facility design for new developments.



# Chairperson & Chief Executive Officer Report

## Dear Minister

The 2006–2007 year presented unprecedented challenges to the organization. We are proud of the response of our staff and customers during the period and are confident that the lessons learned will be invaluable in preparing both for our shared future.

## HIGHLIGHTS

### Drought

The past year has seen our region, like much of our nation, suffer through the worst drought in memory. The lack of the traditional spring rainfall in 2006 and hot dry summer into 2007 meant inflows into the Candowie reservoir were dramatically reduced, obliging the Authority to impose strict supply restrictions over our peak summer period and into early winter. Our customers and staff responded wonderfully. Through diligence, customers cut their water consumption, frequently reducing water usage to levels well below our weekly targets. Many staff and contractors worked long and often unsociable hours to ensure projects were implemented professionally and as quickly as possible. We are indebted to them all.

Introducing tough stage four restrictions was a first for the Authority and not a decision taken lightly. The subsequent lack of rainfall demonstrated the need for the action and the resultant reduction in demand coupled with the support of South Gippsland Water, preserved our available water and allowed the Authority time to augment supply with water from a new bore piped back to the reservoir for treatment and distribution. A major permanent water off-take was also constructed on the Bass River and connected to the new borefield pipeline. A more extensive borefield development in the King Road – Corinella area is now underway that, when completed in late 2007, is expected to further augment our permanent water supply.

## Strategic Intent

As part of an appraisal of our future direction, the Authority has developed a new strategic intent statement: **A smart company delivering quality water services and more. We value our people, our community, our reputation and high performance.**

The Authority has adopted this statement which provides the future vision of the organization and provides a basis against which our decisions and actions will be implemented and the outcomes can be judged.

## The Central Region Sustainable Water Strategy (CRSWS)

Westernport Water contributed to the development of the CRSWS study, which was released in October 2006. For Westernport Water, the Strategy sought to put in place a range of immediate, short-term (2015), medium-term (2030) and long-term (2055) actions to meet our future water needs. Coming as it did just as the Authority implemented its response plan to the 2006 – 07 supply shortage, the CRSWS provided a blueprint for demand reduction and augmentation efforts. The Authority effectively accelerated the activities proposed in the CRSWS to immediately manage demand and source additional water supplies.

## Enterprise Agreement

The Authority and its staff representatives have completed the initial negotiations for a new EA. It opens the way for a simplification of our employment structures and offers improved opportunity for staff members to develop their skills and their contribution to the Authority's overall performance. It will be implemented when the formal governance approvals have been obtained.

## Water Plan 2008–2013

Although the final submission date was extended beyond the period in review, a great deal of the conception, modelling and write up for this major planning document was completed in 2006–07. The Water Plan outlines in detail the expected capital and operational expenditure in each financial year required to achieve our stated goals and activities. The final plan, to be submitted in October 2007, will operate for the period from the end of the current 2005–08 Water Plan to the middle of 2013. The principal single expenditure proposed during the term of the water plan is for a major supply augmentation through the raising of the reservoir wall at Candowie. The recent announcement by the Victorian Government of the construction of a major desalination plant in the region is seen as providing an insurance against future dry years and supports the decision to enlarge our water storage capacity.

## Recycled Water

To mitigate the effects of supply restrictions, a number of new sites were supplied with recycled water during the year. The recreational playing fields in Cowes were kept green and soft through the summer using direct piped recycled water. The Authority recommissioned a section of the old 250mm diameter cross island water pipeline to carry recycled water to the new Newhaven college playing fields on Phillip Island Road. Numerous smaller or more distant sites such as the Churchill Island Farm gardens and the Phillip Island Croquet Club and Pony Club grounds were supplied with recycled water via the tanker purchased by the Authority for that purpose.

## Sustainable Future

This year Westernport Water has produced its first separate Sustainability Report. We recognize it is an initial step on a journey but we are pleased that we have begun and will continue to grow the document to reflect our ongoing commitment to working with our environment to deliver a future that can provide for the needs of its people on a sustainable basis.

## Governance structure

### Financial Performance

The Authority recorded a small profit of \$56,000 (nett of capital revenue) for the year. Obviously revenue was impacted by the supply restrictions with water supplied down significantly over the year. Operational costs associated with managing demand and maintaining supply rose considerably in the same period. Capital expenditure also rose as the unbudgeted supply augmentation works were undertaken. Although provisions were put in place, no new borrowings were made during the year.

The achievements of Westernport Water for the 2006 – 07 year would not have been possible without the combined efforts of our Board, Management, staff and those whom contribute through our Community Consultative Panel. We wish to acknowledge those efforts and thank all those involved for their work. We also recognize and thank the many people in the Department of Sustainability and Environment, the Environment Protection Authority, Southern Rural Water, the Minister's office and the many others involved for the timely assistance that allowed us to carry out the capital works enabling us to maintain supply.

Finally, we wish to congratulate the retiring board members due for reappointment or replacement this year. We wish to congratulate Anthea Dacy and Phillip Westwood for six years of dedicated service to Westernport Water. During that time they have continually served on committees and have each acted as Deputy Chair for a year. They are not seeking reappointment. Leah Young and Chris Pattas have served equally well for three years and are seeking reappointment. We wish them all well in their future endeavours.

### MANNER OF ESTABLISHMENT AND THE RELEVANT MINISTER

Westernport Region Water Authority, trading as Westernport Water, was constituted by Ministerial Order under section 98 of the Water Act 1989 (as amended) on 22 December 1994 by the former Minister for Natural Resources, the Hon. Geoff Coleman, published in the Victorian Government Gazette No S102. During the reporting period, the responsible minister was the Hon. John Thwaites Minister for Water, Environment and Climate Change (formerly Minister for Water).

From 1 July 2007 the Water Industry (Governance) Act 2006 will take effect to amend the Water Act. As a consequence Westernport Water will be known as Westernport Region Water Corporation under Section 85(1) of the Water Act 1989 as amended.

### OBJECTIVES, FUNCTIONS, POWERS AND DUTIES

Section 124 of the Water Act 1989 (as amended) provides Westernport Water Board with the necessary powers to perform its functions. The powers derived by the Water Act can only be exercised to perform functions given to Westernport Water by an Act of Parliament.


### STATEMENT OF OBLIGATIONS

The Statement of Obligations (SoO) was issued by the (former) Minister for Water, Environment and Climate Change under section 41 of the Water Industry Act on 27 July 2004. The purpose of the SoO is to clarify the obligations of Westernport Water in relation to the performance of its function and the exercise of its powers.

### BOARD COMPOSITION

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.
- Setting service standards and monitoring achievement
- Ensuring compliance with legislative and regulatory obligations
- Evaluating Board and Executive Officers' performance to ensure integrity of corporate governance practice and ethical conduct.



**Westernport Water is committed to working with the environment to provide for the needs of its people on a sustainable basis.**

## Board Members

### **Pamela Cameron** (Chairperson)

Pamela Cameron was appointed Chairperson on 30 June 2001. Mrs. Cameron recently retired from the role of 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.

### **Chris Pattas** (Deputy Chairperson)

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.

### **Leah Young**

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 is the Chair of the Audit Committee and has also been a Director of the Central Gippsland Water Authority for the past seven years.

### **Anthea Dacy**

Anthea Dacy has a Bachelor of Arts (Asian Studies), Grad. Dip. Business Studies, Diploma of Agriculture, and is an Associate of the Australian Institute of Company Directors.

Her early training was in languages which led her into trade and investment consulting principally in bilateral trade and government relations between Australia and China. Anthea currently lives in Point Cook with her two children and husband, who serves in the Australian 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.

Anthea is currently a full-time university student. In addition she does freelance writing and marketing consulting. She holds a number of positions on Ministerial advisory panels and in local community organizations.

### **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 the Chair of the Board of Rural Ambulance Victoria where he has served as a Director since February 2002.

Leigh's background is in human resources and management consulting and he 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 and iCourses a company that provides online workplace oriented training. He is a Fellow of the Australian Institute of Company Directors.

### **Philip Westwood**

Philip Westwood is an Environmental Auditor.

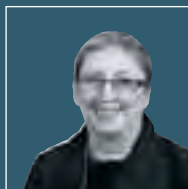
He is a primary producer and a self-employed Director of Blue Mountain Creek Pty. Ltd., consulting in environmental management and public relations. He has a Diploma in Journalism and is a member of the Port Phillip and Westernport Catchment Management Authority, Bushland Research Council, Free Range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

### **Sue Walpole - resigned 21 July 2006**

Sue Walpole possesses extensive experience in superannuation, industrial relations and human resource management. Her previous employment included 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. Ms Walpole's position on the Board was not replaced.



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 organization and employees and development of workplace policies, procedures and management systems.

Throughout the year the Remuneration Committee oversaw :

- The management of executive performance and remuneration arrangements
- The management of a comprehensive review of the Board
- Restructure of the organization following the resignation of a member of the Executive Management Team
- Review of the performance of the Chief Executive Officer

The Remuneration Committee consists of three independent members. For 2006–2007 they were Pamela Cameron (Chairperson), Leigh Hocking and Susan Walpole (resigned 21 July 2006). Ms Walpole was replaced on this committee by Philip Westwood.

### 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;

- reviewed the 2005-2006 Annual Accounts
- oversaw development of an Internal Audit Strategy for 2006-2008
- received a report on the Authority's improved performance regarding the water industry wide Public Liability & Property Risk Management Survey
- received an independent report from PricewaterhouseCoopers in respect to the Authority's National Tax Equivalent Regime (NTER) income tax return

In addition there were regular reports on Risk Management and Occupational Health & Safety.

Internal audits undertaken during the year were as follows:

- Data Migration of the Asset Register
- Long Term Financial Planning & Revenue
- Contract Monitoring & Supervision
- Treasury Management Compliance/ Corporate Credit Cards/Company Tax Return/NTER

The Audit Committee consists of four independent members. For 2006-2007 they were Leah Young (Chairperson), Anthea Dacy, Chris Pattas and Philip Westwood.

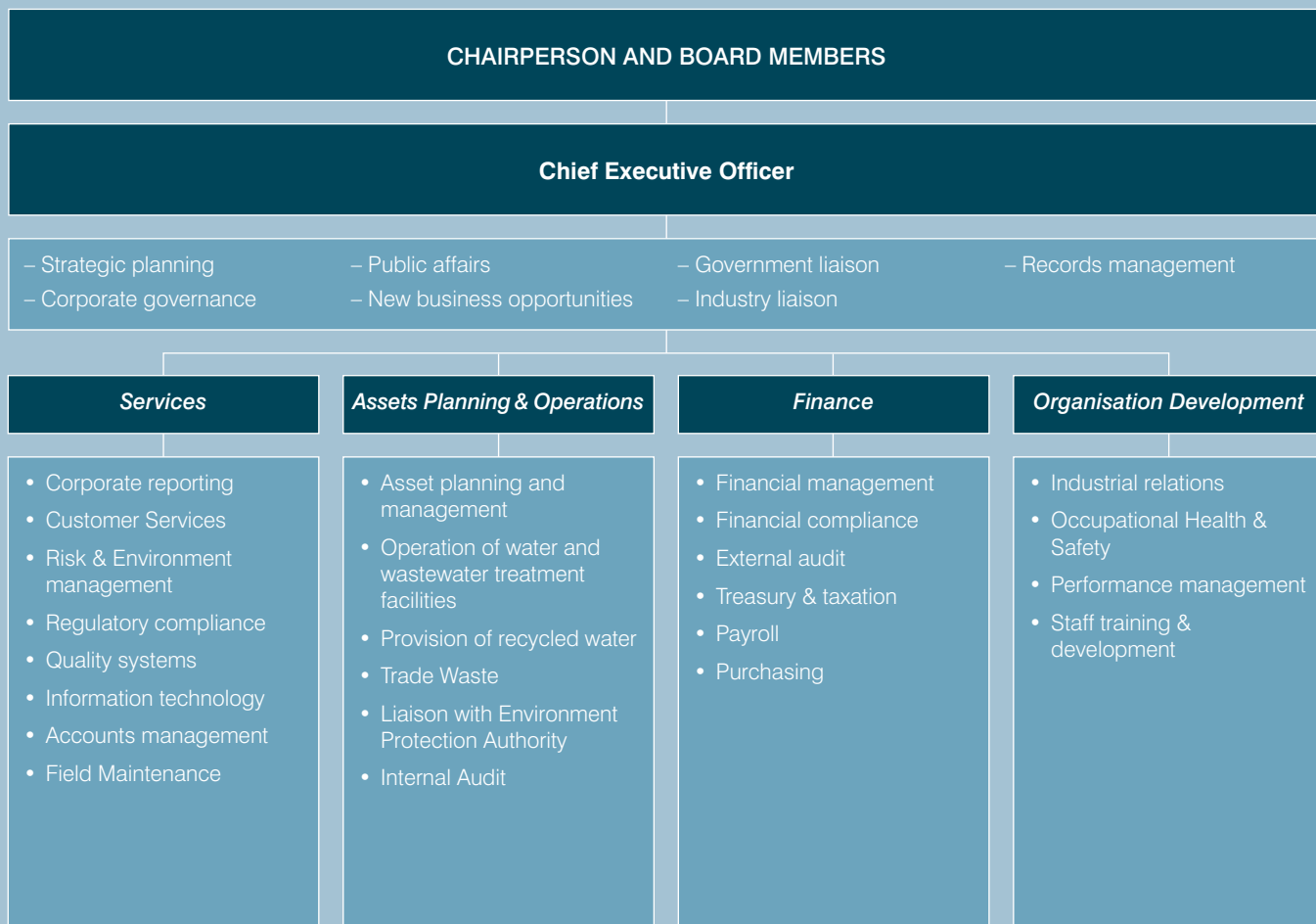
### Directors attendance at Board and Committee meetings

