



East Gippsland Water Annual Report 2011/12





At a glance

East Gippsland Water's Region

East Gippsland Water serves an area of 21,000 square kilometres in the east of Victoria, which boasts some of Australia's most diverse and spectacular scenery and a population of around 45,000 people.

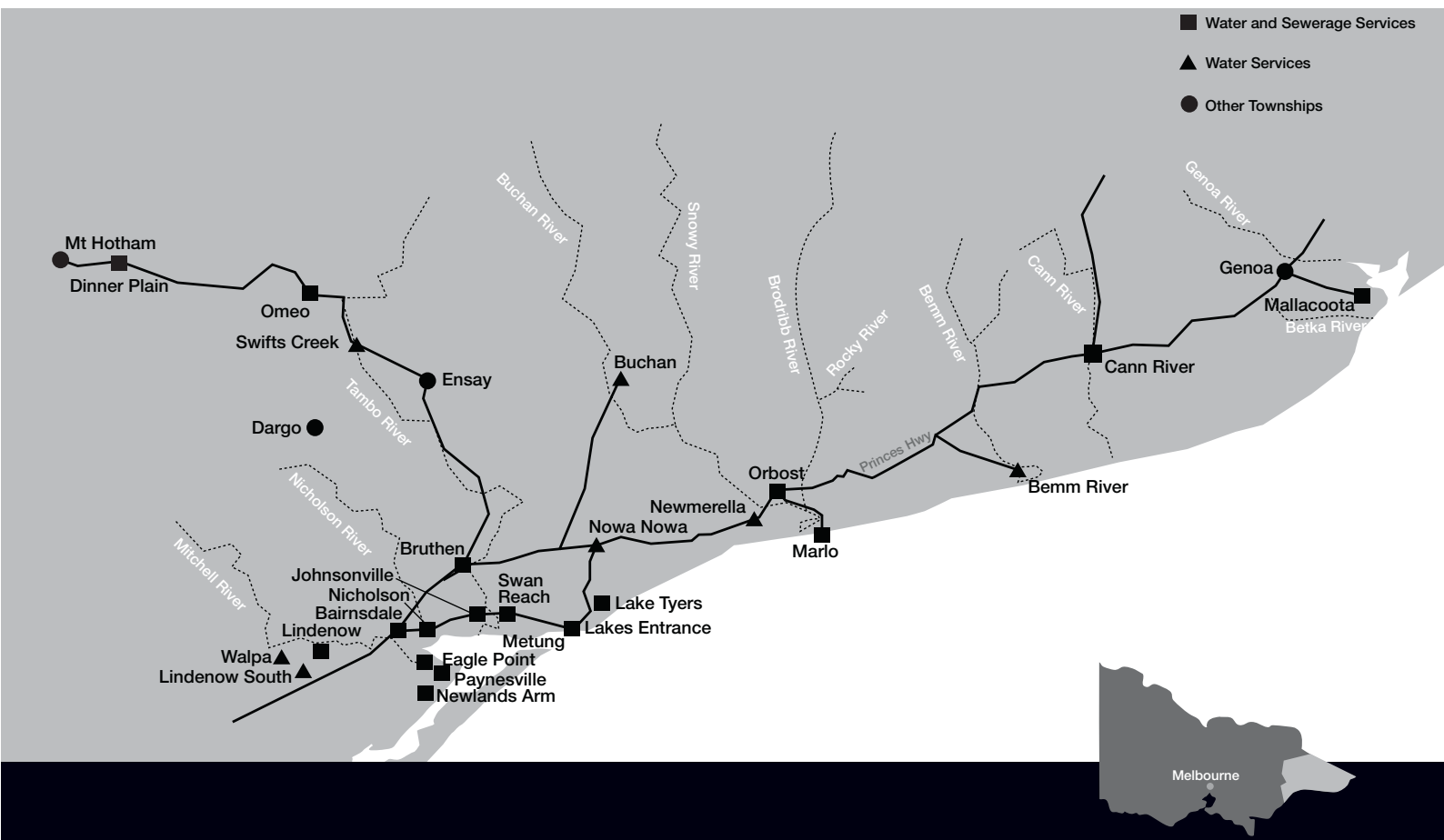
The region's world renowned beaches, lakes, high country and national parks are a natural drawcard for those seeking a lifestyle change, as well as for the many tourists that swell the region's population numbers over the busy holiday periods.

East Gippsland Water's service area extends east from Lindenow, through to the region's capital Bairnsdale, the holiday centres of Paynesville and Lakes Entrance, and on to the wilderness coast and Mallacoota near the New South Wales border. The Corporation also serves as far north as Dinner Plain in the High Country of the Victorian Alps.

The Corporation has nine separate water supply systems that serve the communities of Bairnsdale, Bemm River, Bruthen, Buchan, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Aboriginal Trust, Lake Tyers Beach, Lindenow, Lindenow South, Mallacoota, Marlo, Metung, Newlands Arm, Newmerella, Nicholson, Nowa Nowa, Omeo, Orbost, Paynesville, Raymond Island, Sarsfield, Swan Reach and Swifts Creek.

Ten individual wastewater systems serve Bairnsdale, Bruthen, Cann River, Dinner Plain, Eagle Point, Johnsonville, Lakes Entrance, Lake Tyers Beach, Lindenow, Mallacoota, Marlo, Metung, Newlands Arm, Nicholson, Omeo, Orbost, Paynesville, Raymond Island and Swan Reach.

Water services are provided to around 24,800 customers with wastewater services also provided to some 21,000 of these.



Fact file (as at 30 June 2012)

Water

Serviced properties	
- domestic assessments	21,671
- non domestic assessments	3,121
Volume of water consumed (ML/y)	4,259.8
Length of water mains (km)	906.7
Water treatment plants	9
Water disinfection plants	11
Separate water supply systems	9

Wastewater

Serviced properties	
- domestic assessments	18,911
- non domestic assessments	2,096
Volume of wastewater collected (ML/y)	2,867
Length of sewer mains (km)	630.7
Wastewater treatment plants	10
Water recycled (%)	90
Separate wastewater systems	10

Our Vision

For East Gippsland Water to be recognised as a premier Corporation within the water industry, responsive to the needs of its community, the protection of the environment and the requirements of Government.

Our Mission

Our core purpose is to ensure that:

- our team provide quality water and wastewater services
- our approach is responsive to customers and the Government
- our operations are cost effective, environmentally sensitive and conducted in a safe and efficient manner
- we use sustainable management principles in all our business activities

Our Objectives

In accordance with the Water Act 1989, East Gippsland Water has the following objectives, which are reflected in its Corporate Plan:

- **Governance and Regulation**
We are committed to meeting the requirements of customers, Government and stakeholders.
- **Environmental Sustainability**
We are committed to environmental sustainability in all aspects of water and wastewater service provision.
- **Asset Management and Development**
We are committed to optimising the use of existing physical assets and developing new infrastructure for the delivery of water and wastewater services and emerging requirements.
- **Management and Operations**
We are committed to optimising the use of our human, financial and corporate resources.

