

Victorian Environmental Water Holder



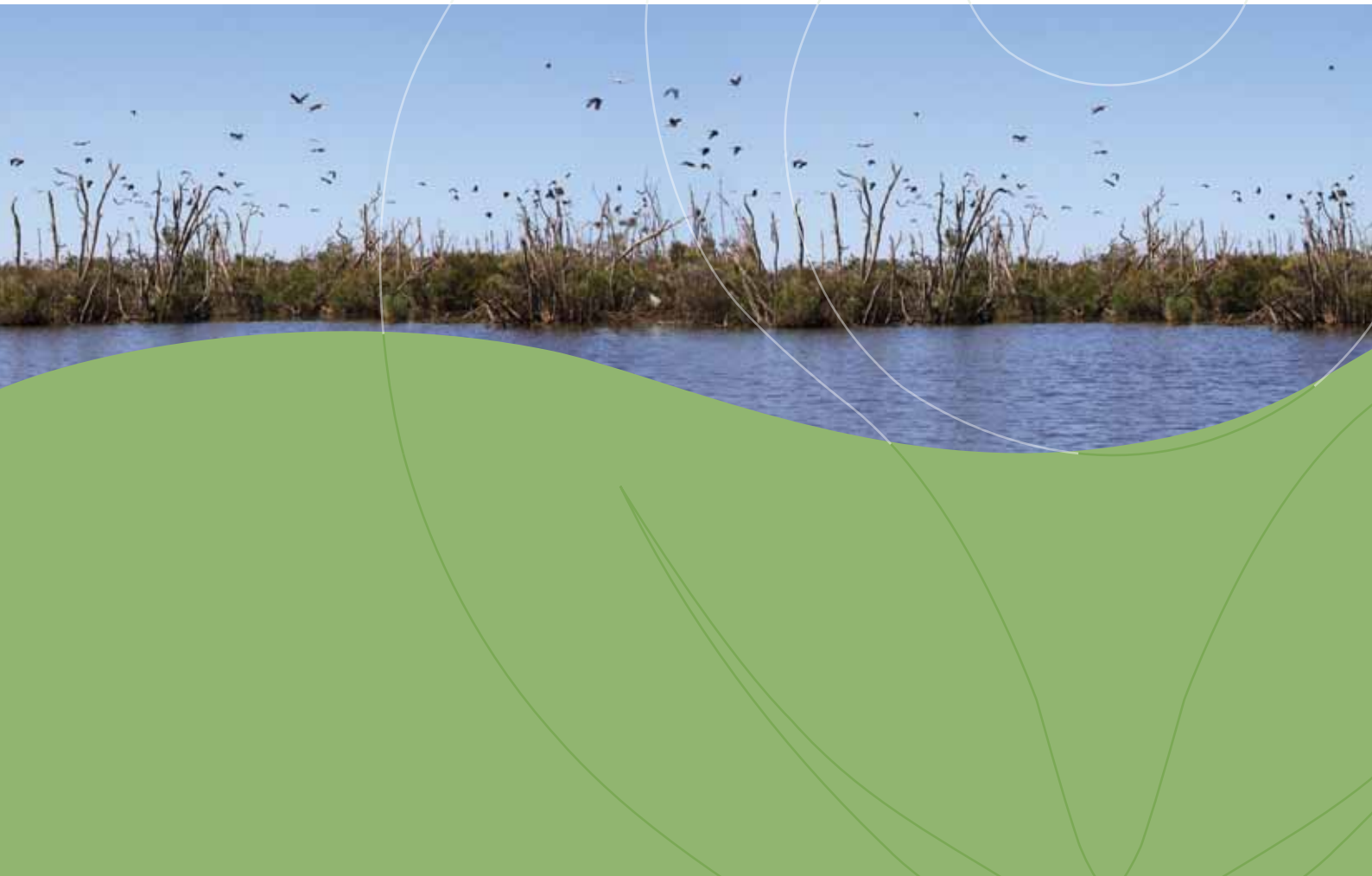
# ANNUAL REPORT 2011–12

## OUR MISSION

Manage Victoria's environmental Water Holdings, in cooperation with partners, to improve the environmental health of rivers, wetlands and floodplains.

## OUR VALUES

Collaboration. Integrity.  
Commitment. Initiative.



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# Chairperson and Executive Officer report

During 2011-12, the Victorian Environmental Water Holder (VEWH) established its position in the field of environmental water management. The 12 months to 30 June 2012 saw two seasonal watering plans, four watering updates and the first corporate plan released; 16 Commission meetings held; seven regional tours of catchment systems; and 47 seasonal watering statements released authorising priority watering actions to be implemented across Victoria. It is these priority watering actions, combined with other elements of the Environmental Water Reserve and other waterway restoration works, that have helped improve the health and resilience of valued rivers, wetlands and floodplains.

Having inherited a function the Department of Sustainability and Environment managed for a number of years, the VEWH became the first independent statutory body responsible for managing Victoria's environmental water entitlements (Water Holdings). Building effective working relationships with partners and key stakeholders has been a vital part of this success. A major focus of the VEWH's activities has been developing its relationships with catchment management authorities and Melbourne Water (waterway managers), to help facilitate the best outcomes for the environment.

Furthermore, the release of the VEWH corporate plan has set the goal posts for VEWH performance. This in part focuses on good governance and effective planning, implementation and reporting the use of the Water Holdings. The values and behaviours listed in the corporate plan combined with various policies and business rules are designed to ensure the VEWH operates in a way that reflects the reason it was established – to be independent, transparent and accountable in managing Victoria's Water Holdings.

As we reflect on what we have learnt about environmental water management in 2011-12, and take on board the experiences of others, the VEWH will continue working with its partners to improve the health of Victoria's rivers, wetlands and floodplains.

In accordance with the *Financial Management Act 1994*, we are pleased to present the Victorian Environmental Water Holder's Annual Report for the year ending 30 June 2012.

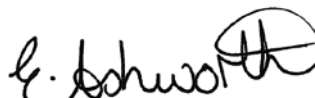
Denis Flett



Chairperson  
Victorian Environmental Water Holder

14 September 2012

Elizabeth Ashworth



Executive Officer  
Victorian Environmental Water Holder

14 September 2012

# Governance

## 2.1 Organisational overview

The VEWH was established on 1 July 2011 through an amendment to the Victorian *Water Act 1989* (the Water Act), passed by the Victorian Parliament in August 2010. The VEWH is the independent statutory body responsible for holding and managing Victoria's environmental water entitlements (the Water Holdings). The use of the Water Holdings for environmental watering is critical in ensuring Victoria's rivers, wetlands and floodplains continue to maintain and improve the environmental benefits communities value most.

### Mission and values

The mission of the VEWH is to:

Manage Victoria's environmental Water Holdings, in cooperation with partners, to improve the environmental health of rivers, wetlands and floodplains.

In undertaking its mission, the VEWH:

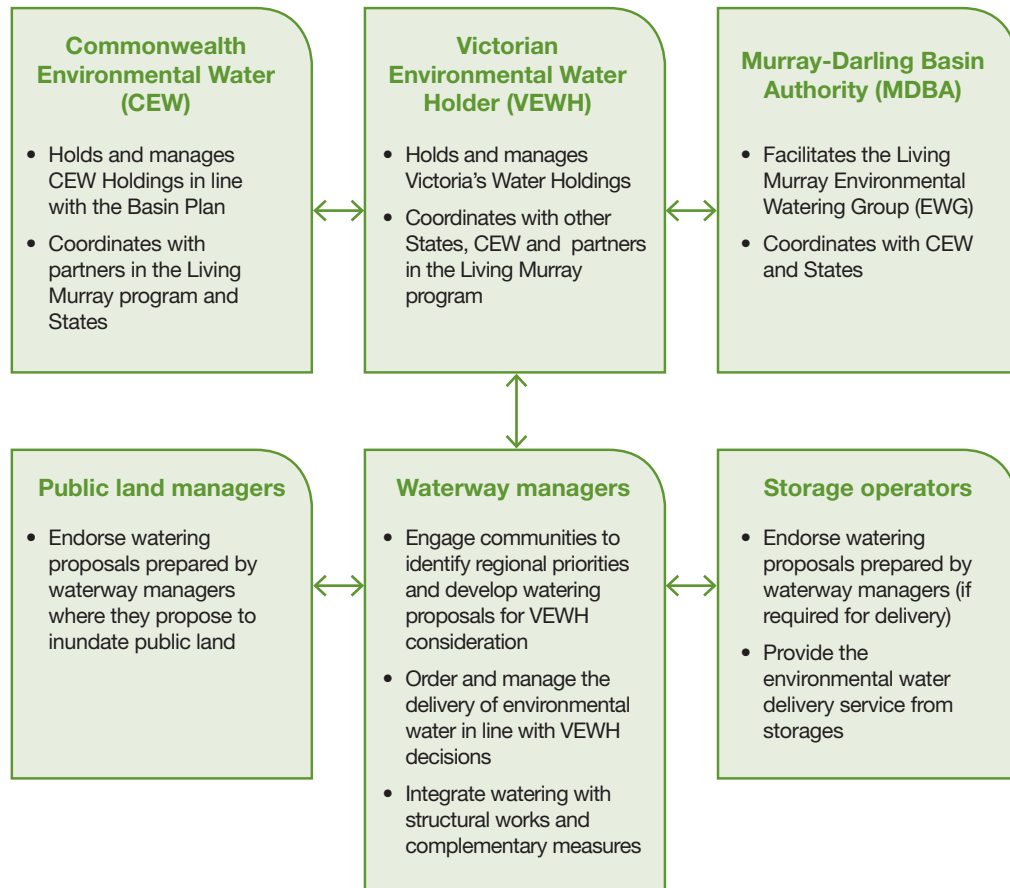
- makes decisions on the most effective use of the Water Holdings, including use, trade and carryover
- authorises waterway managers to implement watering decisions
- liaises with other water holders to ensure coordinated use of all sources of environmental water
- publicly communicates environmental watering decisions and outcomes.
- commissions targeted projects to demonstrate ecological outcomes of environmental watering at key sites.

## SECTION TWO

### Relationships

Waterway managers play the key role of engaging with public land managers, storage operators, local landholders and communities in the development and implementation of the environmental watering program. The VEWH also works closely with other water holders, such as Commonwealth Environmental Water, the Murray-Darling Basin Authority and other partners in the Living Murray program, to negotiate use of their water in Victorian rivers, wetlands and floodplains. These partnerships are outlined in Figure 2.1.

Figure 2.1 Key partnerships and responsibilities



## 2.2 Commissioners and Office

The VEWH is comprised of three part-time Commissioners:

- Denis Flett (Chairperson)**  
 Denis has extensive experience in the Australian water sector, in water engineering, management, leadership, governance and consulting. The foundation chief executive of Goulburn-Murray Water and a Victorian Commissioner on the former Murray-Darling Basin Commission, he is currently a Board Director of Goulburn Valley Water and a Director of private consulting firm DG Consulting. Denis has significant knowledge of Victorian river systems, particularly in northern Victoria.
- Geoff Hocking (Deputy Chairperson)**  
 Geoff has a strong management background in natural resources, public administration, community and organisational development. He was most recently Chief Executive Officer of the West Gippsland Catchment Management Authority, through which he developed significant knowledge of river systems in southern Victoria. Geoff has held senior managerial positions at Gippsland Water, Latrobe Shire Council and the Australian Securities Commission.
- Ian Penrose (Commissioner)**  
 Ian has over 30 years experience in the water, natural gas and coal mining industries, with particular skills in sustainable water management, economics and corporate affairs. Ian is the current Chief Executive Officer of the Yarra Riverkeeper Association and is a former Director of Water Savings, and Director of the Snowy Project, with the Department of Sustainability and Environment. He has significant knowledge of environmental flow issues, particularly in regards to the Yarra and Snowy rivers.