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Pamela Cameron (Chairperson)	11	11	–	–	4	4
Leah Young (Deputy Chairperson)	11	9	7	7	–	–
Anthea Dacy	11	9	7	6	–	–
Leigh Hocking	11	10	–	–	4	4
Chris Pattas	11	8	7	4	–	–
Susan Walpole (resigned 21/7/06)	1	1	–	–	–	–
Phil Westwood	11	11	7	7	4	4



# Organisational structure

## Organisational structure, names and functional areas of responsibility of senior officers





**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). The title of this position has subsequently been amended to Managing Director.

**Andrew Kneebone**  
**Manager Services**

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



**Steven Porter**  
**Manager Asset Planning & Operations**

Steven Porter was appointed in October 2002 and is responsible for shaping the direction of the Authority's asset utilization and development as well as the operation of its key water and wastewater facilities. 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 relations 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.



**Keith Gregory**  
**Organisation Development Manager**

Keith Gregory was appointed in March 2004 and currently holds the role of Organisation Development Manager. He is responsible for human resources, industrial relations, occupational health and safety, staff training and development. His organisational expertise has been gained from more than 35 years experience in a range of industries, in Australia and overseas including oil, mining, pharmaceutical, utilities, financial services, banking, professional services and government. Keith holds a Grad. Diploma in Personnel Management.



**James Young**  
**(resigned 21 March 2007)**  
**Manager Operations**

James Young was appointed to the position of Manager Operations in 2003. James had 10 years experience in the water and wastewater industry implementing systems to improve functional and organisational performance and he holds a Bachelor of Civil Engineering and a Masters in Environmental Engineering. The organization underwent restructure at the time of his resignation and this position was not replaced.

Left to right: David Mawer, Andrew Kneebone, Steven Porter, Gary Cossens, Keith Gregory, and James Young.



## Objectives and performance

Westernport Water continued to implement its 2005-2008 strategic plan and made significant progress in regard to the achievement of its 2006-2007 strategic plan objectives whilst at the same time addressing the water supply shortage brought on by the drought.

The objectives were developed using a triple bottom line approach and are expressed as a balanced score card encompassing :

- 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 2005-2008 Water Plan, Strategic and Corporate plans.

### Drought and Water Supply security

2006-2007 saw Westernport Water experience the lowest rainfall and associated runoff in the recorded history of the region. The drought that impacted most of Australia resulted in Westernport Water's water reserves in Candowie Reservoir dropping to 7% in May/June of 2007.

Stage 1 Water restrictions were implemented on 30 September 2006 and Stage 4 restrictions were implemented in November 2006 as the winter/spring rainfall failed to eventuate. A concerted water conservation community education campaign was implemented that included prominent signage, weekly updates in the local newspapers combined with information available from the Website.

To combat the supply shortage Westernport Water sought alternative sources of water that could be quickly developed. These included surface water from the non-stressed Bass River and groundwater from the under-allocated Corinella Aquifer. These projects had been previously identified as medium to long-term water supply options in the Central Region Water Supply Strategy and associated Water Supply Demand Strategy for Westernport.

Commissioning of the Bass River pump station commenced in late June 2007 and, with allowances for environmental flows, has delivered up to 13ML a day. A 2.5km pipeline was constructed to transfer Bass River water to Candowie Reservoir. In this way existing facilities were used for centralised storage, treatment and distribution of water. The pump station has been designed, constructed and commissioned, to a standard required for a metropolitan facility, after liaison with the catchment manager Melbourne Water. An environmental assessment was commenced in 2006-2007 and will be completed in 2007-2008.

Concurrent with the work on the Bass River an extensive drilling exploration program was commenced on the Corinella Aquifer. The results of the exploration were initially mixed with water being discovered at Anderson, Grantville and throughout the Bass flats. The most promising site discovered was at Grantville. A production bore was constructed along with a 5km pipeline to connect the bore to the pipeline from the Bass River pumping site. In this manner the bore water was transferred to Candowie Reservoir. The Grantville bore was commissioned in April 2007 and produced up to 2.8 ML a day of good quality water.

The groundwater exploration has continued with sites around King Road, Bass and Cemetery Road, Corinella being developed. The Board approved the development of the King Road and Cemetery Road sites in May 2007 along with the construction of an 8km interconnecting pipeline to Grantville to allow the water to be pumped to Candowie Reservoir.

In addressing the drought Westernport Water has also considered the region's long-term water supply security. The strategic position adopted was to construct permanent infrastructure and where possible seek water supply sources that were independent of the main supply into Candowie.

Westernport Water successfully applied for temporary extraction licences for these sites and has commenced the lengthy process of converting these licences into bulk entitlements in order to secure the rights to this water in the long term. An application has been lodged for the Bass River which will be supported by the detailed environmental investigation due for completion in 2007-2008.

Westernport Water would like to acknowledge the support and assistance provided by the Minister for Water, the Office of Water within the Department of Sustainability and Environment, South Gippsland Water, Bass Coast Shire Council, Melbourne Water and Southern Rural Water in assisting the organisation and its customers through this very difficult time.

In particular the Westernport Water community are to be congratulated in regard to the way in which they have embraced the water conservation message. The volumes consumed over summer were up to 50% less than the previous year during the peak summer months.



**KEY RESULT AREA:****Customer****Objective**

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**

The focus for 2006-2007 has been to improve the effectiveness of communication between Westernport Water and our customers and community.

In order to achieve this outcome a comprehensive communications strategy and plan were developed and implemented. A major component of the plan has been the redesigned Website. The revitalised website is aimed at being much more accessible and usable. In addition the quality and timeliness of the information has been improved.

The Customer Services team undertook reviews and implemented improved processes in regard to

- Account and Debt management processes
- Cheque handling and processing
- Measuring customer service performance

Members of the Customer Services team have also completed advanced customer complaint handling training conducted by the Energy and Water Ombudsman.

Westernport Water contributed to a working group facilitated by the Essential Services Commission investigating the application of Customer Hardship policies as part of a review of the Customer Code.

Westernport Water also undertook regular public meetings and community forums in regard to the water supply situation to ensure that the community were informed and up to date with our emergency drought response plans.

**Community Consultative Panel**

The Community Consultative Panel (CCP) represents the interests of Westernport Water's customers on a range of issues including pricing, expansion development, the environment and business initiatives. The panel gauges the needs of the public and ensures Westernport Water fulfils their responsibility to their customers.

The CCP is selected and appointed by the Board of Westernport Water and currently have seven members who meet to discuss and give feedback on issues. This year the CCP have contributed to such things as:

- Assisting in the preparation of the Water Restriction By-Law, Guidelines, Messages and Advertising
- Participation in the 2008-2013 Water Plan consultation process
- Feedback on re-development of Westernport Water's website
- Participation in preparation of customer satisfaction survey, forums & returns

Objectives for the year ahead include:

- Review of customer charter and hardship policy
- Review community engagement plan
- Enlist further expertise and participation of the Community Consultative Panel
- Increase awareness of the role and function of Westernport Water, the Board and the CCP in the community

**Communications & Community inclusiveness**

Westernport Water are aware of their requirements to deliver culturally appropriate communication that identifies and addresses all representatives within the community. This is done through the development and implementation of the Community Engagement Strategy. This is tested on an ongoing basis through the Community Consultative Panel and various customer and community surveys. The Authority is continuing to improve its segment community data and explore ways to best communicate with its customer base and surrounding community.

Westernport Water feels it is beneficial to align itself within the community. This is done through holding regular monthly public meetings, community sponsorship; with organisations such as Landcare, local sporting clubs; community groups such as the Lions Club and art and cultural groups.

Keeping our customers regularly informed on the water situation is also highly important. Westernport Water have run several advertising campaigns, one in particular while the Authority was in Stage 4 water restrictions. Save Water While on Holidays was advertised locally and in the metropolitan areas, specifically targeting our non-permanent customer base. We have also re-developed our website making it easier for the general public to access the organisation and required information.

Water Conservation and Education is also important to our community, therefore important to us. We are working together with other regional water businesses to develop a Water Education Program specifically targeted to regional schools within the area. As well as this program we support and implement other water conservation programs such as the Community Water Grants program, shower head exchanges and the Water Smart Home program.

**Improved Customer Service**

During the year Westernport Water improved its method of processing building permit referrals. Using the corporate document management system TRIM and MS-Office products a more timely and professional service is being provided. This process has been extended to Information Statements and is currently being modified to facilitate the introduction of the Dial-Before-You Dig referral system.

## Objectives and performance *continued*

### KEY RESULT AREA:

#### Financial

##### Objective

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

#### Water Plan

The development of the 2008-2013 Water Plan was commenced in August 2006 and has been a major focus of the Authority throughout the year. The development of the Water Plan has required the organisation to review and develop its plans for the next 5 year period including capital works.

To assist in the development of the Water Plan a series of community consultation workshops were conducted. The workshops were designed to gather feedback from customers on a range of issues including pricing, water quality and supply security. The community feedback has assisted and influenced the thinking and forward plans in respect to works required to improve water quality and water supply security. To this end a major supply augmentation has been included in the draft Water Plan for 2010-2011.

A key proposal of the draft Water Plan is the implementation of an Inclining Block Tariff (IBT) structure for residential customers. The IBT is designed to encourage responsible use of potable water in domestic situations. It is intended to have the effect of promoting water conservation and encouraging customers to explore alternative water sources such as tank water for discretionary or outdoor use.

#### Finance

During the year effort focused on the further enhancement of existing financial systems across the business via the introduction of:

- Electronic Funds Transfer payment of suppliers;
- Electronic purchasing - thereby streamlining and introducing efficiencies in purchasing processes;

- a new financial accounting and control system – MYSAP; and
- further development/improvement of existing Board and executive financial information.

The challenge for 2007-2008 will be to further develop and improve the new automated systems to gain efficiencies in financial processes and financial control.

#### Asset Management

Work on the Asset Management Plans progressed during the year and is nearing completion. In addition the Strategic Asset Management Plan (SAMP) developed in 2002 was reviewed and is being updated. The Authority has made significant progress in its asset management processes and has completed or commenced all of the major activities identified in 2002. The review involved input from across the business and the updated SAMP will set the Authority's asset management direction for the next 5 years.

Documentation of the whole of life asset management process was commenced during the year and will continue to be refined during 2007-2008.