The Corporation

East Gippsland Region Water Corporation was initially established as East Gippsland Region Water Authority on 1 January 1995, by Ministerial Order and under powers conferred by the Water Act 1989. It trades as East Gippsland Water.

The responsible Minister during the 2011/12 reporting period was The Hon Peter Walsh MLA, Minister for Water.

In accordance with the Water Act 1989, East Gippsland Water delivers the full range of retail water services, including water harvesting, storage and drinking water supply. It also provides wastewater collection and treatment services, recycled water for rural and recreational uses, as well as trade waste services to industrial and commercial customers.

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About this report

This Annual Report details East Gippsland Water's performance and achievements in all areas of its operations during 2011/12. It has been prepared in accordance with the Financial Reporting Direction FRD 30A - *Standard requirements for the design and print of annual reports*. This defines the design and print specifications of annual reports to ensure consistency, cost minimisation and low environmental impact.

Further information and previous Annual Reports are available at www.egwater.vic.gov.au.



Report from the Chairperson and Managing Director

East Gippsland Water continued to be very proactive in addressing the needs of the local community and Victorian Government in the 2011/12 financial year, recording some notable achievements.

Financial Position

The Corporation recorded a surplus before tax of \$3.696 million for 2011/12, which was below budget expectations of \$4.771 million, with a number of factors contributing to this outcome.

First, there was a Defined Benefits Superannuation funding call totalling \$1.469 million and an increased depreciation expense of \$1.5 million due to the revaluation of infrastructure assets.

Also, there was a further decline in revenue from water sales. The amount of water delivered to customers totalled 4,260ML in 2011/12, which was a decrease of 182ML on the previous year. This equated to a reduction in expected revenue of \$502,000 for the reporting period.

We did experience an increase in revenue from gifted / donated assets received from developers, and received Federal Government grant funding in relation to water and wastewater services for the Lake Tyers Aboriginal Trust. These two factors offset the increased expenditure to deliver a strong financial result for the 2011/12 financial year.

Importantly, we were able to meet our debt repayment strategy and reduce borrowings in the reporting period from \$36.5 million to \$31.5 million.

Restrictions and Consumption

For the fifth year running we ensured no water restrictions in our region. This was due in no small part to the ongoing success of our five year, \$67 million capital works program initiated in 2008, which has focused on ensuring secure, high quality drinking water supplies for all our customers well into the future.

Other contributing factors included a wetter spring, summer and autumn than previous years and an established customer culture of limited water usage, with total consumption for 2011/12 four per cent less than the previous year. This was despite 787 additional customers. Average residential household consumption also fell from 145,000 litres to 138,000 litres – a reduction of nearly five per cent.

Community Engagement

Customers and other stakeholders were invited to participate in a series of meetings held across East Gippsland to assist

with preparation of Water Plan 3, our five year business plan for the period 2013-18. Feedback was also invited by email, letter, an online survey on our website and during our public Board Meeting held in Bairnsdale in June 2012.

The final draft of Water Plan 3 will be submitted to the water industry's independent regulator, the Essential Services Commission (ESC) by the end of this coming September for consideration. The Plan will come into operation from 1 July 2013, following consultation and authorisation by the ESC.

Responding to customer feedback we announced changes to the billing process, publicising a shift from three bills a year to four, effective from 1 July 2012.

This move to quarterly bills, with each covering a shorter period of 13 weeks, means customers will receive more up-to-date information about their water usage, making it easier to compare bills and to budget effectively.

The Corporation also took the opportunity to publicise the availability of Easyway interest-free instalment plans as an option to make bill payments. These plans offer the flexibility to pay weekly, fortnightly or monthly and are designed to enable customers to control the family or business budget on their terms.

Water Strategies

We completed a review and update of the Water Supply Demand Strategies for each of our water supply systems during 2011/12.

This review was initiated in 2008/09 in response to a significant reduction in stream flow events throughout the region and was undertaken on a system-by-system basis. The updated strategies, which address long-term water security issues, consider latest projections on climate change and population growth, as well as the impact of bushfires on water catchments. They provide detailed, long-term forecasts of water demand for communities across the region, along with supply options to meet demand.

The updated strategies have been integral to determining the direction of Water Plan 3. They have also been incorporated into our Water Shortage Plans (Drought Response Plans), to enable an integrated approach to water management across a range of projected water supply and demand scenarios.

Aquifer Storage and Recovery (ASR)

Addressing the need for an additional water storage identified in the Mitchell River Water Supply Demand Strategy, the Corporation received approval to commence storing bulk amounts of fresh river water for drinking, underground in a group of deep aquifers.

This initiative is a first for Australia. Groundwater regulator Southern Rural Water issued a licence allowing us to store up to 500ML a year from the Mitchell River in the Latrobe Valley group of aquifers at Woodglenn, near Bairnsdale, using the Aquifer Storage and Recovery (ASR) technique.

The stored water is available to be extracted at a later date, as required, and is fully treated to help supply tens of thousands of customers along the Mitchell River system, including those in major centres like Bairnsdale, Paynesville and Lakes Entrance.

This initiative is designed to help ensure long-term water security for customers. Storing water in an aquifer reduces the potential for water loss from evaporation and maintains high quality drinking water, free from risks of algal and airborne contamination.

Major Infrastructure

In July 2011, the Minister for Water, The Hon. Peter Walsh MLA, officially opened a new, much larger water storage to boost drinking water storage capacity at Omeo and a shade cloth cover over the second of Mallacoota's drinking water storage basins. This cover is designed to reduce the quantity of stored water lost through evaporation and to protect water quality.

The Victorian Government also announced more than \$270,000 from its Small Towns Water Quality Fund to assist with the installation of a shade cloth cover over Orbost's 45ML clearwater storage. The remainder of funding for the \$600,000 project is coming from East Gippsland Water. Installation is expected to commence in 2012/13 and take approximately 12 months to complete.

A 400,000 litre covered storage tank was constructed at Swifts Creek to supplement the town's main water storage. This will help ensure that there is enough water to safeguard the local community against short-term consumption peaks and maintain high quality drinking water supplies. This project was supported by more than \$200,000 from the Victorian Government's Small Towns Water Quality Fund.

Sewerage Schemes

Work progressed on a much-needed upgrade to the sewerage system at Lake Tyers Aboriginal Trust, with completion now expected by spring 2012/13.

East Gippsland Water was commissioned and funded by the Department of Families, Housing, Community Services and Indigenous Affairs to coordinate the \$3 million project, which will address the community's current and future sewerage requirements.

Work has included repairing and refurbishing two pump stations, as well as manhole covers and wastewater pipes. In addition, 6km of sewer pipeline connecting Lake Tyers Aboriginal Trust to the East Gippsland Water sewerage system has been installed.

Local community members have been employed on the initiative.