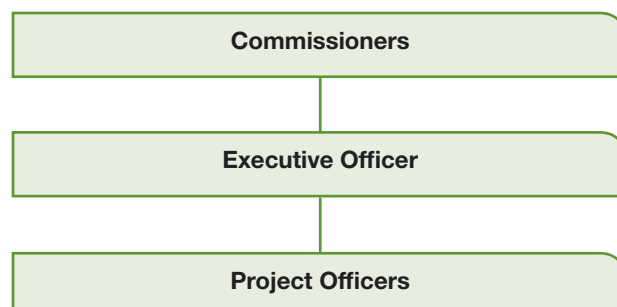


*L-R – Geoff Hocking, Denis Flett and Ian Penrose*

The Commissioners are supported by a small number of office staff outlined in Figure 2.2. The VEWH office is comprised of:

- one Executive Officer
- supporting project officers including technical, communications and engagement and administrative support roles

*Figure 2.2 VEWH organisational structure*





## SECTION TWO

### 2.3 Governance arrangements

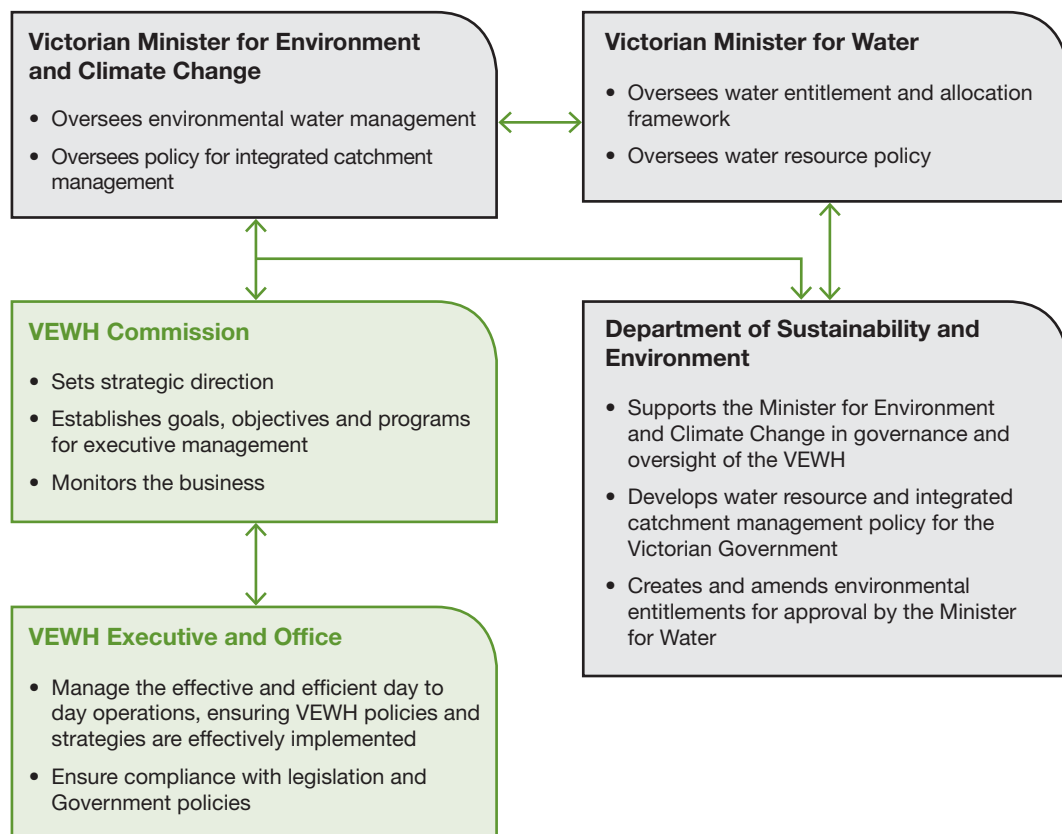
The three Commissioners were appointed by Governor in Council, upon recommendation of the Minister for Environment and Climate Change. Under the Water Act, Commissioners must have knowledge of or experience in one or more of the following fields – environmental management, sustainable water management, economics or public administration. The Commission is responsible for setting strategic direction, establishing goals, objectives and programs for executive management, and monitoring the business.

The Chairperson also has an executive role, and together with the Executive Officer, perform the VEWH executive functions. The Executive is responsible for managing the effective and efficient day-to-day operations of the VEWH, ensuring its policies and strategies are effectively implemented, and legislation and Government policies are complied with.

The VEWH reports directly to the Minister for Environment and Climate Change. The Department of Sustainability and Environment has a role in governance oversight of the VEWH, advising the Minister for Environment and Climate Change on its performance. The Department of Sustainability and Environment also has a role supporting the Minister for Water in creating and amending water entitlements (see Figure 2.3).

The Minister for Environment and Climate Change did not give the VEWH any written directions in 2011-12 in relation to its functions, powers and duties.

Figure 2.3 Governance structure





## Powers listed under the Water Act

The VEWH's statutory powers and obligations are described in section 33DC of the Water Act. The overarching objectives of the VEWH are to manage the Water Holdings for the purposes of:

- a. maintaining the environmental water reserve in accordance with the environmental water reserve objective
- b. improving the environmental values of water ecosystems, including their biodiversity, ecological functioning and water quality, and other uses that depend on environmental condition.

The functions of the VEWH described in section 33DD of the Water Act are to:

- a. apply and use water in the Water Holdings and otherwise exercise rights in the Water Holdings in accordance with the Water Act
- b. acquire and purchase rights and entitlements for the Water Holdings and dispose of and otherwise deal in rights and entitlements in the Water Holdings in accordance with the Water Act
- c. plan for the purposes of paragraphs (a) and (b)
- d. enter into any agreements for the purposes of paragraphs (a) and (b)
- e. enter into any agreements for the purposes of the co-ordination of the exercise of rights under any water right or entitlement held by another person, including Commonwealth Environmental Water
- f. enter into any agreements with any person for the provision of works by that person to enable the efficient application or use of water in the Water Holdings.

Furthermore, section 33DE of the Water Act states the VEWH has the power to do all things necessary or convenient to be done for, in connection with, or incidental to, the performance of its functions, powers and obligations.

## SECTION TWO

### Risk management

In line with the Victorian Government Risk Management Framework issued by the Department of Treasury and Finance, the VEWH implements appropriate strategies and practices to ensure strategic and operational risks are identified, assessed and mitigated as appropriate. Key strategic risks have been identified in the *VEWH Corporate Plan 2012-13 to 2015-16* and operational risks have been identified in the *Seasonal Watering Plan 2012-13*. These documents are available by visiting [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au) or contacting the VEWH office at [general.enquiries@vewh.vic.gov.au](mailto:general.enquiries@vewh.vic.gov.au).

I, Denis Flett, certify that the Victorian Environmental Water Holder has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system in place that enables the Victorian Environmental Water Holder to understand, manage and satisfactorily control risk exposures.

I, as the Victorian Environmental Water Holder Chairperson, verify that this assurance and the risk profile of the Victorian Environmental Water Holder has been critically reviewed within the last 12 months.

Denis Flett



Chairperson  
Victorian Environmental Water Holder

14 September 2012

# Overview of 2011-12

## 3.1 Year in review

The first year of operation was an exciting one for the VEWH, with a focus on putting Victoria's newly-legislated planning and delivery framework into practice in an effective way. The VEWH Commission and Office also put a particular emphasis on developing strong and productive working relationships with waterway managers; the VEWH's key delivery partners.

### Establishment of the Commission

The VEWH's foundation Commissioners were appointed by Governor in Council on 3 May 2011, after which they were inducted by the Department of Sustainability and Environment. The Commission held four preliminary meetings before its formal commencement on 1 July 2011. This inaugural year proved to be an intense time for the Commission, which took decisions at 16 face to face meetings, and 20 times via out of session arrangements during the year. Key decisions included:

- approval of key governance documents, including a service level agreement with the Department of Sustainability and Environment, Commission governance charter, instrument of delegation and the *Corporate Plan 2012-13 to 2015-16*
- consideration of key water planning documents, including endorsement of waterway managers' seasonal watering proposals and approval of the *Seasonal Watering Plan 2011-12* and *Seasonal Watering Plan 2012-13*
- consideration of key water use documents, including endorsement of waterway manager delivery plans, approval of seasonal watering statements and approval of water trading strategies.

In 2012-13, the VEWH will continue documenting the way it undertakes its business, largely through the development and communication of business rules.

### Providing for on-ground environmental outcomes

The *Seasonal Watering Plan 2011-12* outlined the scope of priority watering actions across Victoria, considering a range of possible planning scenarios. Further decisions then needed to be made about the actual watering actions to be undertaken given the seasonal conditions that unfolded during the year.

In southern Victorian systems, where there is currently limited connectivity and few transfers of water between systems, the prioritisation of watering actions need only be done *within* a system. In these instances, the VEWH generally issued a single seasonal watering statement per system, authorising the relevant waterway manager to manage priority watering actions, consistent with the seasonal watering plan.

Similarly, in western Victoria, there was sufficient water available which meant no prioritisation was required between priority watering actions in the Wimmera and Glenelg systems. As such, a single seasonal watering statement was issued per system, authorising the relevant waterway manager to implement the priority watering actions, consistent with the seasonal watering plan and within any system constraints.

In northern Victoria, with the highly-connected nature of the systems, a series of seasonal watering statements were issued, as water progressively became available and in-season prioritisation occurred, including across waterway manager boundaries.

Case study 1 on page 10 provides an example of the priority watering actions implemented through the first delivery of environmental water to the Wimmera-Mallee wetlands.

## SECTION THREE

### Case study 1

#### First delivery for the Wimmera-Mallee wetlands

Roselyn Wetland and Barbers Swamp, located in the Mallee Catchment Management Authority region, were the first wetlands to reap the benefits of environmental watering resulting from connection to the Wimmera-Mallee Pipeline.

During the modernisation of water delivery infrastructure in the Wimmera-Mallee region, there was a shift from open channel systems to a more efficient piped water supply system. This process resulted in many wetlands, including Roselyn Wetland and Barbers Swamp, being isolated from channel outfall that historically watered the wetlands and supported various environmental values.

The significance of the region's wetlands, and the need for water to support their environmental values was recognised through the Minister for Water's creation of a 1,000 ML entitlement generated with water savings from the Wimmera-Mallee Pipeline Project. This entitlement is used to meet environmental objectives such as providing aquatic habitat for waterbirds, reptiles, frogs and macroinvertebrates; and maintaining the condition of aquatic and riparian vegetation.