#### Automation and remote access

The IBWPP automation and process control project was completed during the year. This project has provided the operators with a significantly enhanced capability to monitor and control the quality of treated water produced at the plant. The value of this project was proven during the recent drought when low water levels contributed to elevated levels of manganese in the stored water. The operators, with the assistance of a Science degree student, were able to manage the situation to the extent that the treated water easily complied with the requirements of the Australian Drinking Water Guidelines.

#### Reticulated gas network

The Authority has completed its pilot project to develop a reticulated LPG network. Over 2.5km of pipework has been installed and commissioned in the San Remo area. To date 46 domestic meters have been installed at the Bass Coast Golf Resort apartment complex and a commercial meter provided at the Silverwater development.

The LPG network and associated gas tank site has been designed to allow for future growth. Detailed financial models have been developed to assist in setting prices and to assess the economic viability of future extensions in a competitive market.

A comprehensive suite of procedures, the Gas Safety Case, has also been developed. A detailed review of the Gas Safety Case was undertaken by Energy Safe Victoria in December 2006 and provisional approval was given. This approval allows the Authority to operate as a gas business and supply LPG to its customers.

#### Capital Works

During 2006-2007 the following major projects were completed:

Grantville bore and pipeline	\$1,836,000
Bass River Pump Station and pipeline	\$943,000
Packaged water treatment plants	\$675,000
IBWPP automation	\$658,000
Computer hardware and software	\$308,000
LPG network	\$289,000

In all approximately \$4.7M worth of capital projects were bought to account during the year.

#### Recycled Water

In order to assist community groups where possible, Westernport Water fast tracked the development and approval of a safety and environmental management system so as to allow the provision of tankered recycled Class B water. This water was provided to community groups to maintain sporting fields, other playing surfaces and gardens of significance in the area over the summer months.

In addition two sporting fields were connected to Westernport Water's recycled water network. The Cowes football ground and the playing field at the Newhaven College Environmental campus are now using recycled water to maintain these important community sporting facilities.



## KEY RESULT AREA:

### Internal Business Processes

#### Objective

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

The implementation of a new financial management system required a review of all related internal business processes, in particular the purchasing processes. During 2006-2007 Westernport Water has significantly improved its purchasing processes and has implemented electronic purchasing including electronic funds transfer for accounts payable.

The customer services group also undertook a review of internal business processes and have implemented significant improvements in the process of handling cheque payments, preparing and issuing payment arrangement cards and handling customer complaints.

#### Risk

2007 saw the recruitment of a Risk and Environment Manager for Westernport Water. Significant progress has subsequently been made in relation to developing and implementing the risk management system into the organisation. Risk assessments have been completed on the new water supplies from the Bass River and Corinella Aquifer and appropriate controls established. An incident and emergency response protocol is in the process of being developed and tested.

#### People and Systems Information Technology

The organisation successfully completed a major upgrade of its corporate financial system during the year. The selected replacement system, MYSAP, provides enhanced financial management

functionality and the platform for an Intranet and Human Resources Information System (HRIS). The Human Resources system was implemented in October 2006 and the Finance system went live in March 2007.

The focus on data quality and external reporting continued throughout 2007 with the development of a Management Information System. Phase One of this system was brought into testing before the end of June 2007. Phase one will automate the provision of reporting data provided to the Essential Services Commission and the Department of Sustainability and Environment. Phase Two will deliver a management reporting system that automates the internal reporting required within the various levels of the organisation. Phase two has been scoped and a requirements specification developed. Development of phase two of the MIS will occur early in 2007-2008.

#### Develop our people to the maximum of their capability

##### Employee Opinion Survey 2007

We are pleased with the results of our Employee Opinion Survey which has produced the best outcome since we began surveying in 2003. Higher positive scores were achieved across most of the dimensions surveyed. These are heartening results achieved in a year when the environment has been demanding and difficult thus demanding teamwork across the business. As always there are areas where improvements can and should be made and these will be the focus of our response to the survey.

Our people have performed positively and with success on both strategic and operational matters concerned with the impact of drought and our augmentation response to that, with respect to water supply and customer relationships. This

has provided many people with a range of work experiences and opportunities. This development will be of significant value to them as individuals now and in the future and certainly has and will continue to add value to the Authority.

We have also involved more people in developing a new strategy for the Authority. This has provided a unique learning experience for all involved and will greatly add to the experience of these people.

Even given this extra work our commitment to develop our people through training has continued. This year the focus has been on ensuring that full training support has been provided behind the introduction of a range of new IT systems designed to improve our efficiency and effectiveness. This has impacted on people in all Departments and it has been satisfying that the training has engendered the use of these systems in a positive and useful manner.

We are also pleased with the results of our Employee Opinion Survey which has produced the best outcome since we began surveying in 2003. Whilst these results are heartening, we are certainly going to target our response to the survey with a focused approach at those areas which we believe still need more effort and leadership.

#### Recruit and retain people to strengthen our culture

Our turnover has been relatively low this year and this in part is testimony to the positive culture which has developed in the business.

Our capability in recruiting skilled and experienced people who meet the standards outlined in our Behavioural Charter is still good although we still find it more difficult to attract professional people particularly in the Finance and Accounting field.

## Objectives and performance *continued*

### ORGANISATION DEVELOPMENT

The resignation of one of our Executive team provided an opportunity to review our organisation structure. As a result we moved our maintenance team to our Services team and our Water and Wastewater Treatment teams to Asset Planning and Operations. This has enabled greater leadership and management focus to be provided to each of these important areas of our business and will support our vision of “providing quality water services and more.”

These changes are also designed to ensure even greater emphasis and cooperation on preventative maintenance between the two departments in the future. It has been pleasing to see that people impacted by these changes have responded positively.

To help focus and consolidate these changes Organisation Development now reports directly to the Managing Director.

We have continued to make valuable use of our Recognition program to emphasise the value we place on work ‘over and beyond’ what is normally expected.

The year was one when the need for effective communications internally and externally has been of great importance to the Authority. We have undertaken weekly face to face communication updates with all our people to ensure that they understand what we are doing, why we are doing it and our future plans. This has provided all who have direct contact with the public an understanding of the facts and how best to respond to queries.





## Environmental sustainability

### Greenhouse gas emissions

The Authority's CO<sub>2</sub> emissions for 2006-2007 are detailed.

Overall there has been a reduction in energy consumption by 3.25% compared with 2005-2006. This was despite the additional energy required for drought related pumping of water via the Lance Creek transfer main (221 tonnes CO<sub>2</sub> equivalent) and from the emergency bore (157 tonnes CO<sub>2</sub> equivalent). There were reductions in the water and sewerage treatment areas as less water was distributed and less sewage was treated under the Stage 4 restrictions imposed in November 2006.

CO <sub>2</sub> Equivalent emissions	2006-2007	2005-2006	2004-2005
Water treatment and supply (tonne)	1818	1388	1477
Sewerage treatment and management (tonne)	2259	2845	2852
Transport (tonne)	202	232	Not reported
Other (tonne)	231	196	153
<b>Total CO<sub>2</sub> emissions (tonne)</b>	<b>4509</b>	<b>4661</b>	<b>4482</b>

### Water Consumption

District	Residential customers		Non-residential customers		Other		Volume consumed (ML)	Non revenue water <sup>1</sup> (ML)	Total Consumption <sup>2</sup> (ML)	3-Year Average annual consumption (ML)
	Number	Volume consumed (ML)	Number	Volume consumed (ML)	Number	Volume consumed (ML)				
Candowie reservoir	12870	886	982	526	2067*	14	526	145**	1558	1718

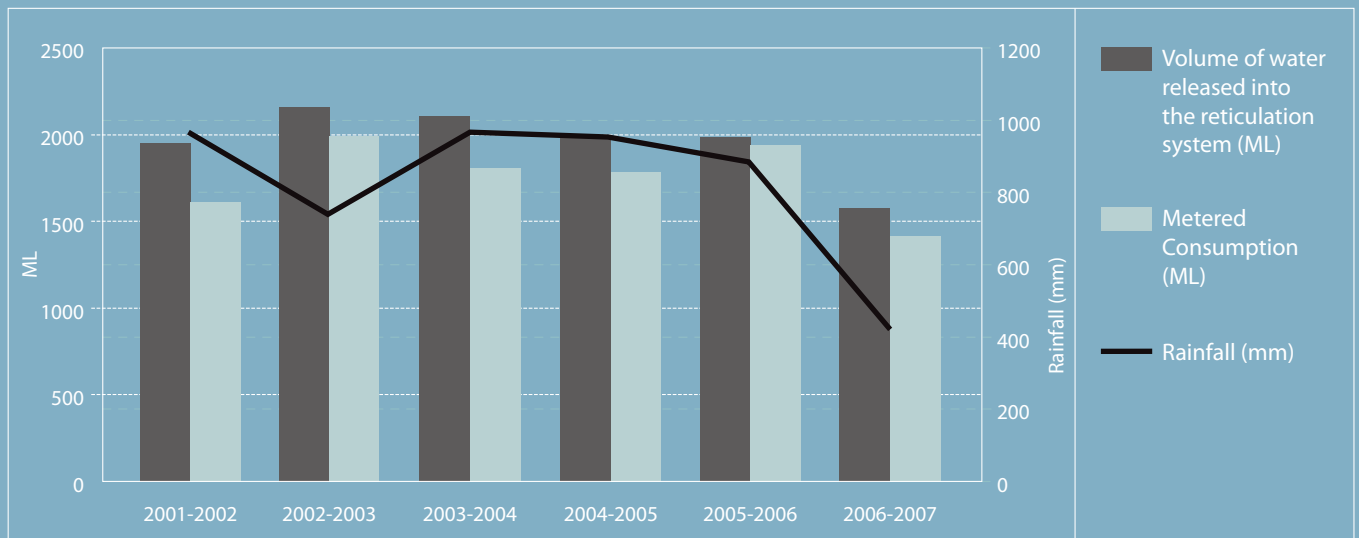
\* Includes count of unconnected vacant land properties

(\*\*) Difference in total consumption and billed consumption which includes water used at Westernport Water sites and system losses.



## Environmental sustainability *continued*

### RAINFALL AND WATER CONSUMPTION



#### 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 is using a Siemens Magflo meter with an accuracy of 0.5% to measure the volume of treated water out of 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 8.036ML being the maximum volume taken from the Reservoir in any one day during this period.

14.1(b) As at 30 June 2007, the amount of water stored was 228ML which equates to 10.3% full.

14.1(c) The Authority's Bulk Entitlement from Candowie Reservoir is 2,911 million litres (ML) with 1558ML extracted between 1 July 2006 and 30 June 2007.

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 2006-2007.

14.1(f) In respect of the waterway 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 Entitlements 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.

## Major Changes or Factors Affecting Performance

### Impact of Drought on system performance

The ongoing drought impacted on the water and sewer systems particularly throughout the late spring-summer period with record numbers of water pipe breakages and sewer blockages from tree root invasion. This high number of incidents did impact on repair and reaction times throughout the summer period.

The period of very low rainfall had a significant affect on Westernport Water, its budget and operations in 2006-2007.

The Board were forced to impose Stage 4 water restrictions from November 2006 and the resultant reduction in demand lead to reduced volumetric revenue from water sales of \$355,000.

In addition to the reduced revenue the Authority was faced with higher costs associated with water conservation education and promotion along with monitoring and enforcing of restrictions. The increases in costs over the original annual budget to undertake these activities are listed below :

Promotion, advertising and education	\$100,000
Water restriction monitoring and compliance	\$53,000

As the Authority developed alternative water supplies primarily in the form of developing bore fields and purchasing water from South Gippsland Water the following unbudgeted costs were incurred;

Water Purchases	\$10,000
Increased electricity costs from pumping	\$112,000
Costs associated with unproductive bores	\$50,000

The prolonged dry period also impacted on the operations of the organisation with increased call traffic through the Customer Services team, record levels of water main breaks and sewer blockages from tree root ingress through the summer period.