Construction of the Bemm River Sewerage Scheme - including reticulation sewers, pump stations and a wastewater treatment plant - commenced in February 2012 and is due to be completed by Christmas. This project is designed to benefit the health of the local waterway and protect public health, by removing risks associated with septic tank effluent.

Following construction of the infrastructure for 320 allotments at Tambo Bluff Estate by East Gippsland Shire Council, the estate's reticulated water and wastewater components were available for customer connection from July 2011.

Work also commenced on an upgrade to the Metung Wastewater Treatment Plant, to cater for new customers coming online at Tambo Bluff and population growth in the Kings Cove development. This project includes construction of a 50ML winter storage dam and expansion of the irrigation system, with completion expected during 2012/13.

Maintenance Milestones

Leak detection work focusing on water mains in the Mitchell River Water Supply System from Bairnsdale to Lakes Entrance, and on to Lake Bunga, identified 50 leaks, including three that were very significant. Addressing all these leaks resulted in 2,500kL of potentially lost water being saved a day.

Over 100km of water mains (around 12 per cent of the total network) were extensively cleaned to ensure the efficiency of the supply network and maintain drinking water quality. Communities targeted included Paynesville, Eagle Point, Metung, Swan Reach, Johnsonville, Kalimna, Lakes Entrance, Lake Bunga and Lake Tyers Beach.

In addition, 180km of sewer mains (28.5 per cent of the total network) were inspected and cleaned as part of a proactive program to prevent blockages, overflows and unplanned interruptions to customers' wastewater services. We remain at the forefront of the Victorian water industry in this area.

Awards

East Gippsland Water received a Highly Commended award for Infrastructure Project Innovation from the Australian Water Association in Victoria, for the Aquifer Storage and Recovery initiative. In addition the Corporation, working in partnership with the Bairnsdale office of engineering consultants AECOM, was awarded a high commendation from Engineers Australia (the largest professional body for engineers in Australia) in the Victorian Engineering Excellence Awards. This was for delivering the Woodglan Water Treatment Plant ahead of schedule and under budget.

Two East Gippsland Water staff also received prestigious Institute of Water Administration awards. Les Mathieson was presented with the Barry E Leach award, acknowledging exceptional service to the Institute and Victorian Water Industry over a substantial period of time, and Sarah Johnston received the John Robbins Memorial award, recognising her distinguished contribution to the Victorian water industry.

The Environment

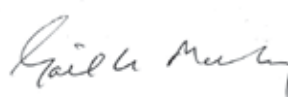
We maintained our position as a leader in the Victorian water industry for water recycling, with a reuse level of 90 per cent achieved from our wastewater treatment plants.

Attestations

We certify that East Gippsland Water has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000-2009 and an internal control system in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit & Risk Committee of the Corporation verifies this assurance and also that the risk profile of East Gippsland Water has been critically reviewed within the last 12 months.

In accordance with the Financial Management Act 1994, we are pleased to attest that East Gippsland Water's annual report is compliant with all statutory reporting requirements.

We would also thank the management and staff located across East Gippsland for their ongoing commitment to the work of the Corporation.



Gail Morley
Chairperson
East Gippsland Water

30 June 2012



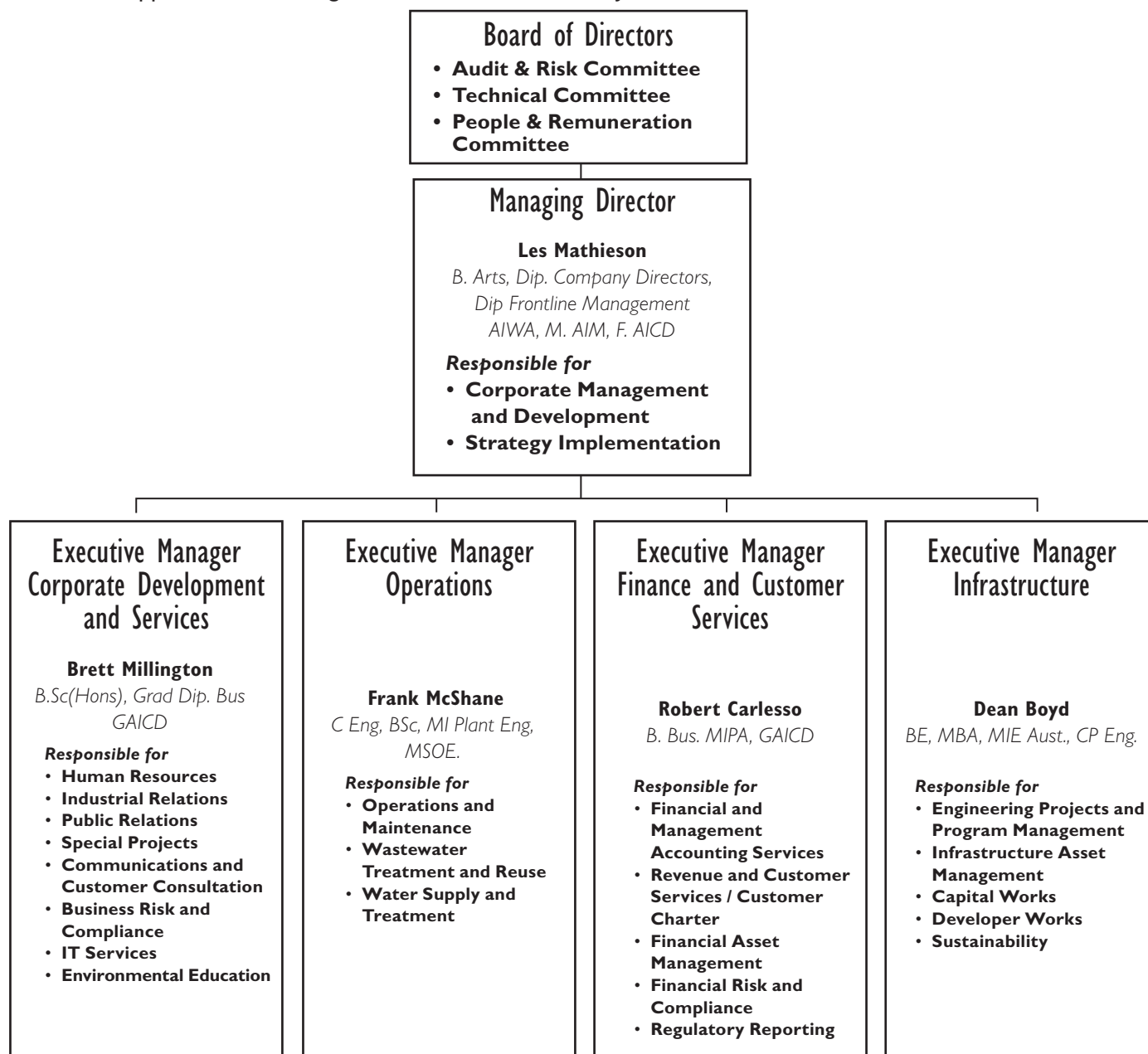
Les Mathieson
Managing Director
East Gippsland Water