In 2011-12, Roselyn Wetland and Barbers Swamp received 6.7 ML and 15.3 ML of environmental water respectively during May and June 2012.

Significant consultation was undertaken throughout the pipeline project via the establishment of the Wetland Evaluation Team; a committee providing advice regarding the prioritisation, selection, connection and supply of over 40 wetlands.

The committee included the Mallee Catchment Management Authority (as the nominated representative of Mallee, Wimmera and North Central catchment management authorities), the Department of Sustainability and Environment, Grampians-Wimmera-Mallee Water, and the Birchip Landcare Group as representatives of the local community.

Catchment management authorities continue to work closely with Grampians-Wimmera-Mallee Water, land managers such as Parks Victoria and landowners, ensuring that planning for and delivery of environmental water is undertaken as required throughout the season. The delivery of environmental water to more wetlands within the system will occur as infrastructure connections are completed.

The priority wetlands in the region for environmental watering in 2012-13 are listed in the VEWB *Seasonal Watering Plan 2012-13*.

In total, 47 seasonal watering statements were issued for 2011-12. The Water Act requires all seasonal watering statements to be consistent with the seasonal watering plan. In response to unforeseen circumstances and changing conditions, the VEWH approved six variations to the seasonal watering plan during the year. Variations were made to the following systems:

- Glenelg system – to reflect the availability of additional water sources and a subsequent review of priority watering actions (December 2011)
- Wimmera system – to correct autumn flow components in the system summary (February 2012)
- Barwon system – to include the 2011-12 priority watering actions for the Barwon system, which were unavailable when the plan was first released (February 2012)
- Wimmera-Mallee wetlands – to include the 2011-12 priority watering actions for the Wimmera-Mallee wetlands, which were unavailable when the plan was first released (April 2012)
- Loddon system – to correct the summer flow component in the Bullarook system summary (May 2012)
- Yarra system – to correct timing of priority watering actions (June 2012).

Though the aim is to make the initial plan as forward thinking as possible, with minimal need for changes, these variations are an important tool to ensure environmental water management remains adaptive to changing conditions. Based on this learning, several improvements were made to ensure the *Seasonal Watering Plan 2012-13* is as enabling as possible. The VEWH will also look to streamline planning and decision making as much as possible through the 2012-13 water year.

All the planning and decision making discussed above enabled on-ground actions to take place, resulting in environmental outcomes and ultimately improving the health of Victoria's rivers, wetlands and floodplains. Over 516,000 ML of water was delivered to 35 river reaches and 10 wetlands in 2011-12, providing significant benefit to a wide range of water-dependent plants and animals.

As watering activities are undertaken they are reported through the VEWH's regular environmental watering update. Anyone interested in receiving this update can email the VEWH at [general.enquiries@vewh.vic.gov.au](mailto:general.enquiries@vewh.vic.gov.au). Information on all the watering activities undertaken in Victoria in 2011-12 and the associated environmental outcomes can be found in *Reflections – environmental watering in Victoria 2011-12*, available from [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au).

As well as authorising the use of environmental water, the VEWH must also consider opportunities to carry over or trade water where this will maximise the environmental outcomes. The average to wet seasonal conditions experienced across Victoria in 2011-12 resulted in many priority watering actions being met naturally without the delivery of environmental water. As a result, there is significant carryover into 2012-13, providing a good starting point for the implementation of priority watering actions. The volumes of carryover for each specific system can be found on pages 18-21. The high availability of environmental water also provided the opportunity to undertake the VEWH's first water trades, through the approval and implementation of a summer and an autumn trading strategy (see case study 2 on page 12).

## SECTION THREE

### Case study 2

#### The VEWH enters the northern Victorian water market

During 2011-12, the VEWH entered the northern Victorian water market, drawing on a small amount of water available from its Water Holdings.

Trade is one of the many tools the VEWH can use to manage its Water Holdings to meet fluctuations in seasonal conditions and to maximise benefits for the environment, ultimately to improve the health of Victoria's rivers, wetlands and floodplains.

When deciding whether to trade, the VEWH considered a number of factors including only selling water not required for priority watering actions and where trade was considered a better option than carrying water over.

High inflows to catchments and waterways met much of the environmental watering requirements across Victoria in 2011-12. This provided the VEWH with the opportunity to sell a relatively small amount of water and implement a learn-by-doing approach to developing strategies to inform how to operate in, and minimise its impact on, the water market.

The VEWH operates under the same water market rules as any other entitlement holder and in line with any additional rules set by the Minister for Environment and Climate Change. All trading activity is recorded on the Victorian Water Register.

In January 2012, the VEWH began trading with a volume of 1,000 ML from the River Murray Flora and Fauna Entitlement. The summer trade resulted in 203.1 ML of this volume being sold. Buyers were from the Goulburn trading zone.

A second, larger volume of water sold quickly during the autumn trading period of May 2012. A total of 10,000 ML of water was purchased in large parcels by buyers from the Murray trading zone.

Proceeds from the sale of water by the VEWH will be used for future watering priorities for Victoria's waterways and direct environmental outcomes in rivers and wetlands. This may include funding the delivery of environmental watering actions, purchasing water allocation at a different time, or funding works and measures to improve water use efficiency.

### Working with key partners

The on-ground outcomes previously discussed would not be possible without the hard work of the VEWH's key delivery partners. Since its establishment, the VEWH has worked hard to get to know the waterway managers and develop a better understanding of each system relevant to the Water Holdings. This included site tours to nine waterway manager regions in the first six months, allowing the VEWH a first hand look at some of the key issues being dealt with by each waterway manager, and in some cases, hearing the views of local landholders.

The VEWH has also developed a good relationship with the Victorian Catchment Management Council, the key State-wide advisory body on catchment management. Continued information sharing between these two organisations will provide the opportunity to help ensure that environmental watering and broader catchment management remain integrated, maximising effectiveness.

The VEWH has now cemented its role in environmental water management in the broader Murray-Darling Basin. Victorian representation on the Murray-Darling Basin Authority's Environmental Watering Group is now shared by the VEWH and the Department of Sustainability and Environment. This group is responsible for overseeing use of the water recovered through the Living Murray Initiative. While the VEWH takes the lead on Victoria's input to environmental watering priorities, the Department of Sustainability and Environment continues to oversee Victoria's input to related water policy issues. The group has overseen the delivery of 96,890 ML to Barmah Forest, Gunbower Forest, Gunbower Creek, Lake Wallawalla (Lindsay Island), and the Goulburn and Campaspe rivers in 2011-12.

The VEWH also continues to develop its partnership with Commonwealth Environmental Water, meeting on a regular basis to ensure alignment in the planning and delivery of environmental water. This resulted in the negotiation of seven agreements, delivering a total of 198,730 ML to the Broken Creek and the Murray, Goulburn, Campaspe, and Loddon rivers.

The VEWH is also participating in bulk entitlement holder committees coordinated by storage operators, including Southern Rural Water, Melbourne Water and Grampians-Wimmera-Mallee Water. These committees provide a valuable opportunity to understand the issues and concerns of other entitlement holders. They also provide a forum for inputting to issues, such as entitlement amendments, storage operating arrangements or tariff reviews, which could impact on all bulk entitlement holders.

### Evolution of the Water Holdings

The Minister for Water transferred Victoria's environmental water entitlements from the Minister for Environment and Climate Change to the VEWH as of 1 July 2011. At that point, the 19 entitlements, two supply agreements and 48 water shares became known as the environmental Water Holdings and totalled an approximate long-term average of 535,700 ML.

Since that time, the Water Holdings have increased to provide an approximate long-term average of 590,300 ML. Part of this increase has occurred through the transfer of 41 additional water shares from Water for Rivers, the joint government enterprise established to undertake the water recovery under the Snowy River Water Recovery Program. However, the majority of the increased Water Holdings has resulted from five entitlement amendments approved by the Minister for Water, including:

- two amendments to the *Macalister River Environmental Entitlement 2011* (see case study 3 on page 14) to include water savings achieved and audited through the Main Northern Automation and Macalister Channel Automation project (December 2011 and June 2012)
- one amendment to the *Bulk Entitlement (Goulburn System – Snowy Environmental Reserve) Order 2004* to include water savings achieved and audited through the Shepparton and CG1234 irrigation modernisation projects (May 2012)
- the creation of the *Environmental Entitlement (Goulburn system – NVIRP Stage 1) 2012* and the *Environmental Entitlement (River Murray – NVIRP Stage 1) 2012* to replace the original entitlements (and later supply agreements with Goulburn-Murray Water) to provide the environment's one-third share of audited water savings from Stage 1 of the Northern Victoria Irrigation Renewal Project (June 2012).



## SECTION THREE

### Case study 3

#### Increased automation leads to increased water for the Macalister River

Water savings achieved through the Main Northern Automation and Macalister Channel Automation Project have resulted in an increase to the environmental entitlement for the Macalister River.

Since the project began in 2002, \$41 million of Federal and State government funding has been invested in the automation of irrigation supply channels in the Macalister Irrigation District (MID). This has resulted in improved availability of supply to irrigators and approximately 14,000 ML of water returned to the environment.

Throughout the life of the project, Southern Rural Water has worked with local landholders to modernise the Main Northern supply channel and five spur channels. The infrastructure improvements include the installation of flume gates and regulators, and the automation of 150 control structures and 90 customer outlets. The project has fully automated delivery to more than 10 percent of the MID.

This water saving enabled the West Gippsland Catchment Management Authority, as the waterway manager, to implement a release from Glenmaggie Weir of a freshening flow of 3,912 ML in May 2012 and an autumn/winter baseflow release of 10,106 ML during May and June 2012.

Environmental releases were timed and adjusted, in accordance with the VEWH's *Seasonal Watering Plan 2011-12*, to provide flow and conditions to benefit the seasonal breeding cycles of native migratory fish such as the threatened Australian Grayling.

Similar releases over the past few years, combined with good rainfall, have helped to improve the number of Australian grayling in the Macalister River following significant decline during the recent drought.

The Macalister River is an important component of a broader river system that feeds into the Ramsar-listed Gippsland Lakes. To ensure greatest environmental benefit to this extensive network of waterways, environmental releases on the Macalister River are timed in conjunction with releases on the Thomson River.

### Defining the role of the VEWH

The VEWH's key function is to hold and manage Victoria's environmental Water Holdings. However, the VEWH also has a role in directing the release of passing flows where these can be varied for environmental outcomes. The ability to do this has arisen from amendments to bulk entitlements held by water corporations.

The first such amendment was to Goulburn-Murray Water's *Bulk Entitlement (Eildon – Goulburn Weir) Conversion Order 1995* in March 2012. The entitlement provides for additional passing flows to be released, up to a total of 80,000 ML, when a number of conditions have been met. This has only occurred twice since the entitlement was first created in 1995. The entitlement amendment transferred responsibility for confirming the ecological requirement for additional passing flows from the Secretary of the Department of Sustainability and Environment to the VEWH.