## Statutory information

### Statement of Workforce Data

Westernport Water employed 47.1 people in 2006-2007. The breakdown of staff is as follows:

Directorate	Total Full-time Equivalent		Male Full-time Equivalent		Female Full-time Equivalent	
	2007	2006	2007	2006	2007	2006
Corporate Governance inc OD	5	1.9	2	0.9	3	1.0
Services	25.1	14.6	16	5.1	9.1	9.5
Finance	3	3.8	2	1.4	1	2.4
Assets Planning & Operations	14	6.0	13	5.0	1	1.0
Operations	0	16.6	0	16.6	0	0
<b>Totals</b>	<b>47.1</b>	<b>42.9</b>	<b>33</b>	<b>29.0</b>	<b>14.1</b>	<b>13.9</b>

Executive officers	Full-time equivalent		Male		Female	
	2007	2006	2007	2006	2007	2006
Corporate Governance inc OD	2	1	2	1	0	0
Services	1	1	1	1	0	0
Finance	1	1	1	1	0	0
Assets Planning & Operations	1	1	1	1	0	0
Operations	0	1	0	1	0	0
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>

Note: We reorganised the structure of the business during 2007 and moved the Treatment Plant workforce to Asset Planning and Operations and the Maintenance team to Services Department. As well Organisation Development now reports directly to the Managing Director.

### Merit & Equity

The Public Administration Act 2004 specifies a number of employment and conduct principles that must be observed by public sector organizations and their employees. These foster the development of an organization that is highly ethical, accountable and professional in the way we deliver services to all of our stakeholders.

Westernport Water must ensure that;

- Decisions are based on merit
- Employees are treated fairly and reasonably
- Equal opportunity is provided and reasonable avenues of redress against unfair or unreasonable treatment exists.

Westernport Water employees also observe the values outlined in the Code of Conduct for Victorian Public Sector Employees under the Public Sector Management Act 1998. These values embody the following in which employees must:

- Act with impartiality
- Display integrity, including avoiding real or apparent conflicts of interest
- Show accountability for action taken and
- Provide responsive service

## 5 YEAR FINANCIAL SUMMARY


<b>Financial Performance</b>	<b>2006-2007</b> \$ million	<b>2005-2006</b> \$ million	<b>2004-2005</b> \$ million	<b>2003-2004</b> \$ million	<b>2002-2003</b> \$ million
Revenue*	12.6	11.8	11.9	11.3	12.6
Expenses	11.4	10.4	9.1	9.2	8.3
Borrowing Costs	0.2	0.3	0.3	0.3	0.4
Profit (before one off items)	1.0	1.1	2.5	1.8	3.9
One off Items <sup>(1)</sup>	–	–	–	6.8	–
Net Profit	1.0	1.1	2.5	8.6	3.9
<b>Financial Position</b>	<b>2006-2007</b> \$ million	<b>2005-2006</b> \$ million	<b>2004-2005</b> \$ million	<b>2003-2004</b> \$ million	<b>2002-2003</b> \$ million
Total Assets	115.8	115.1	113.9	108.0	99.0
Total Liabilities	5.1	5.5	6.4	6.7	6.0
Total Equity	110.7	109.6	107.5	101.3	93.0

\* 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 2006-2007 a number of consultants were engaged to carry out specific tasks for the Authority. Fifteen consultants were engaged during the period for a total cost of \$256,370.50. No consultancies exceeding \$100,000 were entered into during the year.

### Application and operation of the Whistleblowers Protection Act 2001

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

The protected disclosure coordinator for Westernport Water is:

**Kylie White**  
Regulation and Business Analyst  
Westernport Water

Disclosures of improper conduct may be made to:

The Ombudsman Victoria  
GPO Box 469, Melbourne Vic 3001  
Telephone: 03 9613 5212  
Toll free: 1800 500 509

### Disclosure of 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 2006-2007 financial year.

### Application and Operation of FOI Act 1982

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 2007 two requests had been received. Of these requests received one went to internal review and one had been granted. Members of the public wishing to obtain access to Authority documents are required to make their request in writing to:

**Christine Hammond**  
Executive Assistant  
Westernport Water

and pay a \$22 fee.

### Compliance with building and maintenance provisions of 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

Competitive neutrality seeks to enable fair competition between local government and private sector businesses. Any advantages or disadvantages that government businesses may experience, simply as a result of government ownership, should be neutralized. The Authority continues to implement and apply this principle in its business undertakings.



## OHS

We are committed to ensuring the health and safety of our employees and those who contract their services to us. It is very pleasing this year, with all of the extra effort involved with the drought that we have achieved complementary success in our OHS results. Whilst last year's OHS results were pleasing, this year's are even better and are the result of more effort being undertaken by each person to follow policy and procedure. It is very pleasing to report that there have been no incidents reported for injury to contractors.

(Year = 1 July 2006 to 30 June 2007)	Year to Date 2006-2007	2005-2006
<b>OHS POLICY ACTIONS</b>		
<b>New OHS Procedures developed</b>	All procedures reviewed and agreed June 2007	54
<b>OHS Committee Meetings held</b>	12	13
<b>Workplace Safety Assessments</b>	4	4
<b>Staff training related to OHS (person days)</b>	17	68
<b>INCIDENT STATISTICS</b>		
<b>Injury Incidents</b>	2	6
<b>Lost Time Injuries</b>	2	0
<b>Medical Treatment Injuries</b>	2	2
<b>Non-injury Incidents (excl. vehicles)</b>	7	8
<b>Vehicle Incidents</b>	2	2
<b>Incident Investigations carried out</b>	3	6
<b>Contractor Incidents</b>	0	1
	<b>2006-2007</b>	<b>2005-2006</b>
<b>Manual Handling – Lifting</b>	0	1
<b>Slip – Trip – Fall</b>	0	1
<b>Stress</b>	0	2
<b>Laceration</b>	0	–
<b>Elec shock</b>	1	1
<b>Hit object</b>	2	4
<b>Other</b>	4	2

The OHS Committee has met monthly and their work is contributing to the development of a strong and positive OHS culture. We have also completed a review of our OHS procedures and our staff have received training to support the review. Regulatory OHS training requirements are up to date.

## Statement of 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 (10) 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 2006-2007.

# Performance Indicators

## FINANCIAL PERFORMANCE INDICATORS

Performance indicator	2006-07 Target*	2006-07 Result	Variance* %
Long term profitability	1.2	0.8	-32.0 <sup>(1)</sup>
Owner's investment	1.3	0.9	-28.9 <sup>(2)</sup>
Long term financial viability	3.7	4	20.0 <sup>(3)</sup>
Liquidity and debt servicing (interest cover)	43.1	-11.4	-126.5 <sup>(4)</sup>
Immediate liquidity and debt servicing (cash cover)	14356.0	0	-100.0 <sup>(5)</sup>

### Operating efficiency water supply / wastewater collection

Water supply bulk	No target	\$325	
Water supply reticulation	No target	\$2,350	
Water supply treatment	No target	\$995	
Sewerage reticulation	No target	\$899	
Sewerage treatment	No target	\$4,610	

- (1) Profit lower than target and higher asset base due to increased capital spending over budget  
 (2) Profit lower than target and asset revaluation undertaken in 2005/06 that was not included in the target  
 (3) Total assets higher than target due to increased capital spending over budget and increased debt in excess of budget  
 (4) Low profit and higher investment interest  
 (5) Higher Cashflow variation and higher investment income

## SERVICE AND ENVIRONMENTAL PERFORMANCE INDICATORS

Performance indicator	2006-07 Target*	2006-07 Result	Variance* %
<b>Water supply interruptions</b>			
Number of customers receiving at least 1 unplanned interruption in the year	4500	5428	20.62%
<b>Interruption time indicators</b>			
Average duration of unplanned water supply interruptions	120	89 mins	-44.17%
Average duration of planned water supply interruptions	210	67 mins	-57.62%
<b>Restoration of water supply</b>			
Unplanned water supply interruptions restored within 5 hours	99%	98.75%	0.25%
<b>Reliability of sewerage collection services indicators</b>			
Sewer spills from reticulation and branch sewers	No target	0 x Priority 1 spills 11 x Priority 2 spills	
Sewage spilt from emergency relief structures and pumping stations	No target	1	
Number of properties as at June 2007	15,919*		

\*Including 2067 vacant land properties



Performance indicator	2006-07 Target*	2006-07 Result	Variance* %
<b>Containment of sewer spillages</b>			
Sewerage spills contained within 5 hours	100%	100%	

Customer complaints indicators (per 1000 customers)	No. of complaints	2006-07 Result	2005-06 Result	Variance %
Water quality complaints	121	8.74	6.18	29
Water supply reliability complaints <sup>(1)</sup>	2	0.14	2.21	-1431
Sewerage service quality and reliability complaints	2	0.14	0	100
Affordability complaint	8	0.58	0.61	-6
Billing complaint	30	2.17	2.67	-23
Pressure complaints <sup>(1)</sup>	1	0.07	6.94	-9513
Sewage odours complaints <sup>(2)</sup>	11	0.79	2.42	-205
Other complaints	80	5.78	4.88	16

(1) Result for 2006/07 affected by supply main burst which impacted all the residents in Pioneer Bay

(2) Odour control works completed during the year contributing to decrease in number of complaints received

Performance indicator	2006-07 Target*	2006-07 Result	Variance* %
<b>Reuse indicators</b>			
Total treated water at King Road		116.340	
Effluent reuse water King Road		113.139	
Percentage of sewer reused Kings Road - report figure as a percentage	no target	98.51%	
Total treated water Cowes		765.147	
Effluent reuse water Cowes		111.426	
Percentage of sewer reused Cowes - report figure as a percentage	no target	14.29%	
Biosolids reuse (volume) (Cowes)	100%	0%	-100.00%
Biosolids reuse (volume) (Kings Road)	0%	0%	0.00%
<b>Sewage treatment standards</b>			
Number of analyses complying with licence agreements (Cowes)	100%	100%	0.00%
Number of analyses complying with licence agreements (King Road)	100%	100%	0.00%

## MAJOR WATER USERS

Westernport Water have no customers that meet the conditions of s122ZJ of the *Water Act 1989*.

**Statutory Certificate - Performance Statement**

In our opinion the accompanying Statement of Performance of Westernport Water in respect of the 2006/2007 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.



D. Mawer  
Managing Director  
Westernport Water

21/09/07  
Melbourne



P. Cameron  
Chairperson  
Westernport Water

21/9/07  
Melbourne

# VAGO

Victorian Auditor-General's Office

## 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 auditor's report for the financial year ended 30 June 2007 relates to the performance statement of the Westernport Region Water Authority included on its web site. The Members of the Board of the 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 auditor's 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 performance statement presented on this web site.

##### *The Statement of Performance*

The accompanying statement of performance for the year ended 30 June 2007 of the Westernport Region Water Authority comprises the statement, the related notes and the statutory certificate.

##### *The Responsibility of the Members of the Board for the Statement of Performance*

The Members of the Board of the Westernport Region Water Authority are responsible for the preparation and the fair presentation of the statement of performance in accordance with the *Financial Management Act 1994*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the statement of performance that is free of material misstatement, whether due to fraud or error.

##### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the statement of performance based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the statement of performance is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of performance. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the statement of performance, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the statement of performance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the overall presentation of the statement of performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### *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, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

##### *Auditor's Opinion*

In my opinion, the statement of performance of the Westernport Region Water Authority in respect of the 30 June 2007 financial year presents fairly, in all material respects, in accordance with the *Financial Management Act 1994*.