30 June 2012

Corporate Governance

Organisation Structure

East Gippsland Water's organisation structure as at 30 June 2012:



Meeting Attendance 2011/12

Director	Board		Audit & Risk Committee		Technical Committee		People & Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Gail Morley	11	11	-	-	-	-	5	5
Bernie Smith	3	2	-	-	1	1	-	-
Richard Elkington	11	10	4	2	-	-	5	5
Michelle Dowsett	8	7	2	2	-	-	-	-
Geoff Ellis	8	7	2	2	-	-	-	-
Samuel Logan	11	10	4	4	-	-	-	-
Jane Rowe	3	1	1	0	-	-	-	-
John Rudge	11	11	-	-	-	-	5	5
Eric Sjerp	11	10	-	-	5	5	-	-
Robert Supplitt	11	11	-	-	5	5	-	-
Les Mathieson	11	10	-	-	-	-	-	-

The Board

In accordance with the Water Act 1989, the Board of East Gippsland Water consists of eight non-executive Directors appointed by the Minister for Water, based on their skills.

The Managing Director is also a Director on the Board.

The Board is responsible for the establishment of corporate strategy and the oversight of policies and business objectives to achieve that strategy. It is committed to performing its role in accordance with the highest standards of corporate governance.

Gail Morley - Chairperson

Appointed Chairperson: July 2010

Gail Morley is a Fellow of the Australian Institute of Company Directors and was first appointed to the Board of East Gippsland Water in 2005. She holds a Bachelor of Arts, a Bachelor of Education and a Graduate Diploma in Office Systems.

Gail is Managing Director of a consultancy business and has expertise in organisational development, quality auditing, business management and corporate governance. She has also served as a Director on the Board of Gippsland Ports from 2003 to 2011.

Gail is the Chairperson of East Gippsland Water's People & Remuneration Committee.

Bernie Smith – Deputy Chairperson

Until September 2011

As well as Deputy Chairperson of the Board, Bernie Smith (F.R.Ae.S.) served as a member of the Corporation's Technical Committee.

Richard Elkington – Deputy Chairperson

Appointed Deputy Chairperson: November 2011

Richard Elkington joined the East Gippsland Water Board in 2007. He worked for more than 40 years in the Latrobe Valley power generation industry and held a number of senior positions at General Manager level. He is currently providing management and strategic planning consultancy services to a range of Gippsland businesses.

Richard is the Chair of the Regional Development Australia-Gippsland Committee. He is also a member of the Clean Coal Victoria Advisory Committee and Gippsland Tertiary Education Council, and a long term member of the Executive Council of the Victorian Employers' Chamber of Commerce and Industry. In addition Richard is engaged in a range of community activities including community radio.

Having also chaired neighbouring water corporation Gippsland Water for a number of years, Richard has invaluable water industry expertise and is a member of the Audit & Risk and People & Remuneration Committees.

Michelle Dowsett

Appointed: October 2011

Michelle Dowsett is a Principal Consultant of CFO Assist and has worked for property, engineering and accounting companies in business management and senior accountancy roles. She was a casual appointment to the Board of Central Gippsland Health Service in 2011/12 and is a member of the Audit Committee of Workways Australia Ltd and the Audit & Risk Committee of the Municipal Association of Victoria.

Michelle has a Bachelor of Business and Commerce (Accounting), Certificate in Governance Practice and Administration, a Diploma from the Australian Institute of Company Directors and is a Certified Practising Accountant. She also holds an MBA from the Graduate College of Management, Southern Cross University.

Michelle is a member of East Gippsland Water's Audit & Risk Committee.

Geoff Ellis

Appointed: October 2011

Geoff Ellis is the Chief Executive Officer of the Eastern Zone Abalone Industry Association. He is also a member of Seafood Industry Victoria and Chair of its Finance & Audit Committee.

In addition, he is a member of the Racing Appeals and Disciplinary Tribunal and a Board Member of Gippsland Secured Investments.

Geoff is a former partner of the legal firm of Warren, Graham & Murphy and a past President and Life Member of the Lakes Entrance Community Health Centre. He has a Bachelor of Laws and is a member of East Gippsland Water's Technical Committee.

Samuel Logan

Reappointed: July 2010

Samuel Logan (CA B.Bus (Accounting)) was first appointed to the Board in 2008. He is a Chartered Accountant, Registered Tax Agent, and Director and Principal of Riviera Accounting & Taxation Services Pty Ltd.

His professional experience includes business advisory services in management improvement, budgeting and financial reporting. He provides accounting and taxation compliance advice to a diverse range of business industries, including primary production, transport, manufacturing, retail, and professional organisations.

Samuel is the Chairperson of East Gippsland Water's Audit & Risk Committee.

Jane Rowe

Until September 2011

Jane Rowe served as a member of East Gippsland Water's Audit & Risk Committee.

John Rudge

Appointed: July 2010

John Rudge is Chair of Mallacoota Community Enterprises Ltd, Vice-Chair of Mallacoota & District Business and Tourism Association and on the Executive of the East Gippsland Regional Business and Tourism Association.

Past roles have included directorship of a number of private companies involved with tourism and fishing, membership of the former Mallacoota Water Board and a Councillor with the former Orbost Shire Council, where he also served as President.

John brings significant business experience to East Gippsland Water, where he is a member of the People & Remuneration Committee.

Eric Sjerp

Reappointed: July 2010

Eric Sjerp, an Environmental Scientist with a Bachelor of Science degree (Geology and Geography), is Managing Director and Principal Consultant of Ethos NRM Environmental Planning Consultants.

He is a Director of Southern Rural Water and is a member of: the Environmental Institute of Australia and New Zealand; Victorian Planning and Environmental Law

Association; Australian Institute of Company Directors; East Gippsland Catchment Management Authority's Board Advisory Committee; and the East Gippsland Environmental Sustainability Advisory Board.

Eric, who joined the East Gippsland Water Board in 2004, has extensive professional experience in the fields of environmental impact assessment, natural resource and conservation management, strategic land use planning and government liaison.

He is a member of East Gippsland Water's Technical Committee.

Robert Supplitt

Reappointed: July 2010

Robert Supplitt holds a Bachelor of Engineering (Civil) and a Master of Business Administration, and has worked extensively in the power supply, mineral resource, engineering consulting and construction industries. He first joined the Board in 2004 and is a Director and Principal Consultant in the firm Crossco Consulting Pty Ltd.

His professional experience includes civil engineering design and construction, project management, operational management, information technology, business planning and business process improvement.

Robert is the Chairperson of East Gippsland Water's Technical Committee.

Les Mathieson – Managing Director

Appointed: July 2007

Les Mathieson holds a Bachelor of Arts, a Diploma of Company Directors and a Diploma of Frontline Management, and has many years experience in executive roles within the Victorian water industry.