In addition to the above, Goulburn Murray Water's *Bulk Entitlement (Campaspe System – Goulburn-Murray Water) Conversion Order 2000* and Coliban Water's *Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999* were amended in January 2012 (see case study 4 on page 15). These amendments gave the VEWH the ability to request some passing flows to be withheld in storage, rather than being released in a flat, continuous pattern. These passing flows can be later released at the time when they will have maximum environmental benefit.

## Case study 4

### Boost for the Coliban River (Campaspe system)

After years of drought followed by 18 months of high rainfall, the Coliban River in north-central Victoria received an amendment to its entitlement that provides greater flexibility for managing environmental water, helping to deliver priority environmental watering outcomes for the river.

The Coliban River is located in the upper catchment of the Campaspe system between the Malmsbury Reservoir and Lake Eppalock.

Through amendments made to Goulburn Murray Water's *Bulk Entitlement (Campaspe System – Goulburn-Murray Water) Conversion Order 2000* and Coliban Water's *Bulk Entitlement (Campaspe System – Coliban Water) Conversion Order 1999* in January 2012, the VEWH was provided with the ability to request an amount of passing flows be banked in the Malmsbury Reservoir for release at a later time.

The amount to be banked will depend on seasonal conditions; the wetter it is during the winter months, the more can be stored for summer. If the storage spills, the banked passing flows are the first to spill to ensure no other entitlement holders are impacted by the amendments.

The amendment provides greater flexibility to plan for and respond to a range of possible climatic conditions as they arise.

Flows will be managed to meet environmental objectives ranging from providing suitable habitat for small native fish, platypus and water rats, to maintaining aquatic habitat for macroinvertebrate populations, connectivity and cues for fish migration and spawning, and improving water quality in the Coliban River.

The management of this element of the entitlement is considered as part of the VEWH's *Seasonal Watering Plan 2012-13* being implemented by the North Central Catchment Management Authority to benefit the environmental health of the Coliban River.

Coliban Water, Goulburn-Murray Water, North Central Catchment Management Authority and the Department of Sustainability and Environment worked together on the amendment to the Campaspe system bulk entitlements.

## SECTION THREE

### 3.2 Performance against key indicators

Three strategic performance indicators were adopted as part of the VEWH *Corporate Plan 2012-13 to 2015-16* and will be reported on in the *Annual Report 2012-13*. Although the VEWH is not required to report on these indicators for 2011-12, Table 3.1 briefly describes the VEWH's performance against each in 2011-12.

Table 3.1 Performance against key indicators

Performance indicator	Performance in 2011-12
Water Act 1989, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time	<p>The VEWH complied with all the relevant provisions in the <i>Water Act 1989</i>, the <i>Public Administration Act 2004</i> and the <i>Financial Management Act 1994</i>.</p> <p>The VEWH has a number of overdue obligations under the Water Holdings, including developing and implementing metering plans and operating arrangements within 12 months from the issuing of each entitlement. The VEWH has developed a program, which is being implemented with our partners, for the development and implementation of these obligations in 2012-13 as resources allow.</p>
Priority outputs delivered within committed timeframes	<p>Priority outputs delivered in 2011-12 include the release of two seasonal watering plans, a corporate plan and 47 seasonal watering statements, continued relationship building with key partners, establishment of foundation governance arrangements, and improvements made to internal water accounting systems and procedures. Apart from the metering plans and operating arrangement mentioned above, all priority outputs were delivered within committed timeframes.</p>
Programs evaluated for effectiveness in achieving goals and opportunities for improvement identified	<p>This indicator relates to 2012-13 programs, and the VEWH has no basis in its first year to evaluate and report program effectiveness against this performance indicator. A full evaluation of program effectiveness will be developed in 2012-13 and included in the next annual report.</p> <p>Based on a review of the first seasonal watering plan, a number of improvements and refinements were included in the 2012-13 plan. These included increasing the scope of the plan to allow for increased flexibility in decision making, and removing the need to have schedules by incorporating the key information for decision making thought the year into the one document.</p>

There were no major changes or factors affecting the performance of the VEWH during 2011-12. In 2012-13, the VEWH will build on the solid result from its first year to continue achieving the best possible outcomes for Victoria's rivers, wetlands and floodplains.

### 3.3 Financial summary

Table 3.2 provides a financial summary for VEWH operations in 2011-12. As this is the VEWH's first year of operation, it is not possible to provide five years of financial summaries.

While the Water Holdings are not recognised or accounted for as an asset for accounting purposes, the VEWH considers the Holdings to be significant and valuable.

There were no significant changes in the VEWH's financial position during 2011-12.

*Table 3.2 Financial summary*

	2012 \$
<i>Revenues</i>	
Government contributions / grants	3,630,841
Interest	18,176
Sale from water allocation	92,066
Other income	20,489
<b>TOTAL REVENUE</b>	<b>3,761,572</b>
<i>Expenditures</i>	
Employee benefits	597,759
Grants and other transfers (water delivery and management)	2,113,880
Other operating expenses	306,765
<b>TOTAL EXPENDITURE</b>	<b>3,018,404</b>
<i>Assets <sup>1</sup></i>	
<b>TOTAL ASSETS</b>	<b>961,863</b>
<i>Liabilities</i>	
<b>TOTAL LIABILITIES</b>	<b>218,695</b>

<sup>1</sup> Environmental entitlements are issued by the Minister for Water under section 48B of the *Water Act 1989*, through an order published in the Victorian Government Gazette. In accordance with relevant accounting policy, environmental entitlements that have been gifted to the VEWH by the Victorian Government (or other Victorian Government entities) are not recognised as an intangible asset, as they do not satisfy the recognition criteria of AASB 138 Intangible Assets and Financial Reporting Direction 109 Intangible Assets. Separately acquired water entitlements do meet the recognition criteria of AASB 138 and FRD 109 and would be recognised as an intangible asset in accordance with relevant accounting policy.

## 3.4 Water accounts summary

Tables 3.3 - 3.5 provide details of the Water Holdings accounts as at the end of 30 June 2012. Further detail about the Water Holdings can be obtained from the Victorian Water Register ([www.waterregister.vic.gov.au](http://www.waterregister.vic.gov.au)).

Table 3.3 Water accounts summary – Southern Victoria

VEWH Water Holdings 2011-12 – Southern Victoria									
System	Entitlement	Reliability	Entitlement at 30 June 2011 (ML)	Allocation		Share of available water 2011-12 (ML)	Total water available 2011-12 (ML)	Water use 2011-12 (ML)	Carried over to 2012-13 (ML)
				A	B				
Latrobe	Latrobe River Environmental Entitlement 2011 <sup>1</sup>	Unregulated	n/a	n/a	n/a	n/a	n/a	n/a <sup>2</sup>	n/a
Thomson	Bulk Entitlement (Thomson River – Environment) Order 2005	High Passing flows	10,000.0	2,795.0	10,000.0	n/a	12,795.0	12,046.0	749.0
Macalister	Macalister River Environmental Entitlement 2010 <sup>3</sup>	High	7,111.0	0.0	9,346.0	n/a	9,346.0	9,346.0	0.0
		Low	3,555.0	0.0	4,672.0	n/a	4,672.0	4,672.0	0.0
Yarra	Yarra River Environmental Entitlement 2006 <sup>4</sup>	High Passing flows	17,000.0	18,325.0	17,000.0	n/a	35,325.0	4,771.0	30,554.0
Tarago	Tarago and Bunyip Rivers Environmental Entitlement 2009	Share of inflows	10.9% share on inflows	n/a	n/a	3,000.0	3,000.0	0.0	3,000.0
		Passing flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Werribee	Werribee River Environmental Entitlement 2011	Share of inflows	10% share of inflows	n/a	n/a	3,111.0	3,111.0	0.0	3,111.0
		Passing flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Barwon	Barwon River Environmental Entitlement 2011 <sup>1</sup>	Unregulated	n/a	n/a	n/a	n/a	n/a	n/a <sup>2</sup>	n/a
Moorabool	Moorabool River Environmental Entitlement 2010	Share of inflows	11.9% share of inflows	n/a	n/a	7,402.0	7,402.0	2,173.0	5,229.0
		Passing flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>				<b>21,120.0</b>	<b>41,018.0</b>	<b>13,513.0</b>	<b>75,651.0</b>	<b>33,008.0</b>	<b>42,643.0</b>

- 1 Use of these entitlements is dependent upon suitable river heights, as specified in both the Latrobe and Barwon environmental entitlements.
- 2 Use of water under the unregulated flow entitlements is difficult to quantify due to infrastructure and metering limitations. Substantial inflows into these wetlands also occur through overbank flows and catchment runoff.
- 3 The Macalister River Environmental Entitlement was amended in January 2012 to increase the volume of entitlement to 9,346 ML (high reliability) and 4,672 ML (low reliability), all of which was made available in the 2011-12 water year.
- 4 In addition to the volumetric entitlement, the entitlement also consists of access to up to 55 ML per annum in the Yarra River downstream of the confluence with Olinda Creek.

Table 3.4 Water accounts summary – Western Victoria

VEWH Water Holdings 2011-12 – Western Victoria									
System	Entitlement	Reliability	Entitlement at 30 June 2011 (ML)	Allocation carried over from 2010-11 (ML)	Carryover lost to spill (ML)	Allocation 2011-12 (ML)	Total water available 2011-12 (ML)	Water use 2011-12 (ML)	Carried over to 2012-13 (ML)
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	High	41,560.0	27,651.0	0.0	41,560.0	69,211.0	18,345.0	50,866.0
		Passing flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>				<b>27,651.0</b>	<b>0.0</b>	<b>41,560.0</b>	<b>69,211.0</b>	<b>18,345.0</b>	<b>50,866.0</b>