MELBOURNE  
21 September 2007



D.D.R. Pearson  
Auditor-General

Level 24, 35 Collins Street, Melbourne Vic. 3000  
Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email [comments@audit.vic.gov.au](mailto:comments@audit.vic.gov.au) Website [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

## Disclosure index

The 2006-2007 Annual Report of the Authority is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Clause	Disclosure	Page
FRD 22B	Manner of establishment and the relevant Ministers	5
FRD 22B	Objectives, functions, powers and duties	5
FRD 22B	Nature and range of services provided	4
FRD 22B	Organisational structure, names and functional areas of responsibility of senior officers	8
FRD 22B	Names of board members	6
FRD 22B	Statement of workforce data for current and previous financial year	18
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FRD 22B	5 year summary of the financial results	19
FRD 22B	Significant changes in financial position during the year	19
FRD 22B	Objectives and performance against objectives	10
FRD 22B	Major changes or factors affecting performance	17
FRD 22B	Subsequent events which will affect operations in future years	19
FRD 22B	Details of consultancies >\$100,000 and total No. and cost < \$100,000	20
FRD 12A	Disclosure of major contracts	20
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SD 4.2(d)	Rounding of amounts	32
FRD 9A	Departmental disclosure of administered assets and liabilities (voluntary disclosure)	N/A
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21A	Responsible person and executive officer disclosures	49, 50

### Legislation

*Water Act 1989*

*Water Industry Act 1994*

*Freedom of Information Act 1982*

*Whistleblowers Protection Act 2001*

*Victorian Industry Participation Policy Act 2003*

*Building Act 1993*

*Financial Management Act 1994*

*Audit Act 1994*

*Water (Governance) Act 2006*

*Water Acts Amendment (Enforcement & Other Matters) Act 2007*

# Financial Statements



# Operating Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<i>Revenue from operating activities</i>			
Service charges	1(b) 2(a)	9,212	8,476
Water usage charges	1(b) 2(a)	1,563	1,869
Government Contributions	1(b) 2(a)	106	–
Developer contributions	1(b) 2(a)	781	596
		<b>11,662</b>	<b>10,941</b>
<i>Revenue from non-operating activities</i>			
Interest	1(b)	289	196
Other revenue	1(b)	428	424
Owner Contributed assets	1(b)	194	181
		910	801
<b>Total Revenue</b>		<b>12,572</b>	<b>11,741</b>
<i>Expenses</i>			
Depreciation	1(e) 2(c)	2,905	3,096
Amortisation	1(r) 7	98	96
Employee benefits	1(j)	3,332	2,820
Repairs and maintenance expense	1(d)	735	331
Loss (gain) on sale of fixed assets	2(b)	(6)	93
Environmental Contributions	1(n)	450	450
Borrowing costs	1(c) 2(c)	206	248
Other		3,826	3,478
<b>Total expenses</b>		<b>11,546</b>	<b>10,612</b>
Net result before tax		1,025	1,129
Income tax expense	1(l)	7	–
<b>Net result after tax</b>		<b>1,018</b>	<b>1,129</b>

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

# Balance Sheet

as at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and Cash equivalents	1(f) 3	903	3,484
Receivables	1(g) 4	694	655
Inventories	1(h) 5	374	349
Other assets	6	624	873
<b>Total current assets</b>		<b>2,595</b>	<b>5,361</b>
<i>Non-current assets</i>			
Receivables	1(g) 4	167	186
Property, plant and equipment	1(d) 8	112,737	109,433
Intangible Assets	1(r) 7	287	186
<b>Total non-current assets</b>		<b>113,191</b>	<b>109,805</b>
<b>TOTAL ASSETS</b>		<b>115,786</b>	<b>115,166</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Payables	1(i) 9	1,446	1,158
Interest bearing liabilities	1(q) 10	804	247
Employee benefits	1(j) 11	451	299
<b>Total current liabilities</b>		<b>2,701</b>	<b>1,704</b>
<i>Non-current liabilities</i>			
Interest bearing liabilities	1(q) 10	2,361	3,675
Employee benefits	1(j) 11	81	164
<b>Total non-current liabilities</b>		<b>2,442</b>	<b>3,839</b>
<b>TOTAL LIABILITIES</b>		<b>5,143</b>	<b>5,542</b>
<b>NET ASSETS</b>		<b>110,643</b>	<b>109,623</b>
<i>Equity</i>			
Contributed Capital	13	51,323	51,323
Reserves	14	7,099	7,099
Accumulated funds	15	52,221	51,201
<b>TOTAL EQUITY</b>		<b>110,643</b>	<b>109,623</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Total of equity at beginning of financial year		109,624	107,493
Gain/(loss) on property revaluation net of tax	14	–	1,002
<b>Net income recognised directly in equity</b>		<b>109,624</b>	<b>108,495</b>
Net result for the period		1,018	1,129
<b>Total of equity at end of financial year</b>		<b>110,643</b>	<b>109,624</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes



# Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Receipts</i>			
Service and usage charges		12,149	11,982
Interest received		252	221
Other revenues		548	868
		<b>12,949</b>	<b>13,071</b>
<i>Payments</i>			
Payments to Employees		(2,360)	(2,438)
Payments to Suppliers		(6,415)	(6,183)
Interest paid		(204)	(251)
Environmental Contributions		(450)	(450)
<b>Net cash provided by operating activities</b>	<b>20</b>	<b>3,520</b>	<b>3,749</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Income received for capital purposes		259	850
Payments for property, plant & equipment		(5,605)	(2,777)
Proceeds from sale of non-current assets		–	–
<b>Net cash (used in) investing activities</b>		<b>(5,346)</b>	<b>(1,927)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(755)	(715)
Dividends paid		–	(72)
<b>Net cash provided by/(used in) financing activities</b>		<b>(755)</b>	<b>(787)</b>
Net increase/(decrease) in cash held		(2,581)	1,035
Cash at beginning of financial year		3,484	2,449
<b>Cash at end of financial year</b>	<b>3(a)</b>	<b>903</b>	<b>3,484</b>

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 2007

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

#### *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 Changes in Equity, a Cash Flow Statement and notes accompanying these statements. The general purpose financial report complies with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, 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.

#### *Name Change*

Effective from 1 July the name of the Authority was changed to Westernport Region Water Corporation under Section 85(1) of the Water Act 1989, inserted by Section 54 of the Water Governance Act 2006. Accordingly the reporting entity for the financial year 1 July 2006 to 30 June 2007 is Westernport Region Water Authority and these financial statements have been prepared on that basis.

Under these revised legislative arrangements the Chief Executive Officer as at 30 June 2007 became the Managing Director of the Corporation effective from 1 July 2007. These financial statements have been certified by the Managing Director in accordance with the accountability requirements that attach to this position at the signing date.

#### *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 - see 1(j) for a variation in relation to employee benefits.

#### *Rounding*

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

#### *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

#### *Service and Usage charges*

Rate/tariff and service charges are recognised as revenue when levied or determined.

Water and sewerage usage 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**

Water and Sewerage infrastructure assets built by developers in new land subdivisions that on completion are provided to the Authority or 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.

**Government contributions**

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity – Contributions by Owners.

**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**

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.

**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, or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

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

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

**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.

**Valuation of 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.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the entity intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

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

# Notes to the Financial Report

for the year ended 30 June 2007

## **Infrastructure assets**

Water infrastructure assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. These 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.

## **Revaluations**

Assets are primarily classified into one of five Purpose Groups. Within each Purpose Group, all classes of assets that are measured subsequent to initial recognition using the revaluation model are effectively revalued in the same financial year. Asset acquired within 12 months of the revaluation date are exempted from the revaluation unless evidence exists that the asset's carrying value does not materially reflect its fair value.

Subsequent to acquisition, each class of asset which are subject to the revaluation model are revalued every 5 years with timing based upon their Purpose Group and, in the case of land, subject to interim fair value assessment during the 5 year revaluation cycle where there is evidence of a material increase in 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.

## **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;
- Financial instrument assets; and
- Investment property that is measured at fair value.

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.

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 the operating statements.

## **(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:

<b>Buildings</b>	<b>Periods</b>
• Buildings	40–70 years
<b>Infrastructure</b>	
<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	2.5–13years

During the year, the Authority reviewed its infrastructure assets previously capitalised. The purpose of the review was to separately identify components of assets to ensure that assets could be effectively managed and maintained in the future. As a result of the review, certain assets which were previously combined have now been broken into separate components. The depreciation rate of the combined assets differs from the depreciation rates of each of their components. Consequently, the depreciation expense in the Operating Statement is approximately \$394k less than when the depreciation was calculated on combined assets.

#### **(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**

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

Collectability 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 2007

## (i) Trade and Other 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) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee benefit liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values. 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 the entity, in respect of services rendered by employees up to the reporting date. Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non current liability.

### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of the expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are 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 outflows. Provisions made for unconditional long service leave are classified as a current liability, where the employee has a present entitlement to the benefit. The non-current liability represents long service leave entitlements accrued for employees with less than 7 years of continuous service.

### (iii) Superannuation

The amount charged to the Operating Statement in respect of superannuation represents the contributions made by the Authority to the superannuation plan in respect to the current services of entity. Superannuation contributions are made to the plans based on the relevant rules of each plan.

### (iv) 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.

### (v) 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, (2006/07 \$0) 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 2007 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 Income tax expense in the Operating Statement (\$6,883) represents the tax paid in respect of an amendment to the income tax returns for the 2004 and 2005 income years.

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 2007 in respect of tax losses not brought to account is \$2.61m (2005/06 \$1.37m).

### (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 in the year ended 30 June 2007 was \$0.

### (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.

#### **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) Interest Bearing Liabilities

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.

# Notes to the Financial Report

for the year ended 30 June 2007

## (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.

## (s) Comparative Amounts

Where necessary, figures for the previous year have been reclassified to facilitate comparison.



**NOTE 2  
OPERATING STATEMENT – DISCLOSURES**

	2007 \$'000	2006 \$'000
<b>(a) Significant Revenues</b>		
<i>Service charges</i>		
Sewerage charges	5,184	4,792
Trade waste charges	110	68
Water service charges	3,917	3,615
	<b>9,212</b>	<b>8,476</b>
<i>Volumetric charges (water)</i>		
	<b>1,563</b>	<b>1,869</b>
<i>Government Contributions</i>		
Operating	<b>106</b>	–
<i>Developer contributions</i>		
Fees paid by developers	597	322
Assets received from developers	184	274
	<b>781</b>	<b>596</b>
<b>(b) Net gains and expenses</b>		
The surplus/(deficit) from ordinary activities includes the following specific net gains and expenses:		
<b>Net gain/(loss) on disposal</b>	<b>6</b>	<b>(93)</b>
<b>(c) Expenses</b>		
<i>Depreciation</i>		
Buildings	93	88
Water infrastructure	1,121	1,284
Wastewater infrastructure	1,221	1,375
Plant, equipment and motor vehicles	470	349
<b>Total depreciation</b>	<b>2,905</b>	<b>3,096</b>
Bad and doubtful debts	25	38
<i>Movements in Employee Benefits</i>		
Annual leave	27	25
Long service leave	29	(9)
Other	2	–
<b>Total movements</b>	<b>58</b>	<b>16</b>
<i>Borrowing costs</i>		
Total Borrowing costs	206	248
less amount capitalised	–	–
<b>Borrowing cost expense</b>	<b>206</b>	<b>248</b>
Superannuation contributions	251	419
<i>Auditors' remuneration</i>		
Auditor-General for audit of financial statements	22	46
Internal audit - Haines Norton	47	29
Other services - other auditors	19	64
	<b>88</b>	<b>139</b>
<i>Other Expenses</i>		
includes:		
Contractors	1,535	994
Consultants	561	232
Electricity costs	384	335
	<b>2,480</b>	<b>1,561</b>

# Notes to the Financial Report

for the year ended 30 June 2007

## NOTE 3 CASH ASSETS AND CASH EQUIVALENT ASSETS

	2007 \$'000	2006 \$'000
Cash on hand and at bank	(132)	(99)
Deposits at call	1,035	3,583
	<b>903</b>	<b>3,484</b>

### (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	903	3,484
<b>Balances as per Cash Flow Statement</b>	<b>903</b>	<b>3,484</b>

### (b) Cash at bank and on hand

These are non interest bearing	(132)	(99)
--------------------------------	-------	------

### (c) Deposits at call

	1,035	3,583
--	-------	-------

The deposits are bearing floating interest rates of 6.2% (2006 5.70%).  
These deposits are available on call.