He is a Councillor and a fellow of the Institute of Water Administration (IWA). In 2012 he received the IWA's most prestigious award, the Barry E Leach Award, acknowledging his exceptional service to the Institute and the Victorian water industry.

Les is also a Director of the Paynesville & District Community Bank, a Member of the Australian Institute of Management and a Fellow of the Australian Institute of Company Directors.

Board Meetings

The Board meets formally once a month, with invited members of the executive management attending as necessary. Additional meetings are held, as required, to consider specific issues.

A public Board Meeting was held in Bairnsdale in June 2012.

Board Committees

The Board has constituted the following committees to assist in meeting its governance obligations, both statutory and to the community -

Audit & Risk Committee

The Audit & Risk Committee is chaired by a Board Director, other than the Corporation Chairperson, and includes three members of the Board and two independent persons with appropriate business acumen and experience. The Board has also appointed an Internal Auditor who reports directly to the Committee.

The Committee develops and oversees a systematic internal audit program. This looks at internal processes and controls with a view to testing these processes for minimisation of system, financial and operational risk, and promoting efficiency and effectiveness.

Members:

- Samuel Logan (Chairperson)
- Jane Rowe (until September 2011)
- Michelle Dowsett (from January 2012)
- Richard Elkington
- John Howson B.Bus, CA (independent member appointed May 2010 for three years)
- Dr. Peter Veenker F.A.S.C.P.A., C.P.A. (independent member reappointed May 2010 for two years)

Technical Committee

This committee focuses on effective management of technical, operational and environmental risks, compliance with laws and regulations and the capital works program.

Members:

- Robert Supplitt (Chairperson)
- Eric Sjerp
- Bernie Smith (until September 2011)
- Geoff Ellis (from January 2012)

People & Remuneration Committee

The Corporation's People & Remuneration Committee reviews and makes recommendations to the Board concerning the performance and remuneration of the Managing Director and members of the senior executive team.

Members:

- Gail Morley (Chairperson)
- Richard Elkington
- John Rudge

Ethical Standards

The Board of East Gippsland Water recognises the need for the highest standards of corporate governance practice and ethical conduct by all Directors, employees and contractors of the Corporation. The Board has adopted the Directors' Code of Conduct as issued by the Public Sector Standards Commissioner.

Declaration of Pecuniary Interests

All Board Directors and Senior Executives have completed a register of interests form for the reporting period.

Environmental Sustainability

East Gippsland is an environmentally diverse region of Victoria. The well-being of the environment, community and economy are closely linked, particularly in relation to the region's dominant industries of tourism, forestry, fishing, agriculture and food processing.

During 2011/12 the Corporation's ongoing commitment to sustainability and protecting the environment was reiterated through:

- a reduction in the Corporation's overall level of greenhouse gas emissions, which declined from 8,736 to 8,377.80 tonnes of CO₂ equivalent (t CO₂-e) in 2011/12;

- a reduction in total energy usage for the Bairnsdale office, which decreased from 729,778MJ to 717,537MJ, despite an increase in staff numbers;
- 90 per cent reuse from its wastewater treatment plants - maintaining its position as a leader in the Victorian water industry for water recycling;
- a continued downward trend in the quantity of water extracted from the environment;
- continued high performance of its Environmental Management System, which performed consistently well in all areas during the surveillance audit conducted by external auditors.

Water Consumption Report

The reporting period saw another significant reduction in water usage by residential and non-residential customers with a total of 4,259.8ML consumed, compared with 4,440.6ML in 2010/11 and 4,719.8ML in 2009/10.

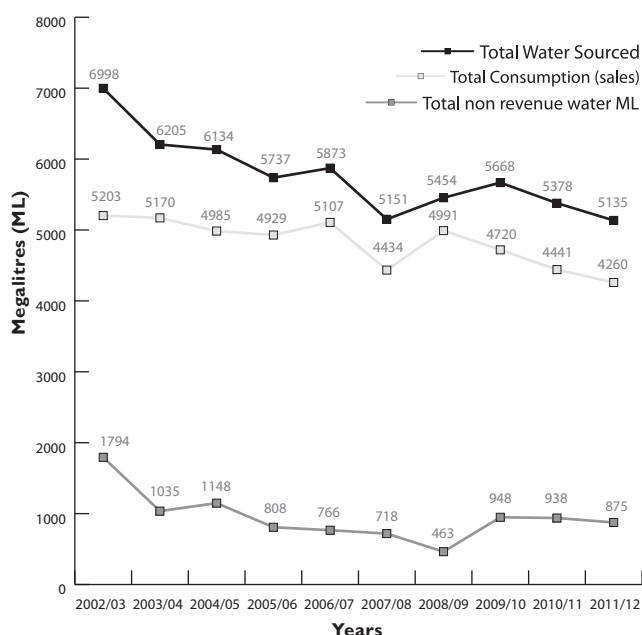
Total consumption for 2011/12 was four per cent less than the previous year despite 787 additional customers (assessments). Average residential consumption fell from 145kL to 138kL – a reduction of 4.83 per cent.

Importantly, East Gippsland Water only needed to harvest a total of 5,135ML of water, which was 26.6 per cent less than ten years ago.

Influential factors included a wetter spring, summer and autumn than in previous years, with customers also maintaining ongoing efforts to use water efficiently.

2011/12 represented the fifth year in a row with no water restrictions anywhere in East Gippsland. This was partly a result of the weather and the Corporation's five year, \$67 million capital works program, initiated in 2008/09 to ensure secure, high quality drinking water supplies for all customers well into the future.

Water Consumption Trends 2002/03 to 2011/12



Water Consumption Statistics by District/System 2011/12

District/ System	Assessment Numbers (= Customer Numbers)			Non-Revenue Water (ML)			Water Consumption (ML)			Average Annual Water Consumption (ML) – based on last 3 years (2009-2011)
	Residential	Non- Residential	Total	Unaccounted Water #1	Accounted Water not Billed #2	Total	Residential	Non- Residential	Total #3	
Bemm River	89	10	99	-7.8	0.092	-7.7	9.7	19.0	28.7	22.9
Buchan	86	32	118	7.5	0.12	7.7	9.1	5.7	14.8	17.8
Cann River	149	68	217	2.0	0.061	2.0	14.9	13.4	28.3	33.4
Dinner Plain	493	68	561	9.5	1.432	10.9	20.6	10.1	30.7	29.2
Mallacoota	953	106	1,059	4.3	0.392	4.7	83.2	44.5	127.7	137.0
Mitchell	17,904	2,339	20,243	567.4	170.038	737.5	2,230.5	1,169.3	3,405.8	3,532.9
Omeo	220	74	294	7.5	0.551	8.0	23.5	16.7	40.2	38.1
Orbost	1,677	392	2,069	107.5	4.319	111.8	214.9	347.0	561.9	638.1
Swifts Creek	100	32	132	-0.5	0.3	-0.2	13.3	8.4	21.7	24.1
Total 2011/12	21,671	3,121	24,792	697.5	177.3	874.8	2,619.6	1,634.1	4,259.8	4,473.4

Notes:

#1 Unaccounted Water includes water lost through leakages because of pipe breaks and any water not calculated.