## SECTION THREE

Table 3.5 Water accounts summary – Northern Victoria

VEWH Water Holdings 2011-12 – Northern Victoria														
System	Entitlement	Reliability	Entitlement at 30 June 2011	Allocation carried over from 2010-11 (ML)	Carryover lost to spill <sup>1</sup> (ML)	Allocation 2011-12 (ML)	Return flow re-credit <sup>2</sup> (ML)	Net transfers CEW <sup>3</sup> (ML)	Net transfers TLM <sup>3</sup> (ML)	Net transfers VEWH <sup>3</sup> (ML)	Net allocation trade VEWH <sup>4</sup> (ML)	Total water available 2011-12 (ML)	Water use 2011-12 (ML)	Carried over to 2012-13 (ML)
				A	B	C	D	E	F	G	H	I=A-B+C+D+E+F+G+H	J	K = I - J
Goulburn	Environmental Entitlement (Goulburn System Environmental Water Reserve) 2010 <sup>5</sup>	n/a	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Goulburn River Environmental Entitlement 2010	High	1,432.0	272.1	8.2	1,432.0	0.0	0.0	0.0	0.0	0.0	1,695.9	647.4	1,048.5
	Goulburn Environmental Water Savings Supply Deed (NVI/RP savings water) <sup>6</sup>	n/a	n/a	3,115.7	918.6	8,638.0	0.0	135,021.9	0.0	0.0	0.0	145,857.0	136,219.0	9,638.0
	Goulburn Environmental Water Savings Supply Deed (NVI/RP mitigation water) <sup>6</sup>	n/a	n/a	0.0	0.0	149.0	0.0	0.0	0.0	0.0	0.0	149.0	0.0	149.0
	Environmental Entitlement (Goulburn System – Living Murray) 2007	High	39,625.0	7,131.6	1,894.8	39,625.0	0.0	0.0	1,166.4	0.0	0.0	46,028.2	45,258.0	770.2
		Low	156,980.0	65,369.7	15,567.6	0.0	0.0	0.0	0.0	0.0	0.0	49,802.1	15,780.0	34,022.1
	Bulk Entitlement (Snowy – Environment) Order 2005	High	16,812.0	0.0	0.0	20,464.0	0.0	0.0	0.0	-20,464.0 <sup>7</sup>	0.0	0.0	n/a	0.0
	Water shares – Snowy River Environmental Reserve	High	6,121.0	0.0	0.0	4,950.0	0.0	0.0	0.0	-4,950.0 <sup>7</sup>	0.0	0.0	n/a	0.0
		Low	17,852.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
	Silver and Wallaby Creeks Environmental Entitlement 2006	Passing flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	0.0
Campaspe	Campaspe environmental water account <sup>8</sup>	n/a	n/a	0.0	0.0	0.0	0.0	6,531.6	0.0	0.0	0.0	6,531.6	6,531.6	0.0
	Environmental Entitlement (Campaspe River – Living Murray Initiative) 2005	High	126.0	126.0	77.9	126.0	0.0	0.0	0.0	0.0	0.0	174.1	174.0	0.1
		Low	5,048.0	5,048.0	3,118.4	5,048.0	0.0	0.0	0.0	0.0	0.0	6,977.6	6,977.6	0.0
Loddon	Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005	High	2,000.0	2,000.0	2,000.0	2,000.0	0.0	0.0	0.0	0.0	0.0	2,000.0	0.0	2,000.0
		Trigger based	7,940.0	0.0	0.0	7,490.0	0.0	0.0	0.0	0.0	0.0	7,490.0	5,389.4	2,100.6
		Low	2,024.0	0.0	0.0	0.0	0.0	1,564.0	0.0	0.0	0.0	1,564.0	1,564.0	0.0
	Water shares – Snowy River Environmental Reserve	High	470.0	0.0	0.0	470.0	0.0	0.0	0.0	-470.0 <sup>6</sup>	0.0	0.0	n/a	0.0



System	Entitlement	Reliability	Entitlement at 30 June 2011 (ML)	Allocation carried over from 2010-11 (ML)	Carryover lost to spill <sup>1</sup> (ML)	Allocation 2011-12 (ML)	Return flow re-credit <sup>2</sup> (ML)	Net transfers CEW <sup>3</sup> (ML)	Net transfers TLM <sup>3</sup> (ML)	Net transfers VEW <sup>3</sup> (ML)	Net allocation trades VEW <sup>4</sup> (ML)	Total water available 2011-12 (ML)	Water use 2011-12 (ML)	Carried over to 2012-13 (ML)
				A	B	C	D	E	F	G	H	I=A-B+C+D+E+F+G+H	J	K=I-J
Murray	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999	High	27,600.0	22,350.6	0.0	27,600.0	132,887.5	0.0	0.0	-142,887.5	-10,203.1	29,747.5	2,058.9	27,688.6
		Unregulated	40,000.0	0.0	0.0	10,518.8	0.0	0.0	0.0	0.0	0.0	10,518.8	10,518.8	0.0
	Murray environmental water account <sup>8</sup>	n/a	n/a	0.0	0.0	0.0	0.0	54,418.2	0.0	10,000.0	0.0	64,418.2	64,418.2	0.0
	River Murray Environmental Water Savings Supply Deed (NVRP savings water) <sup>6</sup>	n/a	0.0	88.4	0.0	188.0	0.0	0.0	0.0	0.0	0.0	276.4	88.0	188.4
	River Murray Environmental Water Savings Supply Deed (NVRP mitigation water) <sup>6</sup>	n/a	0.0	0.0	0.0	1,412.9	0.0	0.0	0.0	0.0	0.0	1,412.9	0.0	1,412.9
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Barmah-Millewa Environmental Water Allocation	High	50,000.0	96,000.0	0.0	50,000.0	0.0	0.0	0.0	0.0	0.0	171,000.0	141,550.0	29,450.0
		Low	25,000.0		0.0	25,000.0								
	Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999 – Living Murray	High	5,710.0	5,710.0	0.0	5,710.0	61,577.1	0.0	-44,786.3	0.0	0.0	28,210.8	26,700.8	1,510.0
		Low	101,850.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-0.1
		Unregulated	34,300.0	0.0	0.0	34,300.0	0.0	0.0	-32,300.0	0.0	0.0	2,000.0	2,000.0	0.0
Total	Environmental Entitlement (River Murray Environmental Water Reserve) 2010 <sup>5</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Bulk Entitlement (River Murray – Snowy Environmental Reserve) Conversion Order 2004	High	29,794.0	0.0	0.0	29,794.0	0.0	0.0	0.0	-29,794.0 <sup>6</sup>	0.0	0.0	n/a	0.0
		Low	10,644.0	0.0	0.0	10,144.0	0.0	0.0	0.0	-10,144.0 <sup>6</sup>	0.0	0.0	n/a	0.0
	Water shares – Snowy River Environmental Reserve	Low	6,415.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a	0.0
			587,743.0	207,212.0	23,585.5	285,059.7	194,464.6	197,535.7	-75,919.9	-198,709.5	-10,203.1	575,854.1	465,875.7	109,978.3

- When spare capacity is available in certain storages in northern Victoria, entitlement holders are able to carry over more water than their entitlement volume. This carryover is held in the spillable water account. If system storages physically spill, the volume of carryover lost to spill is deducted from the spillable water account.
- Return flows allow environmental water to be delivered to achieve outcomes in multiple systems. Return flows enable environmental water to be delivered through one system, such as the Goulburn or Campaspe, and then be re-credited to the Murray system (subject to losses) to meet environmental objectives in downstream sites such as the Lower Lakes in South Australia.
- Administrative transfers between allocation bank accounts are required to facilitate the use of water across river and wetland systems, and to enable the use of water made available by Commonwealth Environmental Water and the Living Murray program in Victoria. A positive transfer value indicates there has been a net transfer of allocation into the specified entitlement. Conversely, a negative value indicates a net transfer of allocation out of the specified entitlement. There is a negative net transfer out of VEW accounts, representing the transfers of water from the Snowy River entitlements and transfers of water to South Australia to facilitate delivery through the River Murray.
- Negative net trades indicate net sale of water allocation, while positive net trades indicate net purchase of water allocation. The VEW was active in the northern Victorian water market during 2011-12, selling some water allocation. Revenue raised from the sale may be used to facilitate the purchase allocation at a later time or in a different system, fund delivery costs, or even fund small priority structural works to improve water use efficiency.
- This is an inactive entitlement with zero volume. See note 6.
- The allocation of savings and mitigation water associated with Stage 1 of the Northern Victoria Irrigation Renewal Program (NVRP) was made under supply agreements during 2011-12. Until the NVRP program is complete, the actual volume available to the environment each year is determined and allocated after audit of water savings in July.
- Allocation to water entitlements held in trust for the Snowy River is traded out of VEW environmental accounts to supply consumptive users, who would otherwise have been supplied through water diverted from the Snowy River. By reducing the demand to supply consumptive users from the Snowy system, this water can be used to maximise environmental flows in both the Snowy River and the River Murray.
- This is an allocation bank account which is not linked to an environmental entitlement; it allows water from other entitlements to be used in this system.

# Disclosures and compliance

## 4.1 Occupational health and safety

The VEWH is committed to ensuring that all employees, contractors and visitors are provided with the use of facilities, equipment, education and training to minimise and prevent workplace injury and illness.

VEWH staff have access to a range of programs provided by the Department of Sustainability and Environment. These services include training and development programs, occupational health and safety courses, counselling services through the Employee Assistance Program and well-being programs. The use of a common framework for managing specific workplace hazards is a critical part of the Office's strategy for managing health and safety.

## 4.2 Employment and conduct principles

VEWH policy statement: Human resources will be secured to ensure that statutory functions can be effectively undertaken, and appropriate human resource practices will be implemented and maintained to ensure fair and reasonable employment processes and treatment of staff.

To ensure appropriate practices, the VEWH will comply with requirements under the *Public Administration Act 2004*, the Victorian Public Sector Employment Standards and the *Equal Opportunity Act 1995*. Relevant requirements include those relating to:

- workforce planning
- recruitment
- remuneration
- termination
- occupational health and safety.

For administrative efficiency, the VEWH uses staff seconded from the Department of Sustainability and Environment, and in doing so, agrees to abide by the Department's relevant regulations and policies. This arrangement is formalised through a service level agreement, which will be updated as required.

The VEWH complies with the *Code of Conduct for Victorian Public Service*, departmental policies and procedures as well as providing a range of services to support staff and to maintain the office as a fair and safe place to work. Policies and practices include those detailed below.

### Human Rights

The Charter of *Human Rights and Responsibilities Act (2006)* protects the human rights of all people in Victoria. The Charter contains 20 rights that reflect four basic principles – freedom, respect, equality and dignity. The VEWH office acts compatibly with the Charter and gives proper consideration to human rights when making decisions.

### Equal opportunity

The VEWH is committed to the principles of merit and equity in human resource management. All appointments during the reporting period were based on competitive selection processes including seconding staff from the Department of Sustainability and Environment. The VEWH's staff are employed under the *Public Administration Act 2004*. This Act specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees.

The VEWH is committed to:

- implementing relevant Department of Sustainability and Environment policies to prohibit workplace discrimination and harassment
- ensuring that all staff are properly trained about workplace discrimination and harassment
- establishing effective complaint procedures
- treating all complaints seriously and investigating them promptly
- ensuring that appropriate action is taken to address and resolve complaints
- monitoring the workplace environment and culture
- ensuring any complaint is managed within the Equal Opportunity Commission and Department of Sustainability and Environment guidelines.

### Diversity

The VEWH recognises the Department of Sustainability and Environment's Diversity (Inclusion) Action Plan which aims include the reduction of inequality and disadvantage, the sharing of prosperity and the building of stronger, more inclusive communities, with opportunities for all.

### Performance management

Office staff participated in the Department of Sustainability and Environment's performance management and progression system. The performance management system aims to align VEWH objectives with employee performance, building and enhancing capability through the planning, management and reward of employee performance.

### Workforce data

During 2011-12 the VEWH employed up to five staff, details in Table 4.1.

Table 4.1 Workforce data

	2011-12
Executive Officer	1
Project Officers	4
<b>TOTAL</b>	<b>5</b>
Male	2
Female	3
<b>TOTAL</b>	<b>5</b>

## 4.3 Office-based environmental impacts

The VEWH office integrates environmental sustainability into its decision making and operates within the Department of Sustainability and Environment's environmental management systems. These systems manage office-based activities related to water, energy and paper consumption, waste production, transport and purchasing. Staff also participate in the Eco-office forums.

As the office is co-located with the Department of Sustainability and Environment at 8 Nicholson Street, East Melbourne, the VEWH does not collect its own environmental impact data. A full report on the environmental impact of 8 Nicholson Street is available from the Department of Sustainability and Environment's *Annual Report 2011-12*.