## NOTE 4 RECEIVABLES

### CURRENT

Trade receivables	581	575
Other receivables	113	80
	<b>694</b>	<b>655</b>

### NON-CURRENT

Trade receivables	167	186
	<b>167</b>	<b>186</b>

## NOTE 5 INVENTORIES

Stores and consumables at cost	374	349
<b>Total inventories</b>	<b>374</b>	<b>349</b>

## NOTE 6 OTHER CURRENT ASSETS

Prepayments	121	25
Accrued revenue	498	843
Loan	5	5
	<b>624</b>	<b>873</b>

**NOTE 7  
INTANGIBLE ASSETS**

	Software \$'000
<b>YEAR ENDED 30 JUNE 2007</b>	
At 1 July 2006, net of accumulated amortisation	186
Additions	199
Impairment	–
Amortisation	98
At 30 June 2007, net of accumulated amortisation	287
<b>At 30 June 2007</b>	
Cost (gross carrying amount)	716
Accumulated amortisation and impairment	429
<b>Net carrying amount</b>	<b>287</b>
<b>YEAR ENDED 30 JUNE 2006</b>	
At 1 July 2005, net of accumulated amortisation	269
Additions	13
Impairment	–
Amortisation	96
At 30 June 2006, net of accumulated amortisation	186
<b>At 1 July 2006</b>	
Cost (gross carrying amount)	517
Accumulated amortisation and impairment	331
<b>Net carrying amount</b>	<b>186</b>

# Notes to the Financial Report

for the year ended 30 June 2007

## NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2007 \$'000	2006 \$'000
<b>(a) Classes of property, plant and equipment</b>		
<i>Land</i>		
at valuation (as at 30 June 2006)	8,991	8,991
	<b>8,991</b>	<b>8,991</b>
<i>Buildings</i>		
at valuation (as at 30 June 2006)	4,611	4,400
less: accumulated depreciation	(304)	–
	<b>4,307</b>	<b>4,400</b>
<i>Water infrastructure</i>		
at cost	46,221	42,747
less: accumulated depreciation	(5,684)	(4,563)
	<b>40,537</b>	<b>38,184</b>
<i>Wastewater infrastructure</i>		
at cost	62,950	61,222
less: accumulated depreciation	(8,725)	(7,504)
	<b>54,225</b>	<b>53,718</b>
<i>Equipment and motor vehicles</i>		
at cost	3,988	3,502
less: accumulated depreciation	(1,899)	(1,480)
	<b>2,089</b>	<b>2,022</b>
<i>Works under construction</i>		
	2,588	2,118
	2,588	2,118
<b>Total property, plant and equipment</b>	<b>112,737</b>	<b>109,433</b>

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 Valuelit Pty Ltd.

## NOTE 8 (continued)

## PROPERTY, PLANT AND EQUIPMENT

	Opening WDV	Additions	Disposals	Asset Revaluation	Depreciation	Closing WDV
<b>(b) Movements during the reporting period 2006–2007</b>						
Land	8,991	–	–	–	–	8,991
Buildings	4,400	–	–	–	(93)	4,307
Water infrastructure	38,184	3,474	–	–	(1,121)	40,537
Wastewater infrastructure	53,718	1,728	–	–	(1,221)	54,225
Equipment and motor vehicles	2,021	582	(44)	–	(470)	2,089
Works under construction	2,118	5,937	(5,467)	–	–	2,588
<b>Total property, plant and equipment</b>	<b>109,433</b>	<b>11,721</b>	<b>(5,511)</b>	<b>–</b>	<b>(2,905)</b>	<b>112,737</b>

## 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
<b>Total property, plant and equipment</b>	<b>109,073</b>	<b>5,449</b>	<b>(2,995)</b>	<b>1,002</b>	<b>(3,096)</b>	<b>109,433</b>

## NOTE 9

## CURRENT AND NON-CURRENT LIABILITIES – PAYABLES

	2007 \$'000	2006 \$'000
<i>Current Payables</i>		
Trade Payables	1,036	804
Other creditors	410	355
Total Current Payables	1,446	1,159
<b>Total Payables</b>	<b>1,446</b>	<b>1,159</b>

## 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.

## Total current unsecured

<i>Unsecured</i>		
Other loans	804	248
<b>Total current secured interest bearing liabilities</b>	<b>804</b>	<b>248</b>

## Non-current

<i>Unsecured</i>		
Other loans	2,361	3,676
<b>Total non-current unsecured interest bearing liabilities</b>	<b>2,361</b>	<b>3,676</b>
<b>Total interest bearing liabilities</b>	<b>3,165</b>	<b>3,924</b>

# Notes to the Financial Report

for the year ended 30 June 2007

## 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Financial Assets</i>								
Cash Assets	903	3,484	–	–	–	–	–	–
Receivables	–	–	133	138	19	19	19	19
Other	–	–	–	–	–	–	–	–
	<b>903</b>	<b>3,484</b>	<b>133</b>	<b>138</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>
<i>Financial Liabilities</i>								
Payables	–	–	–	–	–	–	–	–
Interest-bearing liabilities	–	–	804	248	429	759	454	804
	–	–	<b>804</b>	<b>248</b>	<b>429</b>	<b>759</b>	<b>454</b>	<b>804</b>

#### 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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Financial assets</i>				
Cash assets	903	3,484	903	3,484
Receivables	862	841	862	841
Other Assets	624	873	624	873
<b>Total Financial Assets</b>	<b>2,388</b>	<b>5,198</b>	<b>2,388</b>	<b>5,198</b>
<i>Financial liabilities</i>				
Payables	1,446	1,159	1,446	1,159
Interest-bearing liabilities	3,165	3,895	3,090	3,924
<b>Total Financial Liabilities</b>	<b>4,611</b>	<b>5,054</b>	<b>4,536</b>	<b>5,083</b>

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 Balance Sheet		Weighted average interest rates	
2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
-	-	-	-	-	-	-	-	903	3,484	6.01%	5.55%
19	19	19	19	93	112	561	518	862	841	12.50%	12.50%
-	-	-	-	-	-	624	873	624	873		
<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>93</b>	<b>112</b>	<b>1,185</b>	<b>1,391</b>	<b>2,388</b>	<b>5,198</b>		
-	-	-	-	-	-	1,446	1,159	1,446	1,159		
481	429	509	454	488	1,230	-	-	3,165	3,924	5.74%	5.74%
<b>481</b>	<b>429</b>	<b>509</b>	<b>454</b>	<b>488</b>	<b>1,230</b>	<b>1,446</b>	<b>1,159</b>	<b>4,611</b>	<b>5,083</b>		

# Notes to the Financial Report

for the year ended 30 June 2007

## NOTE 11 CURRENT AND NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	2007 \$'000	2006 \$'000
<i>Current</i>		
Annual leave	226	198
Long service leave	125	13
Other	100	88
<b>Total Current</b>	<b>451</b>	<b>299</b>
<i>Non-current</i>		
Long service leave	81	164
<b>Total Non-Current</b>	<b>81</b>	<b>164</b>
<i>Aggregate carrying amount</i>		
Current	451	299
Non-current	81	164
<b>Total Employee Benefits</b>	<b>532</b>	<b>463</b>
Employee numbers at end of financial year	47	43

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

	2007	2006
Weighted average rates of increase in annual employee entitlement to settlement of liabilities	4.50%	4.75%
Weighted average discount rates	3.72%	2.96%
Weighted average terms to settlement of the liability	6.3 years	6.3 years

## NOTE 12 EMPLOYEE ENTITLEMENTS

	2007 \$'000	2006 \$'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	226	198
Other long-term employee benefits that do not fall due within 12 months after the end of the period, measured at present value	125	13
	<b>351</b>	<b>211</b>
<i>Non-current</i>		
<i>LSL representing less than 7 years of continuous service measured at present value</i>	<b>81</b>	<b>164</b>



**NOTE 13  
CONTRIBUTED CAPITAL**

	2007 \$'000	2006 \$'000
Balance at beginning of reporting period	51,323	51,323
Capital contributions in the year	–	–
<b>Balance at the end of reporting period</b>	<b>51,323</b>	<b>51,323</b>

**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	7,099	6,096
Revaluation increment on non-current assets	–	1,003
<b>Balance 30 June</b>	<b>7,099</b>	<b>7,099</b>

**NOTE 15  
ACCUMULATED FUNDS**

Accumulated funds at beginning of reporting period	51,202	50,076
Net Profit	1,018	1,126
<b>Accumulated surplus at the end of the reporting period</b>	<b>52,221</b>	<b>51,202</b>

**NOTE 16  
COMMITMENTS**

*Capital commitments*

At 30 June the Authority had the following capital commitments:

Melbourne Water connection design	0	668
Cowes Wastewater Treatment Plant upgrade	0	181
Ian Bartlett Water Purification Plant	0	207

Outstanding capital commitments are likely to be exercised as follows:

Payment due:		
within one year	0	1,056
one to five years	–	–
over five years	–	–
	–	<b>1,056</b>

*Other significant operating commitments*

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

Water Industry Environmental Contributions	450	900
--	-----	-----

Other significant operating commitments are due for payment as follows:

Payment due:		
within one year	450	450
one to five years	–	450
over five years	–	–
	<b>450</b>	<b>900</b>

# Notes to the Financial Report

for the year ended 30 June 2007

## 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	2007 \$'000	2006 \$'000
Miscellaneous Schemes	9.00%	96	69
Vision Super	9.00%	124	112
Vision Super Defined Benefits	9.25%	30	32
<b>Total contributions to all funds</b>		<b>250</b>	<b>213</b>

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 2006 to 30 June 2007)

#### **Directors**

- Pamela Cameron (Chairperson)
- Leah Young (Deputy Chairperson)
- Anthea Dacy (Director)
- Leigh Hocking (Director)
- Chris Pattas (Director)
- Susan Walpole (Director)  
(1 July 2006 to 21 July 2006)
- Philip Westwood (Director)

#### **Accountable Officer**

- David Mawer (Chief Executive Officer)

#### **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.

	2007 \$'000	2006 \$'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).	311	255

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

Income band	2007 Number	2006 Number
\$0 – 9,999	2	2
\$10,000 – 19,999	4	6
\$20,000 – 29,999	0	1
\$30,000 – 39,999	0	1
\$40,000 – 49,999	1	0
\$110,000 – 119,999	0	1
\$200,000 – 209,999	1	0

# Notes to the Financial Report

for the year ended 30 June 2007

## 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 (2006, \$0).

#### Loans

There were no loans in existence by the Authority to responsible persons or related parties at the date of this report (2006, \$0).

#### Other transactions

A payment of \$450.00 was made to The Learning Attitude Pty Limited, a company owned by the Chief Executive Officer's spouse (2006, \$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	
	2007 Number	2006 Number	2007 Number	2006 Number
\$100,000 – 109,999	0	0	0	1
\$110,000 – 119,999	0	1	0	1
\$120,000 – 129,999	0	1	2	1
\$130,000 – 139,999	2	1	1	0
\$140,000 – 149,999	1	0	0	0
<b>Total Numbers</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Total Amount</b>	<b>415</b>	<b>380</b>	<b>387</b>	<b>336</b>

## NOTE 20

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

	2007 \$'000	2006 \$'000
<i>Profit/(Loss) for the period after income tax</i>	1,018	1,129
Add/(less) Non-Cash Flows in Net Profit/(Loss)		
Depreciation/Amortisation	3,003	3,096
Developer contributions for capital purposes	(184)	(596)
Owner contributed Assets	(194)	(181)
Bad debts written off	25	38
Net profit/(loss) on sale of non-current assets	6	(93)
	<b>3,674</b>	<b>3,393</b>
<i>Change in Assets and Liabilities</i>		
Decrease/(increase) in receivables	(21)	410
Decrease/(increase) in inventories	(25)	17
Decrease/(increase) in other operating assets	249	(161)
Decrease/(increase) in payables	(288)	181
Decrease/(increase) in provisions	(70)	(90)
	<b>(154)</b>	<b>356</b>
<b>Net cash flows from Operating Activities</b>	<b>3,520</b>	<b>3,749</b>

## NOTE 21 DIVIDEND

The 2005/06 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 2007.