#2 Accounted Water not Billed includes water used for mains flushing, scouring of tanks and basins, bleeds for disinfection, and where storages may have been emptied for augmentation.

#3 Total Water Consumption excludes Non-Revenue Water.

Sustainable Water Use

During 2011/12 the Corporation continued to progress a number of initiatives in line with the Victorian Government's objectives for sustainable water use. Achievements included:

Water Conservation

East Gippsland Water has an ongoing program to utilise water supplies more efficiently and reduce its impact on the environment. Activities in the last year included reducing unaccounted water by replacing old meters, and investigating pipelines and property connections to pinpoint and reduce leaks under its leak detection program.

The Corporation's 2011/12 meter replacement program resulted in 851 meters being replaced. Eight bulk meters were also replaced and three new district metered areas for Brodribb, Jarrahmond and Nicholson created, so that losses in the supply network could be more readily identified.

Leak detection work focused on water mains in the Mitchell River Water Supply System from Bairnsdale to Lakes Entrance and on to Lake Bunga. This involved a combination of acoustic leak detection by specialist contractors in the more heavily populated areas and a proactive maintenance and inspection program in more remote parts of the district. A total of 50 leaks were identified, including three that were very significant. The largest of these involved a section of pipeline running underwater, and therefore out of sight, across Lake Bunga, where water was leaking at a rate of 480lts a minute, or 252ML a year. Another involved a section of main running under the Mitchell River at Wy Yung and was again out of sight. Addressing all the detected leaks resulted in 2,500kL of potentially lost water being saved a day.

Bringing into use underground aquifers in the Woodglan area to store drinking water sourced from the Mitchell River is helping to reduce the potential for water loss from evaporation, as will installation of a shade cloth cover over the Orbest Clearwater storage in 2012/13.

Community education and water awareness

East Gippsland Water employs a range of strategies to communicate key messages to all age groups in the community. The emphasis is on using water efficiently, awareness that water is a finite resource, the impact of extreme weather events and changes in climate, and the drive for long-term security of drinking water supplies.

An important message is the Corporation's commitment to environmental sustainability as a basic requirement of all its operations in relation to water, wastewater and water recycling.

In 2011/12 East Gippsland Water continued to publicise water efficiency incentives available to customers, including the State Government's Living Victoria Water Rebate Program for purchasing water efficient products such as rainwater tanks and washing machines.

Further information can be found in the Community Engagement section of this annual report (pages 20 – 22).

Working with businesses

East Gippsland Water maintains a record of non-residential customers consuming more than 5ML of drinking water a year and encourages them to prepare and implement water saving plans under the Victorian Government's WaterMAP initiative.

The Corporation continues to work with all these customers on the implementation and monitoring of water efficiency measures. It also encourages eligible small businesses to apply for funding support through the Victorian Government's Small Business Grants Scheme. During the financial year East Gippsland Water coordinated the scheme locally on the Government's behalf and allocated \$8,576.80.

In 2011/12 East Gippsland Water had no customers meeting or exceeding the water consumption threshold of 200ML per year and classified as 'major non-residential water users' under Section 122ZJ of the Water Act 1989 and Section 77A of the Water Industry Act 1994.

Assisting local government

The Corporation has been actively involved with the development and implementation of East Gippsland Shire Council's Environmental Sustainability Strategy. One of its Executive Managers continues on the Council's Environmental Sustainability Advisory Board, providing specialist input in relation to water efficiency and management.

In addition, the two organisations have a Memorandum of Understanding committing both to work together on projects and issues of common interest, including water efficiency initiatives.

Gippsland Region Sustainable Water Strategy

This strategy aims to ensure long-term water security for the region and has been developed by the Victorian Government, in consultation with water corporations, catchment management authorities, local government, the community and industry groups.

It maps out the region's water resources, along with the challenges and opportunities facing all water users over the next 50 years.

The final version of the strategy was released in November 2011 following wide consultation on the draft.

East Gippsland Water's Managing Director was an active member of the Consultative Committee.

Water Supply Demand Strategies

East Gippsland Water completed a review and update of the Water Supply Demand Strategies for each of its water supply systems during 2011/12, which has had a vital role to play in determining how the Corporation addresses long-term water security issues.

This review was initiated in 2008/09 in response to a significant reduction in stream flow events throughout the region and was undertaken on a system-by-system basis. The updated strategies consider latest projections on climate change and population growth, as well as the impact of bushfires on water catchments.

The objective is to provide detailed, long-term forecasts of water demand for communities across the region, along with supply options to meet demand.

The updated strategies have been integral to determining the direction of East Gippsland Water's five year business plan for 2013-18, known as Water Plan 3. They have also been incorporated into the Corporation's Water Shortage Plans (Drought Response Plans), to enable an integrated approach to water management across a range of projected water supply and demand scenarios.

Water Shortage Plans (Drought Response Plans)

During the reporting period East Gippsland Water updated the Water Shortage Plans for all its water supply systems.

The aim of these documents is to ensure a timely and effective response to water shortages, to minimise any social, economic and environmental impacts.

The Corporation also adopted the state-wide Model Water Restriction By-law.

Other Statutory Obligations

River Health

The Corporation actively works to ensure that compliance with river health requirements set out in its Statement of Obligations is consistent with the Victorian River Health Strategy - in particular the East Gippsland Catchment Management Authority (EGCMA) Regional River Health Strategy.

Harvesting drinking water to supply East Gippsland Water customers is undertaken with minimal impact on existing environmental flows from the region's waterways.

The Corporation has no major on-stream dams and the small, 640ML Nicholson River dam has been suggested for decommissioning, as it is no longer used. East Gippsland Water is working closely with the DSE to pursue funding to remove the structure.

The Corporation is actively involved in initiatives to protect and improve wetland and river health including:

- investigation of the impact that East Gippsland Water infrastructure and operations may have on local river health, and using the results to minimise any impact;
- monitoring and ensuring compliance with Bulk Entitlement obligations;
- development of Aquifer Storage and Recovery from the Mitchell River - with \$200,000 awarded from the Smart Water Fund to assist with progress on the project over the next three years.;
- participation in the Gippsland Regional Water Monitoring Partnership Group, which monitors water quality across Gippsland streams and estuaries. The group's information is crucial in monitoring catchment health and the Corporation contributes funds, staff and other resources;
- working with the EGCMA to provide better river health outcomes;
- installing several groundwater monitoring bores at Mallacoota and Dinner Plain to ensure that Groundwater Dependent Ecosystems are not adversely affected by groundwater harvesting for urban use;
- its ongoing water conservation measures and leak detection program designed to minimise the volume of bulk water diverted from the region's streams and aquifers;

- the East Gippsland Water Managing Director being an active member of the VicWater team working with the DSE, EPA and Department of Health on progressing the removal of hard-hooved grazer access to rivers and streams in drinking water catchments. This not only protects drinking water quality, but also provides for wider river health benefits.