## SECTION FOUR

### 4.4 Disclosure of major consultancies

#### Consultancies over \$10,000

In 2011-12, the VEWH did not engage any consultancies and therefore total fees payable was nil.

#### Consultancies under \$10,000

In 2011-12, the VEWH did not engage any consultancies and therefore total fees payable was nil.

#### Major contracts

The VEWH did not enter into any contracts greater than \$10 million in value during 2011-12.

### 4.5 Compliance

#### Water Act 1989

The VEWH's compliance against the Water Act is summarised in section 3.2 of this report.

#### Freedom of information requests

The *Freedom of Information Act 1982* (FOI) allows public access to documents held by government entities. The VEWH is considered to be a 'Government Agency' under the *Freedom of Information Act 1982* and is required to comply with the procedures that have been prescribed under which members of the public may gain access to documents held by agencies. A decision to release documents is made by an Authorised Officer. The VEWH has determined that its Authorised Officer is the Department of Sustainability and Environment's Manager Cabinet Services and FOI, Deidre Egan, (03) 9637 8575.

An application fee of \$24.44 applies.

VEWH did not receive any FOI requests in this reporting period.

#### Whistleblowers Act

The *Whistleblowers Protection Act 2001* is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters. The Protected Disclosure Coordinator for the Department of Sustainability and Environment acts as an agent for the VEWH to receive disclosures under the *Whistleblowers Protection Act 2001*, and applies departmental procedures in managing disclosures. Disclosures may also be made directly to the Ombudsman.

The contact details for the Protected Disclosure Coordinator and Ombudsman are:

- **Protected Disclosure Coordinator**  
Department of Sustainability and Environment  
PO Box 500, East Melbourne Vic 8002.  
Telephone: (03) 9637 8575  
Facsimile: (03) 9637 8128  
Email: Deidre.Egan@dse.vic.gov.au
- **Ombudsman Victoria**  
Level 9, 459 Collins Street (North Tower)  
Melbourne Victoria 3000.  
Telephone: (03) 9613 6222  
Toll free: 1800 806 314

## Building Act

The VEWH does not own or control any governmental buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

## Victorian Industry Participation Policy (VIPP)

The *Victorian Industry Participation Policy 2003* requires public bodies and departments to report of the implementation of the VIPP. This applies to tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria.

The VEWH did not enter into any contracts to which VIPP applies.

## National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience simply as a result of government ownership should be neutralised. The VEWH implements and applies this principle in its business undertakings.

## Public Administration Act

The *Public Administration Act 2004* provides a framework for good governance in the Victorian public sector and in public administration generally in Victoria. The VEWH operates in line with the standards detailed in the *Public Administration Act 2004*.

## 4.6 Additional information available on request

In compliance with the requirements of the standing directions of the Minister for Finance, details in respect of the items listed below have been retained by the VEWH and are available to the relevant ministers, Members of Parliament and the public on request (subject to freedom of information requirements, if applicable). The following information is available upon request:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers of the VEWH
- details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary
- details of publications produced by the VEWH about the activities of the VEWH and where they can be obtained
- details of major promotional, public relations and marketing activities undertaken by the VEWH to develop community awareness of the services provided by the VEWH.

The information is available on request from:

Executive Officer, Victorian Environmental Water Holder  
 Telephone: (03) 9637 8951  
 Email: [general.enquiries@vewh.vic.gov.au](mailto:general.enquiries@vewh.vic.gov.au)

# Financial Report

## – 30 June 2012

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This financial report covers the Victorian Environmental Water Holder as an individual entity and is presented in the Australian currency.

The Victorian Environmental Water Holder is an independent, statutory office of the State of Victoria. Its principal address is:

Victorian Environmental Water Holder  
8 Nicholson Street  
East Melbourne VIC 3002

A description of the nature of the Commission's operations and its principal activities is included in the Report of Operations.

The financial report was authorised for issue by the Chairperson – Denis Flett and Executive Officer – Elizabeth Ashworth on 14 September 2012.

For queries in relation to our financial reporting please call 9637 8951, or visit our website [www.vewh.vic.gov.au](http://www.vewh.vic.gov.au).

## Victorian Environmental Water Holder Financial Statements

### Comprehensive operating statement for the financial year ended 30 June 2012

	Notes	2012 \$
<b>Income from transactions</b>		
Grants	1(e), 2(a)	3,630,841
Fair value of services received free of charge or for nominal consideration	1(e), 2(b)	20,489
Sale of water allocation	1(e), 2(c)	92,066
Interest	1(e)	18,176
<b>Total income from transactions</b>		<b>3,761,572</b>
<b>Expenses from transactions</b>		
Employee expense	1(f), 3(a)	(597,759)
Grants (water delivery and management)	1(f), 3(b)	(941,233)
Environmental water holdings and transaction expenses	1(f), 3(c)	(1,172,647)
Other operating expenses	1(f), 3(d)	(306,765)
<b>Total expenses from transactions</b>		<b>(3,018,404)</b>
<b>Net result from transactions</b>		<b>743,168</b>
<b>Comprehensive result</b>		<b>743,168</b>

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

### Balance sheet as at 30 June 2012

	Notes	2012 \$
<b>Assets</b>		
<b>Financial assets</b>		
Cash and deposits	10, 11(a)	684,355
Receivables	1(g), 4, 10	277,508
<b>Total financial assets</b>		<b>961,863</b>
<b>Total non-financial assets</b>		<b>0</b>
<b>Total assets</b>		<b>961,863</b>
<b>Liabilities</b>		
Payables	1(j), 5, 10	102,875
Provisions	1(j), 6	115,820
<b>Total liabilities</b>		<b>218,695</b>
<b>Net assets</b>		<b>743,168</b>
<b>Equity</b>		
Accumulated surplus		743,168
Contributed capital	1(k)	0
<b>Net worth</b>		<b>743,168</b>

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

Commitment for expenditure	1(l), 8
Contingent assets and contingent liabilities	1(m), 9



## SECTION FIVE

### Statement of changes in equity for the financial year ended 30 June 2012

	Accumulated surplus/(deficit) \$	Contributions by owners \$	Total \$
<b>Balance at 1 July 2011</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net result for the year	743,168	0	743,168
<b>Balance as at 30 June 2012</b>	<b>743,168</b>	<b>0</b>	<b>743,168</b>

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

### Cash flow statement for the financial year ended 30 June 2012

	Notes	2012 \$
<b>Cash flows from operating activities</b>		
<i><b>Receipts</b></i>		
Receipts from government and other transfers		3,651,330
Interest received		15,538
<b>Total receipts</b>		<b>3,666,868</b>
<i><b>Payments</b></i>		
Payments of grants and other transfers		(941,233)
Payments to suppliers and employees		(2,041,280)
<b>Total payments</b>		<b>(2,982,513)</b>
<b>Net cash provided from operating activities</b>	11(b)	<b>684,355</b>
<b>Net increase in cash and cash equivalents</b>		<b>684,355</b>
Cash and cash equivalents at the beginning of the financial year		0
<b>Cash and cash equivalents at the end of the financial year</b>	11(a)	<b>684,355</b>

Cash movements disclosed in the above cash flow statement are those cash transactions completed by the Department of Sustainability and Environment on behalf of the Victorian Environmental Water Holder.

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

## Notes to the financial statements

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### Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Environmental Water Holder for the period ending 30 June 2012. The purpose of the report is to provide users with information about the entity's stewardship of resources entrusted to it.

#### (a) Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB).

Where applicable, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 17.

These annual financial statements were authorised for issue by the Victorian Environmental Water Holder on 14 September 2012.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

#### **(b) Basis of accounting preparation and measurement**

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgments, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- superannuation expense (refer Note 1(f)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(i)).

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention.

#### **(c) Reporting entity**

The financial statements include the controlled activities of the Victorian Environmental Water Holder.

The entity was established on 1 July 2011 via the *Water Act 1989*.

Its principal address is:

Victorian Environmental Water Holder  
8 Nicholson Street  
East Melbourne, Victoria 3002

#### **Objectives of Victorian Environmental Water Holder**

The objectives of the Water Holder as outlined in the *Water Act 1989* are to manage the Water Holdings for the purposes of:

- Maintaining the environmental water reserve in accordance with the environmental water reserve objective, and
- Improving the environmental values and health of water ecosystems, including their biodiversity, ecological functioning and water quality, and other uses that depend on environmental condition.

#### **(d) Scope and presentation of financial statements**

##### **Comprehensive operating statement**

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

The net result is equivalent to profit or loss derived in accordance with AASs.

##### **Balance sheet**

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months) are disclosed in the notes, where relevant.

**Cash flow statement**

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

**Statement of changes in equity**

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' related to 'Transactions with owner in its capacity as owner'.

**(e) Income from transactions****Grants**

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which the Victorian Environmental Water Holder gains control over the assets.

**Sale of water allocation**

Income from the sale of water allocations is recognised as income in the reporting period in which the Victorian Environmental Water Holder gains control of the assets. The income is shown net of charges deducted by water brokers before receipt.

**Fair value of services received free of charge or for nominal consideration**

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported either as part of income from other economic flows in the net result or as unrealised gains or losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

**Interest**

Interest income includes interest received on bank term deposits and other investments and unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

**(f) Expenses from transactions**

Expenses from transactions are recognised as they are incurred, and reported in the financial year in which they relate.

**Employee expenses**

Refer to the section in Note 1(i) regarding employee benefits.

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, leave entitlements and redundancy payments.

**Superannuation**

The amount recognised in the comprehensive operating statement is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

**Grants (water delivery and management)**

Grants to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants paid for the management and delivery of environmental water, subsidies, and other transfer payments to non-government entities. Refer to *Glossary of terms and style conventions* in Note 15 for an explanation of grants and other transfers.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

#### **Environmental water holdings and transaction expenses**

Environmental water holdings and operating transactions are recognised in the reporting period in which they are paid or payable. These include transactions such as headwork charges, including associated spillable water charges and transaction costs associated with water allocation transfers and trades.

#### **Other operating expenses**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

#### **Supplies and services**

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

#### **(g) Financial instruments**

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the entity's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the entity are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

#### **Categories of non-derivative financial instruments**

##### **Loans and receivables**

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(h)), term deposits with maturity date less than three months, trade receivables, but not statutory receivables.

#### **(h) Financial assets**

##### **Cash and deposits**

Cash and deposits, including cash equivalents, comprise of cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to significant risk of changes in values.

##### **Receivables**

Receivables consist predominantly of amounts owing from the Victorian Government, debtors in relation to goods and services and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected. Bad debts are written off when identified.

**(i) Non-financial assets****Intangible assets**

Purchased intangible assets are initially recognised at cost in accordance with AASB 138 *Intangible Assets* and Financial Reporting Direction 109 *Intangible Assets*. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Victorian Environmental Water Holder.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

**(j) Liabilities****Payables**

Payables consist predominantly of creditors and other sundry liabilities.

Payables represent liabilities for goods and services provided to the entity at the end of the financial year, and arise when the entity becomes obliged to make future payments in respect of the purchase of those goods and services.

Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

**Provisions**

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

**(ii) Long service leave**

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value – component that the entity expects to settle within 12 months; and
- present value – component that the entity does not expect to settle within 12 months.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(d)).

#### **(iii) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### **Employee benefits on-costs**

Employee benefits on-costs such as payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service are recognised separately from provision for employee benefits.

#### **(k) Equity**

##### **Contributions by owners**

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

#### **(l) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 8) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the liabilities are recognised in the balance sheet.

#### **(m) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 9) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### **(n) Accounting for goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Commitments and contingent assets and liabilities are also stated inclusive of GST.



**(o) Events after reporting date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the end of the reporting date and which may have a material impact on the results of subsequent years.

**(p) AASs issued that are not yet effective**

Certain new AASs have been published that are not mandatory for the 30 June 2012 reporting period. DTF assess the impact of all these new standards and advises the entity of their applicability and early adoption where applicable.

As at 30 June 2012, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i> ).	1 Jan 2013	Detail of impact is still being assessed.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and supersedes those requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and Interpretation 112 <i>Consolidation – Special Purpose Entities</i> .	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 10 in a not-for-profit context.  As such, impact will be assessed after the AASB's deliberation.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 11 <i>Joint Arrangements</i>	This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. AASB 11 shall be applied for an arrangement that is a joint operation. It also replaces parts of requirements in AASB 131 <i>Interests in Joint Ventures</i> .	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 11 in a not-for-profit context.  As such, impact will be assessed after the AASB's deliberation.
AASB 12 <i>Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 and AASB 131.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 12 in a not-for-profit context.  As such, impact will be assessed after the AASB's deliberation.
AASB 13 <i>Fair Value Measurement</i>	This Standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other AASs. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets or liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	Disclosure for fair value measurements using unobservable inputs are relatively onerous compared to disclosure for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures for public sector entities that have assets measured using depreciated replacement cost.
AASB 119 <i>Employee Benefits</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date.  While the total superannuation expense is unchanged, the revised methodology is expected to have a negative impact on the net result from transactions of the general government sector and for those few Victorian public sector entities that report superannuation defined benefit plans.

## NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 127 in a not-for-profit context.  As such, impact will be assessed after the AASB's deliberation.
AASB 128 <i>Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2013	Not-for-profit entities are not permitted to apply this Standard prior to the mandatory application date. The AASB is assessing the applicability of principles in AASB 128 in a not-for-profit context.  As such, impact will be assessed after the AASB's deliberation.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]</i>	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented in the Victorian public sector.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These consequential amendments are in relation to the introduction of AASB 9.	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i> [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 <i>Investment Property</i> .	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i> [AASB 2009-11 & AASB 2010-7]	The amendments ultimately affect AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	1 Jan 2013	No significant impact is expected on entity reporting.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.

## NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	1 July 2012	This amendment provides clarification to users preparing the whole of government and general government sector financial reports on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used.  No impact on departmental or entity reporting.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	This Standard amends AASB 124 <i>Related Party Disclosures</i> by removing the disclosure requirements in AASB 124 in relation to individual key management personnel (KMP).	1 July 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i> [AASB 127, AASB 128 & AASB 131]	The objective of this Standard is to make amendments to AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i> [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	This Standard outlines consequential changes arising from the issuance of the five 'new Standards' to other Standards. For example, references to AASB 127 <i>Consolidated and Separate Financial Statements</i> are amended to AASB 10 <i>Consolidated Financial Statements</i> or AASB 127 <i>Separate Financial Statements</i> , and references to AASB 131 <i>Interests in Joint Ventures</i> are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	This amending Standard makes consequential changes to a range of Standards and Interpretations arising from the issuance of AASB 13. In particular, this Standard replaces the existing definition and guidance of fair value measurements in other Australian Accounting Standards and Interpretations.	1 Jan 2013	Disclosures for fair value measurements using unobservable inputs is potentially onerous, and may increase disclosures for assets measured using depreciated replacement cost.
AASB 2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from this Standard is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not remove the option to present profit or loss and other comprehensive income in two statements, nor change the option to present items of OCI either before tax or net of tax.	1 July 2012	This amending Standard could change the current presentation of 'Other economic flows- other movements in equity' that will be grouped on the basis of whether they are potentially reclassifiable to profit or loss subsequently.  No other significant impact will be expected.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]	This Standard makes consequential changes to a range of other Australian Accounting Standards and Interpretations arising from the issuance of AASB 119 <i>Employee Benefits</i> .	1 Jan 2013	No significant impact is expected from these consequential amendments on entity reporting.
AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 119 <i>Employee Benefits</i> (September 2011), to incorporate reduced disclosure requirements into the Standard for entities applying Tier 2 requirements in preparing general purpose financial statements.	1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented in the Victorian public sector.



## NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2011-12 <i>Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]</i>	This Standard makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , as a consequence of the issuance of IFRIC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> . This Standard allows the first-time adopters to apply the transitional provisions contained in Interpretation 20.	1 Jan 2013	There may be an impact for new agencies that adopt Australian Accounting Standards for the first time.  No implication is expected for existing entities in the Victorian public sector.
2011-13 <i>Amendments to Australian Accounting Standard – Improvements to AASB 1049</i>	This Standard aims to improve the AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> at the operational level. The main amendments clarify a number of requirements in AASB 1049, including the amendment to allow disclosure of other measures of key fiscal aggregates as long as they are clearly distinguished from the key fiscal aggregates and do not detract from the the information required by AASB 1049. Furthermore, this Standard provides additional guidance and examples on the classification between 'transactions' and 'other economic flows' for GAAP items without GFS equivalents.	1 July 2012	No significant impact is expected from these consequential amendments on entity reporting.
2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 &amp; AASB 141]</i>	This amending Standard prescribes the reduced disclosure requirements in a number of Australian Accounting Standards as a consequence of the issuance of AASB 13 <i>Fair Value Measurement</i> .	1 July 2013	As the Victorian whole of government and the general government (GG) sector are subject to Tier 1 reporting requirements (refer to AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> ), the reduced disclosure requirements included in AASB 2012-1 will not affect the financial reporting for Victorian whole of government and GG sector.
AASB Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	This Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured.	1 Jan 2013	No significant impact is expected on entity reporting.

## SECTION FIVE

NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

<b>Note 2. Income from transactions</b>	<b>2012 \$</b>
<b>(a) Grants and other income transfers:</b>	
Commonwealth grants	1,315,755
State Government grants	2,315,086
<b>Total grants and other income transfers</b>	<b>3,630,841</b>
<b>(b) Fair value of services received free of charge or for nominal consideration:</b>	
Services (including rent, office equipment and IT services)	20,489
<b>Total fair value of services received free of charge or for nominal consideration</b>	<b>20,489</b>
<b>(c) Sale from water allocation:</b>	
Net income from the sale of water allocation	92,066
<b>Total sale from water allocation</b>	<b>92,066</b>

<b>Note 3. Expenses from transactions</b>	<b>2012 \$</b>
<b>(a) Employee expenses</b>	
Salary and wages	(452,084)
Superannuation	(43,139)
Leave expenses	(66,447)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(36,089)
<b>Total employee expenses</b>	<b>(597,759)</b>
<b>(b) Grants (water delivery)</b>	
Grants – Water corporations	(162,028)
Grants – Catchment management authorities	(779,205)
<b>Total grants and other expense transfers</b>	<b>(941,233)</b>
<b>(c) Environmental water holdings and management expenses</b>	
Water storage fees	(1,163,761)
General management expenses (including statutory fees)	(8,887)
<b>Total environment water holdings and management expenses</b>	<b>(1,172,647)</b>
<b>(d) Other operating expenses</b>	
<b>Supplies and services:</b>	
Contract and professional services	(89,370)
Insurance	(53,496)
Travel and subsistence	(56,479)
General expenses	(19,919)
Learning and development costs	(7,431)
Payments for shared services	(20,489)
Office and accommodation	(59,581)
<b>Total supplies and services</b>	<b>(306,765)</b>
<b>Total other operating expenses</b>	<b>(306,765)</b>



<b>Note 4. Receivables</b>	<b>2012 \$</b>
<b>Receivables</b>	
<b>Contractual</b>	
Trade receivables	270,260
<b>Total contractual receivables</b>	<b>270,260</b>
<b>Statutory</b>	
Taxes receivable	7,248
<b>Total statutory receivables</b>	<b>7,248</b>
<b>Total receivables</b>	<b>277,508</b>

<b>Note 5. Payables</b>	<b>2012 \$</b>
<b>Current payables</b>	
<b>Contractual</b>	
Creditors <sup>(i)</sup>	97,431
Accrued expenses	5,444
<b>Total current payables</b>	<b>102,875</b>
<b>Total payables</b>	<b>102,875</b>

(i) The average credit period is 30 days. No interest is charged on the trade creditors or other payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at differing rates determined by the individual trade arrangements entered into.

**(a) Ageing analysis of payables**

Refer to Table 10.2 in Note 10 for the ageing analysis of payables.

**(b) Nature and extent of risk arising from payables**

Refer to Note 10 for the nature and extent of risks arising from payables.

<b>Note 6. Provisions</b>	<b>2012 \$</b>
<b>Current provisions</b>	
Employee benefits <sup>(i)</sup> – annual leave [Note 6(a)]	
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	52,442
	<b>52,442</b>
Provisions related to employee benefit on costs:	
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	9,989
	<b>9,989</b>
<b>Total current provisions</b>	<b>62,431</b>
<b>Non current provisions</b>	
Employee benefits <sup>(i)(iii)</sup> [Note 6(a)]	44,847
Provisions related to employee benefit on-costs <sup>(iii)</sup>	8,542
<b>Total non current provisions</b>	<b>53,389</b>
<b>Total provisions</b>	<b>115,820</b>

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

#### (a) Employee benefits and related on-costs

	2012 \$
<b>Current employee benefits<sup>(i)</sup></b>	
Annual leave entitlements	52,442
<b>Non current employee benefits<sup>(i)</sup></b>	
Long service leave entitlements <sup>(iii)</sup>	44,847
<b>Total employee benefits</b>	<b>97,289</b>
Current on-costs	9,989
Non current on-costs <sup>(iii)</sup>	8,542
<b>Total on costs</b>	<b>18,531</b>
<b>Total employee benefits and related on-costs</b>	<b>115,820</b>

Notes:

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
- (ii) The amounts disclosed are nominal amounts.
- (iii) The amounts disclosed are discounted to present values.

#### (b) Movement in provisions

	On-costs 2012 \$	Total 2012 \$
<b>Opening balance</b>	<b>0</b>	<b>0</b>
Additional provisions recognised	18,531	18,531
<b>Closing balance</b>	<b>18,531</b>	<b>18,531</b>
Current	9,989	9,989
Non current	8,542	8,542
	<b>18,531</b>	<b>18,531</b>

## Note 7. Superannuation

### Government Employees' Superannuation Fund

Employees of the entity are entitled to receive superannuation benefits and the entity contributes to defined contribution plans.

However, superannuation contributions paid or payable for the reporting period are included as employee benefits in the comprehensive operating statement of the entity.