The process to determine the 2007 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 OPERATING STATEMENT OF WHOLESALE AND RETAIL SEGMENTS

	Wholesale		Retail		Unallocated		Operating Statement	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Revenue from ordinary activities</i>								
Service Charges	–	–	9,212	8,476	–	–	9,212	8,476
Volumetric Charges	64	21	1,563	1,848	(64)	–	1,563	1,869
Government Contributions	–	–	106	–	–	–	106	–
Developer Contributions	–	–	781	596	–	–	781	596
<i>Revenue from outside ordinary activities</i>								
Interest	–	–	289	196	–	–	289	196
Other revenue	–	–	405	385	23	39	428	424
Owner contributed Assets	–	–	194	180	–	–	194	180
<b>Total revenue</b>	<b>64</b>	<b>21</b>	<b>12,549</b>	<b>11,681</b>	<b>(41)</b>	<b>39</b>	<b>12,572</b>	<b>11,741</b>
<i>Expenses of ordinary activities</i>								
Depreciation	153	191	2,748	2,998	4	3	2,905	3,192
Employee expenses	124	157	3,185	2,642	23	21	3,332	2,820
Repairs and maintenance expense	40	43	692	288	3	–	735	331
Suppliers	583	464	3,734	3,446	51	111	4,368	4,021
<b>Total expenses</b>	<b>900</b>	<b>855</b>	<b>10,359</b>	<b>9,374</b>	<b>81</b>	<b>135</b>	<b>11,340</b>	<b>10,364</b>
Borrowing costs	–	–	206	248	–	–	206	248
<b>Profit/(loss) from ordinary activities before tax</b>	<b>(836)</b>	<b>(834)</b>	<b>1,983</b>	<b>2,059</b>	<b>(122)</b>	<b>(96)</b>	<b>1,025</b>	<b>1,129</b>
Income Tax expense (revenue)	–	–	7	–	–	–	7	–
<b>Net result for the reporting period</b>	<b>(836)</b>	<b>(834)</b>	<b>1,976</b>	<b>2,059</b>	<b>(122)</b>	<b>(96)</b>	<b>1,018</b>	<b>1,129</b>

## Notes to the Financial Report

for the year ended 30 June 2007

### NOTE 24 BALANCE SHEET DISAGGREGATED AS AT 30 JUNE 2007

	Wholesale		Retail		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Assets</i>						
Cash assets	–	–	–	–	–	–
Property, plant and equipment	8,783	7,429	103,954	93,014	112,737	100,443
Other assets	1,354	1,354	1,695	8,009	3,049	9,363
<b>Total assets</b>	<b>10,137</b>	<b>8,783</b>	<b>105,649</b>	<b>101,023</b>	<b>115,786</b>	<b>109,807</b>
<i>Liabilities</i>						
Payables	–	–	1,446	1,159	1,446	1,159
Interest bearing liabilities	–	–	3,165	3,924	3,165	3,924
Employee benefits	–	–	532	463	532	463
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>5,143</b>	<b>5,546</b>	<b>5,143</b>	<b>5,546</b>
<b>NET ASSETS</b>	<b>10,137</b>	<b>8,783</b>	<b>100,506</b>	<b>95,478</b>	<b>110,643</b>	<b>104,261</b>

### STATEMENT OF CASH FLOWS DISAGGREGATED FOR YEAR ENDED 30 JUNE 2007

	Wholesale		Retail		Total	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net cash from operating activities	64	21	3,456	3,728	3,520	3,749
Cash flow used in investment activities	–	–	(5,346)	(1,927)	(5,346)	(1,927)
Cash flow used in financing activities	–	–	(755)	(787)	(755)	(787)

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

**NOTE 25  
SEGMENT INFORMATION**

Primary reporting – business segments	Water		Wastewater		Consolidated	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales to external customers	5,480	5,986	5,184	5,105	10,664	11,091
Inter-segment sales	–	–	–	–	–	–
Total sales revenue	5,480	5,986	5,184	5,105	10,664	11,091
Other revenue	224	147	148	277	372	424
<b>Total segment revenue</b>	<b>5,704</b>	<b>6,133</b>	<b>5,332</b>	<b>5,382</b>	<b>11,036</b>	<b>11,515</b>
Unallocated revenue less unallocated expenses	(5,167)	(5,212)	(4,844)	(5,153)	(10,011)	(10,365)
<b>Surplus</b>	<b>537</b>	<b>920</b>	<b>488</b>	<b>229</b>	<b>1,024</b>	<b>1,149</b>
Segment assets	40,817	9,904	54,665	59,829	95,482	69,734
Unallocated assets	8,679	6,451	11,623	38,983	20,302	45,434
<b>Total assets</b>	<b>49,496</b>	<b>16,355</b>	<b>66,288</b>	<b>98,813</b>	<b>115,784</b>	<b>115,168</b>
Segment liabilities	2,198	788	2,944	4,758	5,142	5,546
Unallocated liabilities	–	–	–	–	–	–
<b>Total Liabilities</b>	<b>2,198</b>	<b>788</b>	<b>2,944</b>	<b>4,758</b>	<b>5,142</b>	<b>5,546</b>
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	–	–	–	–	–	–
Depreciation expense	1,423	1,675	1,581	1,421	3,004	3,096
Other non-cash expenses	–	–	–	–	–	–
Inventory write-down	–	–	–	–	–	–
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 Part 7 of the Directions of the Minister of Finance under the Financial Management Act 1994, applicable 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 Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2007 and financial position of the entity as at 30 June 2007.

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**  
Board of Directors

21/9/07  
Melbourne



**D Mawer**  
**Managing Director**  
Westernport Water

21/09/2007  
Melbourne



**G. Cossens**  
**Chief Financial Officer**  
Westernport Water

21/9/07  
Melbourne





Victorian Auditor-General's Office

## 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 auditor's report for the financial year ended 30 June 2007 relates to the financial report of the Westernport Region Water Authority included on its web site. The Members of the Board of the 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 auditor's 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.

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2007 of the Westernport Region Water Authority which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

#### *The Responsibility of the Members of the Board for the Financial Report*

The Members of the Board of the Westernport Region Water Authority are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

1

Level 24, 35 Collins Street, Melbourne Vic. 3000

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# VAGO

Victorian Auditor-General's Office

## Independent Audit Report (continued)

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *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, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Westernport Region Water Authority as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
21 September 2007



D.D.R. Pearson  
Auditor-General

# Westernport Water – Sustainability Report



## Introduction

### This is the inaugural Sustainability Report prepared by Westernport Water.

It represents the Authority's increasing awareness of the importance of adopting and reporting practices that reflect a different way of operating than was previously accepted. This report is a natural extension of the Authority's earlier initiatives including the Close to Zero energy use policy, the Energy Management Plan and associated investigations into renewable energy options and the previous energy audits.

The Authority recognises that this is only the start but each journey really does begin with a single step.

### Sustainability Statement

Westernport Water will seek to progressively undertake its operations in a manner that will incorporate the following practices:

- Integrate social, environmental and economic factors into decision-making and seek to maximize net beneficial outcomes.
- Take a long term perspective when considering the implications of decisions and policies.
- Value and protect the environment and biodiversity, recognizing that they are part of the irreplaceable life support systems upon which our future depends.
- Increase our efficiency when using natural resources, generate less waste and increase our use of renewable resources.
- Engage with the community providing involvement for those affected by decisions

The following activities are being pursued as opportunities for improved sustainable outcomes:

- Reduction in greenhouse gas emissions
- Water conservation and education programs to improve the efficiencies of the extraction of water from the environment for consumption by customers
- Reduction in discharges from operating a sewerage system, which can include spillage, treated wastewater and biosolids

- Increase the utilization of reuse water
- Increase biodiversity

We consider that the achievement of these outcomes would be in the long term interests of our customers, the community and Westernport Water.

### Significant Sustainable achievements

A number of activities have been undertaken during 2006-2007, these include:

- Operational Plan includes wildlife corridors and river planting with contributions of:
  - \$20,000 to Port Phillip and Westernport Catchment Management Group
  - \$15,000 to Phillip Island Landcare
  - \$10,000 to Bass Valley Landcare
- Zero fines or breaches at our EPA licensed sites
- Increase in recycled water customers
- Greenhouse Gas Emissions reduction
- Higher staff retention
- OH&S safety scorecard
- Dedicated environmental and risk management resources
- Financial / economic performance
- During Stage 4 restrictions we provided 563 water efficient shower heads to customers
- Energy audit completed during current reporting period
- Focus on sustainable practices with inaugural sustainability report prepared
- Contracted for development of our Ecological Footprint scorecard

The ongoing delivery of these and other programs identified in the 2008-2013 Water Plan will assist the Authority in meeting the new Sustainable Management principles contained in the Statement of Obligations.

*A Sustainable future is not somewhere we are going but something we are creating.<sup>1</sup>*

## Environmental Sustainability

### Our commitment is to work consistently to achieve a sustainable balance between environmental protection and economic development in the interest of present and future generations.

Westernport Water will set and achieve targets that promote efficient use of resources and reduce waste. We shall seek innovative solutions that minimize pollution and enhance biodiversity protection. We will share our environmental experience with all stakeholders and educate our employees and contractors to reduce our everyday environmental impacts.

### Environmental Objectives

Westernport Water's environmental objectives are to improve our performance by:

- Applying a Lifecycle approach to current and future assets and the impact they may have on the environment.
- Setting targets (where practicable) that maintain and restore our natural assets
- Promoting the commercial use of recycled water and biosolids while ensuring the highest environmental standards in land use and recycled water.
- Working with the community to look at changing our water consumption habits.

### In responding to the recent drought examples of the application of sustainability principles include:

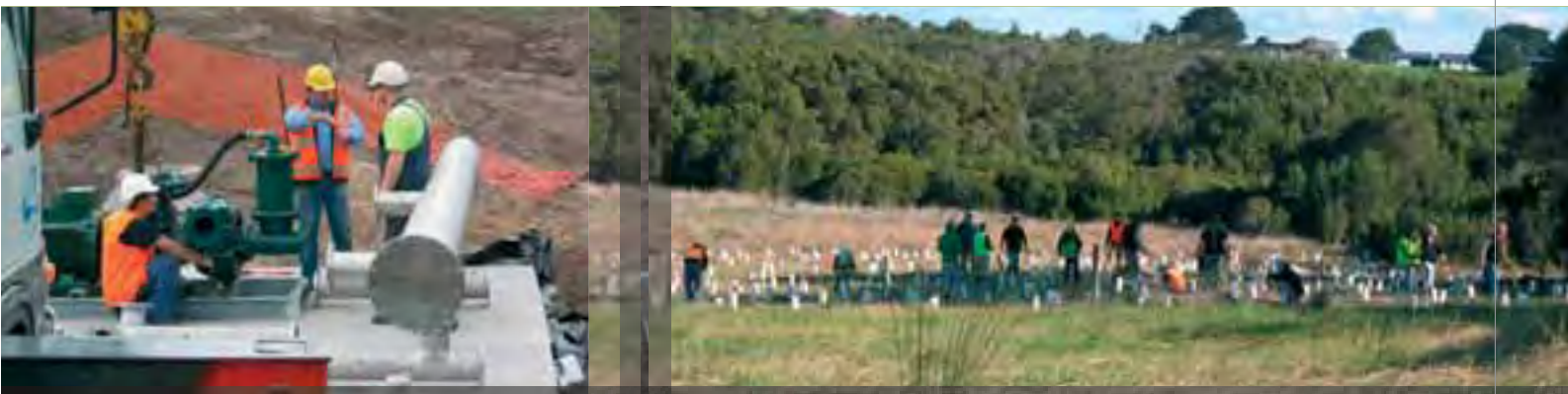
- The construction of permanent infrastructure for harvesting water from Bass River with minimal impact and opportunities for riparian restoration
- Environmental assessment on Bass River commenced and hydrogeological reports on the short and long term impact on groundwater extraction progressively prepared

### Native Biodiversity

Maintaining biodiversity is much more than just protecting wildlife and their habitats in nature reserves. It is about the sustainable use and management of resources and safeguarding life-support systems.