Regional Catchment Strategy

East Gippsland Water is a member of the EGCMA's Program Working Group, whose purpose is to improve the coordination of various activities, to meet the objectives of the East Gippsland Regional Catchment Strategy and supporting plans.

During the reporting period the Corporation participated in the engagement process to develop the next regional catchment strategy covering the years 2012-18, which includes natural resource management priorities for that period.

East Gippsland Water also works with the EGCMA, Parks Victoria, East Gippsland Shire Council, Alpine Shire Council, Wellington Shire Council and the DSE on catchment-related projects. It acts as a referral authority for works that occur in the Corporation's water supply catchments.

The Corporation continues to contribute more broadly to strategy and biodiversity management across the region.

Victorian Biodiversity Strategy

The Corporation complies with the Victorian Biodiversity Strategy through implementation of the East Gippsland Water Biodiversity Management Plan and maintenance of its Biodiversity Asset Register.

East Gippsland Water assets/sites have been assessed for biodiversity significance values, and risks to these, as well as those posed by any new works, to ensure they are managed in accordance with the Biodiversity Management Plan.

The Corporation's plan is designed to minimise any potential harm to threatened and endangered species by identifying the locations of any previously recorded sensitive species or vegetation types. The plan also involves training field staff to identify potentially sensitive species and raising biodiversity awareness within the Corporation.

Water Entitlements

East Gippsland Water Entitlement Reporting 2011/12

Supply System	Source	Annual amount of water taken (ML)	Total Entitlement (ML/year)	Volume Unused (ML/year)	Any temporary or permanent transfer of all or part of Bulk Entitlement (ML)	Any BE or licence in respect of the waterway temporarily or permanently transferred to the Corporation	Any amendment to the Bulk Entitlement	Any failure by the Corporation to comply with any provision of the Bulk Entitlement	Any difficulties experienced or anticipated by the Corporation in complying with the BE and any remedial action taken or proposed	Passing Flow Compliance Clause
Bairnsdale	Mitchell River	3,887.1	9,208	5,320.9	0	N/A	N/A	No	No	Yes
Bemm River	Bemm River	21.8	100	78.2	0	N/A	N/A	No	No	Yes
Cann River	Cann River	31.5	192	160.5	0	N/A	N/A	No	No	Yes
Mallacoota	Betka River	102.8	330	227.2	0	N/A	N/A	No	No	Yes
Swifts Creek	Tambo River	21.1	224	202.9	0	N/A	N/A	No	No	Yes
Buchan	Buchan River	22.2	170	147.8	0	N/A	N/A	No	No	Yes
Orbost	Brodrigg River / Rocky River	679.1	2,031	1,351.9	0	N/A	N/A	No	No	Yes
Omeo	Butchers Creek	45.5	77	31.5	0	N/A	N/A	No	No	Yes
Mallacoota	Groundwater	24.5	220	195.5	0	N/A	N/A	No	No	Yes
Dinner Plain	Groundwater	41.6	120	78.4	0	N/A	N/A	No	No	Yes
Mitchell System*	Groundwater	-39.2	203.97	243.2	0	N/A	N/A	No	No	Yes

Notes:

* Groundwater on the Mitchell System is part of a managed aquifer recharge project. During the reporting period 93.3ML was injected into a deep group of aquifers and 54.09ML extracted.

N/A = not applicable.

The Minister for Water has approved all the Corporation's Bulk Entitlement Water Metering Programs.

Aquifer Storage and Recovery

Addressing the need for an additional water storage identified in the Mitchell River Water Supply Demand Strategy, the Corporation received approval to commence storing bulk amounts of fresh river water for drinking, underground in a group of deep aquifers. This marks a first for Australia.

Groundwater regulator Southern Rural Water issued a licence allowing East Gippsland Water to store up to 500ML a year from the Mitchell River in the Latrobe Valley group of aquifers at Woodglen, near Bairnsdale, using the Aquifer Storage and Recovery (ASR) technique.

The stored water is available to be extracted at a later date, as required, and is fully treated to help supply tens-of-thousands of customers along the Mitchell River system including those in major centres like Bairnsdale, Paynesville and Lakes Entrance.

This initiative is designed to help ensure long-term water security for customers. Using an aquifer reduces the potential for water loss from evaporation and maintains high quality drinking water, free from risks of algal and airborne contamination.

The licence with Southern Rural Water comes with strict environmental conditions and monitoring requirements. Water quality samples and groundwater levels are measured monthly from East Gippsland Water, state and private bores to ensure minimal impact on existing groundwater users.

Drinking Water Quality

The delivery of safe drinking water to the community is fundamental and East Gippsland Water monitors drinking water quality regularly in all its water supply systems to comply with the *Safe Drinking Water Act 2003*, *Safe Drinking Water Regulations 2005* and its Customer Charter.

The Corporation complied fully with the Act and Regulations during the reporting period in its provision of drinking water services.

East Gippsland Water operates a Drinking Water Quality Management System, which has certification in accordance with the *Safe Drinking Water Act 2003* and includes specific compliance standards for quality and frequency of sampling. Regulatory audits are undertaken biennially by certified auditors appointed by the Department of Health (DoH) to ensure the integrity of this system. East Gippsland Water undertook such a regulatory audit in February 2012, and passed, receiving zero non-conformances. A number of *Opportunities for Improvement* were identified during the audit, which East Gippsland Water is implementing to further develop and improve its Drinking Water Quality Management System.

2011/12 compliance with the water quality standards specified in the Safe Drinking Water Act 2003

Water quality location	E.coli (< 1 organism in 98% of samples taken)	Aluminium (Acid Soluble) (<=0.2mg/L)	Turbidity (<=5 NTU) ¹	Disinfection by-products ²
Bairnsdale	✓	✓	✓	✓
Bemm River	✓	✓	✓	✓
Buchan	✓	✓	✓	✓
Cann River	✓	✓	✓	✓
Dinner Plain	✓	n/a ³	✓	n/a ³
Eagle Point / Paynesville	✓	✓	✓	✓
Kalimna	✓	✓	✓	✓
Lindenow	✓	✓	✓	✓
Lindenow South	✓	✓	✓	✓
Mallacoota	✓	✓	✓	✓
Merrangbaur	✓	✓	✓	✓
Metung	✓	✓	✓	✓
Nicholson / Swan Reach	✓	✓	✓	✓
Nowa Nowa	✓	✓	✓	✓
Omeo	✓	✓	✓	✓
Orbost	✓	✓	✓	✓
Sarsfield / Bruthen	✓	✓	✓	✓
Sunlakes / Toorloo	✓	✓	✓	✓
Swifts Creek	✓	✓	✓	✓

¹95% upper confidence limit of the mean.

² Trihalomethanes: <0.25 mg/L; Chloroacetic acid: <0.5 mg/L; Di-Tri-chloroacetic acid: <0.1 mg/L.