The name, details and amounts expensed in relation to major employee superannuation funds and contributions made by the entity are as follows:

<b>Fund</b>	<b>Paid contribution for the year 2012 \$</b>	<b>Contribution outstanding at year end 2012 \$</b>
<b>Defined contribution plans:</b>		
Victorian Superannuation Fund – Vic Super Scheme	17,890	0
Various other	25,249	0
	<b>43,139</b>	<b>0</b>

The bases for contributions are determined by the various schemes.

All employees of the entity are entitled to varying levels of benefits on retirement, disability or death. Contributions by the entity of a minimum of 9% of employee's wages and salaries are legally enforceable on the entity.

The above amounts were measured as at 30 June 2012 or in the case of employer contributions they relate to the years ended 30 June 2012.

## Note 8. Commitments for expenditure

There are no commitments for expenditure.

## Note 9. Contingent assets and contingent liabilities

There are no contingent assets or contingent liabilities.

## Note 10. Financial instruments

### (a) Financial risk management objectives and policies

The entity's principal financial instruments comprise of:

- term deposits;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect of each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to these financial statements.

The main purpose in holding financial instruments is to prudentially manage the entity's financial risks within the government policy parameters.

The entity's main financial risks include credit risk, liquidity risk and interest rate risk. The entity manages these financial risks in accordance with its financial risk management policy.

The entity uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Commission.

The carrying amounts of the entity's financial assets and financial liabilities by category are in Table 10.1.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

Table 10.1 Categorisation of financial instruments

	Contractual financial assets – loans and receivables \$	2012 Contractual financial liabilities at amortised cost \$	Total \$
<b>Contractual financial assets</b>			
Cash and deposits	684,355	0	684,355
Receivables <sup>(i)</sup>			
Trade receivables	270,260	0	270,260
<b>Total contractual financial assets</b>	<b>954,615</b>	<b>0</b>	<b>954,615</b>
<b>Contractual financial liabilities</b>			
Payables <sup>(ii)</sup>			
Trade creditors	0	97,431	97,431
Accrued expenses	0	5,444	5,444
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>102,875</b>	<b>102,875</b>

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 4 – Receivables.

(ii) The amount of payables disclosed excludes statutory payables (i.e. taxes payable) – Refer Note 5 – Payables.

#### (b) Credit risk

Credit risk arises from the contractual financial assets of the entity, which comprise cash and deposits, non-statutory receivables, available-for-sale contractual financial assets and derivative instruments. The entity's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the entity. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the entity's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than Government, it is the entity's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate.

In addition, the entity does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the entity will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### **Contractual financial assets that are either past due or impaired**

Currently the entity does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no evidence to indicate that any of the contractual financial assets are impaired.

There are no contractual financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

## NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

The following table discloses the aging only of contractual financial assets that are past due but not impaired:

Table 10.2 Ageing analysis of contractual financial assets

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired			
			Less than 1 month \$	1 - 3 months \$	3 months - 1 year \$	1 - 5 years \$
<b>2012</b>						
Cash and deposits	684,335	684,335				
Receivables						
Trade receivables	270,260	140,218	4,237	123,165	0	0
<b>Total</b>	<b>954,615</b>	<b>824,553</b>	<b>4,237</b>	<b>123,165</b>	<b>0</b>	<b>0</b>

**(c) Liquidity risk**

Liquidity risk is the risk that the entity would be unable to meet its financial obligations as they fall due. The entity operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The entity's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

The following table discloses the contractual maturity analysis for the entity's contractual financial liabilities.

Table 10.3 Maturity analysis of contractual financial liabilities

	Nominal amount	Less than 1 month	Maturity dates			
			1 - 3 months	3 months - 1 year	1-5 years	5+ years
<b>2012</b>						
<b>Payables: <sup>(i)</sup></b>						
Trade creditors	97,431	85,069	0	12,361	0	0
Accrued expenses	5,444	5,445	0	0	0	0
<b>Total</b>	<b>102,875</b>	<b>90,514</b>	<b>0</b>	<b>12,361</b>	<b>0</b>	<b>0</b>

(i) The amount of payables disclosed exclude statutory payables (i.e. taxes payable) – Refer Note 5 – Payables.

**(d) Market risk**

The entity's exposures to market risk are primarily through interest rate risk, with only insignificant exposure to foreign currency and other price risks.

**Interest rate risk**

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The entity does not have any exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flow interest of a financial instrument will fluctuate because of changes in market interest rates.

The entity has minimal exposure to cash flow interest rate risks through its term deposits.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

The carrying amount of financial assets and financial liabilities that are exposed to interest rate risk are set out in the below table:

Table 10.4 Interest rate exposure of financial instruments

	Weighted average interest rate %	Carrying amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non- interest bearing \$
2012					
Financial assets					
Receivables					
Trade receivables	0.00	270,260	0	0	270,260
Investments and other contractual financial assets					
Term deposits	3.4	602,000	0	0	0
Total		872,260	0	0	270,260

#### (e) Fair value

The fair values and net fair values of financial instrument assets and financial liabilities are determined as follows:

- the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The entity considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

### Note 11. Cash flow information

	<b>2012</b>
<b>(a) Reconciliation of cash and cash equivalents</b>	<b>\$</b>
Funds held in trust – cash	82,355
Funds held in trust – short term deposits	602,000
<b>Total cash and cash equivalents</b>	<b>684,355</b>
<b>Balance per cash flow statement</b>	<b>684,355</b>
	<b>2012</b>
<b>(b) Reconciliation of net result for the period</b>	<b>\$</b>
<b>Net result for the reporting period</b>	<b>743,168</b>
<b>Movements in assets and liabilities</b>	
(Increase) in receivables	(277,508)
Increase in payables	102,875
Increase in provisions	115,820
<b>Net cash inflow from operating activities</b>	<b>684,355</b>

**Note 12. Trust account balances****2012  
\$**

The following is a listing of trust account balances in cash, cash equivalents and investments relating to trust accounts controlled by the Victorian Environmental Water Holder.

VEWH Trust Fund	<b>684,005</b>
<b>Total trusts</b>	<b>684,005</b>

**Trust Accounts opened in 2011-12**

The Victorian Environmental Water Holder trust fund has been established for the purpose of meeting the objectives of the Victorian Environmental Water Holder.

**Note 13. Responsible persons**

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

**(a) Names**

The person who held the position of responsible minister for the entity was as follows:

Minister for Environment and Climate Change	The Hon. Ryan Smith MP	1 July 2011 to 30 June 2012
---	------------------------	-----------------------------

The persons who held the positions of Commissioners forming the board of governance of the entity were as follows:

Chairperson	Denis Flett	1 July 2011 to 30 June 2012
Deputy Chairperson	Geoff Hocking	1 July 2011 to 30 June 2012
Commissioner	Ian Penrose	1 July 2011 to 30 June 2012

**(b) Remuneration**

The total remuneration received or due and receivable by the commissioners from the entity during the reporting period was within the following ranges:

	<b>2012 No.</b>
<b>Income band</b>	
\$90,000 - \$99,999	<b>1</b>
\$20,000 - \$29,999	<b>2</b>
<b>Total numbers</b>	<b>3</b>
<b>Total amount</b>	<b>\$146,855</b>

Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet.

**(c) Other transactions**

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

<b>Note 14. Remuneration of auditors</b>		<b>2012</b>
		<b>\$</b>
Victorian Auditor General's Office		
Audit or review of the financial statements		<b>5,000</b>
		<b>5,000</b>

### Note 15. Subsequent events

#### Victorian Public Service Workplace Determination 2012

The Victorian *Public Service Workplace Determination 2012* was made by Fair Work Australia on 23 July 2012, which replaces the *2009 Extended and Varied Version of the Victorian Public Service Agreement 2006*. The Workplace Determination takes effect from 29 July 2012 and will remain in force until 31 December 2015. The Workplace Determination provides for wage increases of 3.25 per cent and 1.25 per cent on 1 July 2012 and 1 January 2013 respectively over 2012-13, with six monthly wage increases thereafter. A lump sum payment of \$1,500 (or equivalent pro-rata amount for part time employees) will also be payable to eligible Victorian Public Service employees who received a salary on 1 July 2012 and were employed on 29 July 2012.

As the Workplace Determination takes effect from 29 July 2012, no adjustments have been made to these financial statements other than for the impact on the estimated accrued employee benefits as at 30 June 2012.

### Note 16. Glossary of terms and style conventions

#### Commissioners

Commissioners refers to the people appointed by the Governor in Council on the recommendation of the Minister for Environment and Climate Change.

#### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources.

#### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

#### Effective interest method

The effective interest method is used to calculate 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 expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

#### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments, defined benefit superannuation plans, and defined contribution superannuation plan.

#### Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - a non derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.



**Financial instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

**Financial liability**

A financial liability is any liability that is:

- (a) A contractual or statutory obligation:
  - (i) To deliver cash or another financial asset to another entity; or
  - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**Financial statements**

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (Sept 2007), which means it may include the main financial statements and the notes.

**Grants and other transfers**

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

**Interest income**

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

**Net result**

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non owner changes in equity'.

**Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

**Net worth**

Assets less liabilities, which is an economic measure of wealth.

**Payables**

Includes short and long term trade debt and accounts payable, grants and interest payable.

## SECTION FIVE

### NOTES TO FINANCIAL STATEMENTS FOR 30 JUNE 2012

#### Receivables

Includes amounts owing from government grants, short and long term trade credit and accounts receivable, accrued investment income, taxes and interest receivable.

#### Supplies and services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.

#### Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the government.

### Accountable Officer's declaration

The attached financial statements for the Victorian Environmental Water Holder have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2012 and financial position of the entity at 30 June 2012.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial report for issue on 14 September 2012.

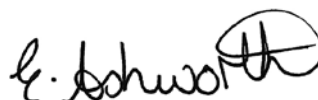
Denis Flett



Chairperson  
Melbourne

14 September 2012

Elizabeth Ashworth



Executive Officer  
Melbourne

14 September 2012

## Auditor-General's Report

**VAGO**

Victorian Auditor-General's Office

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Telephone 61 3 8601 7000  
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### INDEPENDENT AUDITOR'S REPORT

**To the Commissioners, Victorian Environmental Water Holder**

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2012 of the Victorian Environmental Water Holder which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's declaration has been audited.

#### *The Commissioners' Responsibility for the Financial Report*

The Commissioners of the Victorian Environmental Water Holder are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation of the financial report that is free from 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 financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 the internal control relevant to the entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioners, as well as evaluating the overall presentation of the financial report.

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

*Auditing in the Public Interest*

## SECTION FIVE

### Auditor-General's Report

#### Independent Auditor's Report (continued)

##### *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. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

##### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Environmental Water Holder as at 30 June 2012 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

##### *Matters Relating to the Electronic Publication of the Audited Financial Report*

This auditor's report relates to the financial report of the Victorian Environmental Water Holder for the year ended 30 June 2012 included both in the Victorian Environmental Water Holder's annual report and on the website. The Commissioners of the Victorian Environmental Water Holder are responsible for the integrity of the Victorian Environmental Water Holder's website. I have not been engaged to report on the integrity of the Victorian Environmental Water Holder's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE  
14 September 2012

For   
D D R Pearson  
Auditor-General

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The annual report for the VEWH is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the VEWH's compliance with statutory disclosure requirements.

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