Current Biodiversity initiatives in place include:

- Restoration of the land – 2000 native indigenous trees planted at the Cowes WWTP



- Consulting with Landcare to develop programs to measure and minimize our ecological footprint
- New sustainable wetlands strategy for Ventnor farmland managed by the Authority
- Westernport Water Biodiversity Asset Register. The ongoing care and maintenance of these sites is therefore of utmost importance to preserve these species on-site and to provide opportunities for their potential spread to other suitable sites.
- Landcare revegetation plans at Wimbleton Heights

### Energy Consumption

Sustainability Victoria and the Victorian Water Industry have developed a joint initiative to establish a framework for Greenhouse Gas emissions reductions. In June 2007 we engaged the services of Energy & Thermal Services to conduct an independent audit of our energy demand. One element of this

program includes provision of technical advice to Westernport Water in order to identify potential projects for energy and greenhouse gas emission reductions. The Greenhouse opportunity assessment and technical advice included:

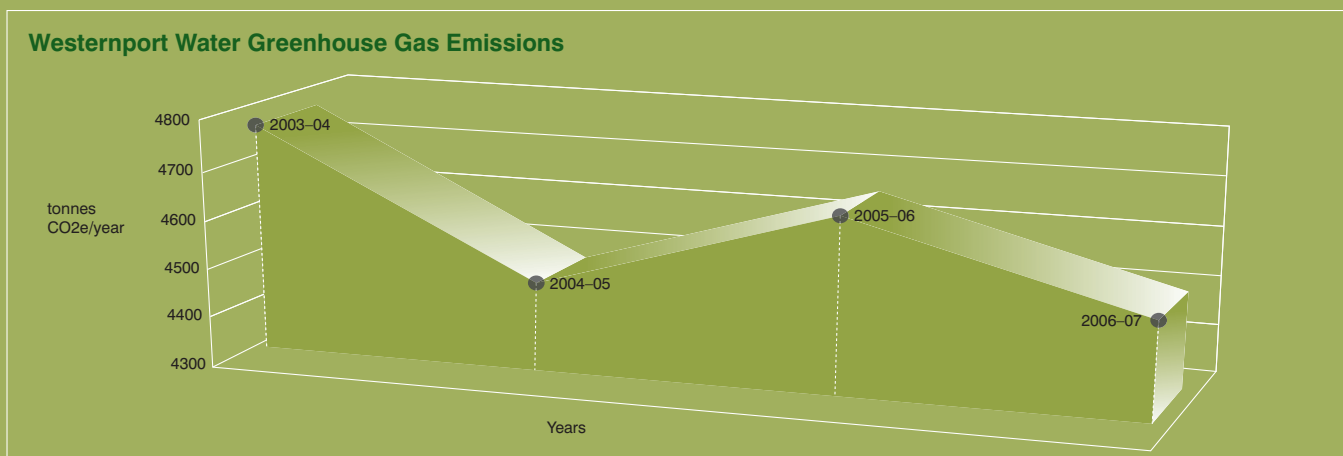
- Identifying existing measures to reduce greenhouse gas emissions from its facilities and any measures already identified but not implemented;
- Locating any other potential greenhouse gas reduction actions ;
- Locating potential renewable energy projects;
- Providing development and design expertise to our staff to assist them to identify additional strategies to reduce greenhouse gas emissions or to implement renewable energy projects;
- Providing estimates of capital cost for implementation and the energy, greenhouse gas and cost savings for these potential actions to reduce greenhouse emissions unless advised

by the water business that they wish to prepare these estimates themselves;

The Energy Management Plan derived from this audit will enable us to prioritize the actions to reduce greenhouse gas emissions and/or implement renewable energy projects within the Water business. These include:

- Optimization of pumping equipment
- Energy efficient aeration systems.
- Implement energy monitoring and performance program
- Energy use considered in new sewerage and water project assessments.
- Link smart metering at all large sites to CITECT.
- Enhanced demand management and time of use power management.

Greenhouse gas emissions for 2006-2007 were 3.25% less than for 2005-2006. The Authority's performance over the last few years is charted in the graph below.



## Economic Sustainability

Westernport Water will assess economic performance with due consideration to social and environment impacts. Detailed financial models have been developed for the whole of business. These models were the outworkings from project specific analysis tools that have been extended across the business.

The LPG reticulation network is an example whereby the Authority has assessed the service and delivery costs and sought an economic return from its investment in infrastructure. This model will provide the basis for further decisions to extend the network.

An example of economic and environmental principles being considered was the installation and commissioning of the Bass River pumping station. Working in a collaborative way with Southern Rural Water on flow limits and river ecological impacts has enabled Westernport Water to secure a secondary long term water source.

Future economic decisions will likewise consider the environmental costs, natural resource use, pollution and effective waste reduction.

### Social Sustainability

#### Westernport Water Scholarship program

The Board of Westernport Water is keen to support the local community by supporting students as well as raising the profile of the water industry as a source of meaningful ongoing professional careers in a regional environment. The Westernport area is like so many other regional areas that has to export its brightest students to the metropolitan areas for tertiary education and professional development. This scholarship is aimed at those students that have a desire and commitment to return and undertake a professional career in the local area.

A scholarship winner from previous years, Ben Hughes, has continued to work with the Authority as he completes his degree in computer engineering and programming.

During 2006-2007 Westernport Water awarded two further scholarships to local students Thomas Mitchell and Dean Jagoe. Thomas is undertaking Environmental Engineering at Deakin University and Dean is studying Electrical Engineering also at Deakin. The students spent the summer of 2006-2007 working with the Authority on a wide variety of projects. At the completion of their studies they will be offered employment for a year.



#### Student Placement

Westernport Water has developed an exciting partnership with Gippsland Group Training and Monash University. Together we are working to give students and host organisations a unique opportunity to help students establish their career as well as benefit the organisation.

Over the year Westernport Water took on a student, Kellie Young, who is studying a Bachelor of Science degree, specializing in Applied Science. Her appointment with Westernport Water is for six months, predominantly based at the Ian Bartlett Water Purification Plant. Kellie's main role involves water quality testing and assisting in the treatment process.

Westernport Water is looking to extend its relationship with Monash University through this program by further student placements.

## Challenges ahead

Our greatest challenge in future years will be to keep customer prices competitive for our water and sewerage services whilst providing quality services and ensuring that we outperform our Water Plan targets. Further challenges include:

- Matching supply to demand for water in a growing region
- Reduction in use of potable water – more fit for purpose water
- Dependence on electricity as a source of energy for treatment & pumping water
- Managing water sources in a sustainable manner
- More efficient and smarter use of our resources – “Doing more with less”
- A valuable resource, recycled water will be a key to providing growth in the future
- Degradation of the local environment (rivers & water catchment systems) & impact on our business
- Managing our impact on river and aquifer health and ensuring sustainable yields
- Climate change and the impact on water supply in our catchment areas and the possible irreversible impact on our natural ecosystems in our region.

*Eco-efficiency is about the more efficient use of environmental resources. The efficiencies however provide benefits both to the firm and to the environment.<sup>2</sup>*

#### References:

- 1 Professor Ian Lowe – Climate Change & Water Forum May 07
- 2 Organizational Change for Corporate Sustainability – Achieving Sustainable Efficiencies Dexter Dunphy, Andrew Griffiths and Suzanne Benn

## Westernport Water – Whistleblowers policy



# 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 recognised the value of transparency and accountability in its administrative and management practice, and supports the making of disclosures that reveal corrupt conduct, conduct involving 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. Westernport Water 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

Conduct by a public body or public official 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 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:

**Kylie White**  
Regulation and Business Analyst  
Westernport Water

Refer to Annexure A for reporting structure.

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 9, 459 Collins Street  
Melbourne Victoria 3000  
(DX 210174)

Internet: [www.ombudsman.vic.gov.au](http://www.ombudsman.vic.gov.au)  
Email: [ombudvic@ombudsman.vic.gov.au](mailto:ombudvic@ombudsman.vic.gov.au)

Tel: (03) 9613 6222  
Toll Free: 1800 806 314

Ombudsman: Dr George Brouwer

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

**Table 1**

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
Member of the police force	The Ombudsman, Deputy Ombudsman or Chief Commissioner of Police

## 12. Roles and responsibilities

### 12.1 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.

### 12.2 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;
- Coordinate the reporting system used by the organisation via a centralized, confidential and secured recording and reporting system;
- 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 Managing Director 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 Regulation and Business Analyst of Westernport Water.

If the Protected Disclosure Coordinator has a personal or direct interest in the matter being investigated the Managing Director will either appoint another departmental manager to be the Protected Disclosure Coordinator or be the Protected Disclosure Coordinator.

### 12.3 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.

### 12.4 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;
- Ensure the expectations of the whistleblower are realistic;
- Keep contemporaneous records of all aspects of the case management of the whistleblower including all contact and follow-up action;
- Must not divulge any details in relation to the disclosed matter to any person other than the protected disclosure coordinator, the investigator, or the Managing Director

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

### 13. Confidentiality

Westernport Water will take all reasonable steps to protect the identity of the whistleblower, and the person who is the subject of the disclosure, should advise both parties of the protection afforded by the Act. Section 68 of the Act requires procedures to be established to ensure the protection of the whistleblower from any reprisal for making a protected disclosure.

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 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 (Part 9); and
- In criminal proceedings for certain offences in the Act (section 60 or 106).

However, the section 22(2) & (3) of the Act prohibits the inclusion of particulars in any report, including the annual report, or recommendation that is likely to lead to the identification of the whistleblower.

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 of information concerning a protected disclosure. All electronic files saved to a floppy disk or CD-Rom or other disc must be password protected.

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

### 14. 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
- Any recommendations made by the Ombudsman that relate to Westernport Water

## 15. Receiving and assessing disclosures

### 15.1 Disclosure 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.

### 15.2 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. Refer to Table 1. If the disclosure has been made anonymously, it should be referred to the Ombudsman.

### 15.3 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.

### 15.4 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:

- Notify the person who made the disclosure of that conclusion; and
- 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:

- Notify the person who made the disclosure of that conclusion, and the grounds for the decision;
- 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; and
- Advise that person of Westernport Water's internal processes for complaints resolution.

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.

## 16. Investigations

### 16.1 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.

### 16.2 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 directing manager. 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.

### 16.3 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.

### 16.4 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.

### 16.5 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.

### 16.6 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.

### 16.7 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.

## 17. Action taken after an investigation

### 17.1 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.

### 17.2 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 Managing Director 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.

## 18. Managing the welfare of the whistleblower

### 18.1 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 victimization in reprisal for making disclosure;

- Keep an 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 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).

### 18.2 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.

### 18.3 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 Managing Director 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.

#### **18.4 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 Managing Director 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 Managing Director 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.

#### **19. 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.

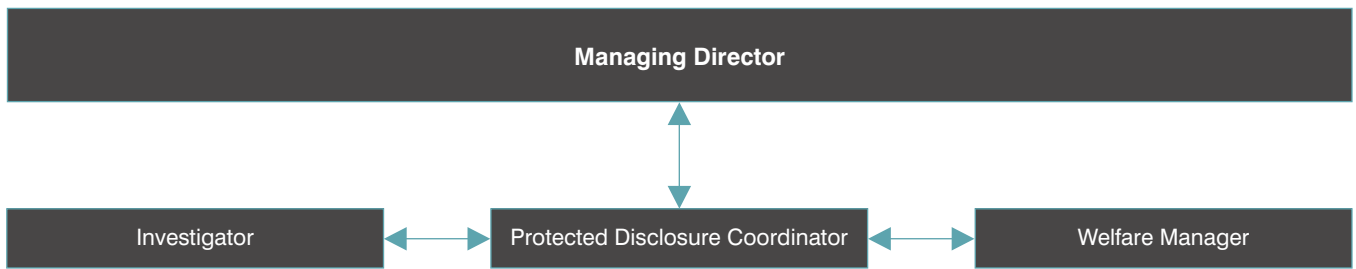
Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the protected disclosure coordinator will formally advise the person who is the subject of the disclosure of the outcome of the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

#### **20. 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:

- 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 or two years imprisonment or both.
- 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 or six months imprisonment or both.
- 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 or two years imprisonment or both.
- 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 or two years imprisonment or both.

## Annexure A – Reporting structure









# Directory

## Head office

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

## Responsible Minister

The Hon. John Thwaites, MP

## Bankers

National Australia Bank  
Thompson Avenue  
Cowes Vic 3922

## Auditors

Auditor General, Victoria  
By Agent WHK Armitage Downie

## 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  
[www.stewartmurphy.com](http://www.stewartmurphy.com)

## Design

Blue Star IQ Melbourne  
#70102