³ n/a = not applicable.

Water Quality Compliance Incidence

During the year, two issues arose which required Section 22 notifications to the Department of Health.

The first issue occurred at Cann River Water Treatment Plant in July 2011 when a component in the back-up power supply system failed following an unplanned power outage. This led to a low/no chlorine event and, although the risk from microbial contamination was low, the Department of Health was notified as a precaution. Extensive flushing and microbiological sampling was undertaken as a response, to ensure the safety of water supplied. All following investigative microbiological samples indicated the absence of any potentially harmful micro-organisms, validating that the microbiological integrity of the water supply was maintained throughout the event.

The second issue occurred in February 2012, when low levels of E.coli were detected during the same routine water quality sampling run in Bemm River and Cann River reticulation systems. The Department of Health was informed via the Section 22 notification process and an investigation enacted immediately. A systematic response program of sampling and flushing was undertaken in both systems over two consecutive days. The sampling results indicated the absence of E.coli in all subsequent samples. An extensive sanitary inspection undertaken in parallel throughout both water supply systems confirmed all barriers to contamination were in place at the time of the detections. The investigation concluded that microbial contamination was likely introduced into the samples during water sampling, sample transit or during the laboratory analysis.

Maintaining and improving water quality

During 2011/12, the Corporation implemented and continued a number of major initiatives to maintain and improve water quality for customers, including:

- the commissioning of a 400,000 litre covered water storage tank at Swifts Creek and specialist water filters at an Orbost water storage;
- commencement of an Aquifer Storage and Recovery scheme at Woodglen;
- working with the DSE, EPA and Department of Health to progress the removal of cattle access to rivers and streams in drinking water catchments;
- high-pressure cleaning water mains at Paynesville, Eagle Point, Metung, Swan Reach, Johnsonville, Kalimna, Lakes Entrance, Lake Bunga and Lake Tyers Beach.

Water recycling

The Corporation maintained its position as a leader in the Victorian water industry for water recycling, achieving 90 per cent reuse from its ten wastewater treatment plants. The 100 per cent reuse record achieved by East Gippsland Water over most of the last eight years was hampered for the second year running in 2011/12 by unusually high rainfall concentrated in the spring, summer and autumn months. This restricted opportunities to use recycled water for irrigation purposes at Paynesville, Newmerella, Cann River and Omeo.

Recycled Water Performance

	Volume (ML)			
	2008/09	2009/10	2010/11	2011/12
Wastewater collected	2,718	2,674.7	2,775.3	2,867
Recycled water produced	2,370	2,152.6	2,530.0	2,748
Recycled water used	2,370	2,152.6	2,511.3	2,469
Recycled water used (%)	100%	100%	99.3%	90%
Target	100%	100%	99.3%	100%

All the recycled water produced by the Corporation is directed at beneficial reuse, with a priority on protecting the environment. It is utilised on its own properties in Newmerella, Mallacoota, Metung, Paynesville, Bairnsdale and at its Bruces Track Farm near Swan Reach to irrigate pasture and tree plantations. Third parties to benefit from the recycled water include golf courses and the Bairnsdale

Volume of recycled water used per Town/System - 2011/12

Town/System	Number of Assessments	Annual volume of Recycled Water Used (ML)
Bairnsdale	6,986	1,225.4
Cann River	172	23.7
Dinner Plain	559	65.5
Lakes Entrance	4,590	564.3
Lindenow	179	29.4
Mallacoota	1,011	123.7
Metung / Bruthen	1,914	103.9
Omeo	241	17.6
Orbost / Marlo	1,690	209.2
Paynesville	3,665	106.2
Total	21,007	2,469

Racecourse, as well as farmers in Newmerella, Swan Reach, Paynesville, Omeo, Cann River and Kalimna West.

As part of the soon-to-be completed Bemm River Sewerage Scheme, East Gippsland Water is proposing to use subsurface irrigation for the recycled water generated, which will be a first for the Corporation.

How Reuse is Achieved

Location	Reuse Purpose				
Bairnsdale	Wetlands		East Gippsland Water tree plantations		Racecourse
Lindenow	Wetlands				
Paynesville		East Gippsland Water pasture		3rd party pasture	
Metung		East Gippsland Water pasture			
Lakes Entrance, Kalimna West and Swan Reach		East Gippsland Water pasture	East Gippsland Water tree plantations	3rd party pasture	Golf course
Omeo				3rd party pasture	
Dinner Plain	Alpine woodland				
Orbost and Newmerella		East Gippsland Water pasture	East Gippsland Water tree plantations	3rd party pasture	
Mallacoota			East Gippsland Water tree plantations		Golf course
Cann River				3rd party pasture	

Macleod Morass

Under EPA licensing requirements, and a Memorandum of Understanding with Parks Victoria, East Gippsland Water's Bairnsdale Wastewater Treatment Plant supplies high-quality, recycled freshwater to the Macleod Morass, via a series of constructed wetland cells.

East Gippsland Water is planning a major upgrade to the wastewater treatment plant, sections of which are now some 70 years old. As part of this process it is considering the long-term requirements of the morass from a water quality and quantity perspective.

In 2009 the EPA established a Macleod Morass working group, comprising representatives from 13 stakeholder organisations, to assess the benefits of continuing to supply recycled fresh water to the morass. This group concluded that the supply to the morass is beneficial and should continue. It also made seven recommendations for the ongoing management of the morass, which were endorsed by the EPA.

During 2011/12 the group oversaw completion of five of the seven recommendations.

Office Based Environmental Impacts

The Corporation continued to review its office-based activities, as part of its commitment to continually improve resource efficiency and lessen its environmental footprint.

Total energy usage for the Bairnsdale office was 717,537MJ, which represents a reduction on 729,778MJ recorded the previous year, despite an increase in staff numbers.

There was a notable increase in paper usage, which was due in part to inclusion of additional types of paper, a mail out to all customers informing them of the introduction of quarterly billing, and mail outs to customers in relation to consultation for Water Plan 3.

Corporate Water Consumption

Total water consumption was calculated for the Corporation's Bairnsdale office and increased slightly from 254kL to 273kL, though the volume of water consumed per member of staff in the office decreased from 5.6kL/FTE to 5.44kL/FTE.

Issues that continue to be addressed include leaking and dripping taps, as well as inefficient use of the dishwasher.

Water consumption is not calculated for East Gippsland Water's other sites such as depots, water and wastewater treatment plants as the majority of water they use is utilised as part of their operational processes.

Office Impacts

Parameter	Quantity 2010/11	Quantity 2011/12	Units
Energy			
Energy used per full time employee	16,217	14,291.04	Megajoules/FTE*
Energy per square metre of office space	578.7	568.92	Megajoules/m ²
Total energy usage	729,778	717,537	Megajoules
Greenhouse gas emissions	249.3	241.17	t CO ₂ - e
Waste Production			
Total units of waste produced	73.4	71.87	Kg/FTE
Total units of waste recycled	1,732	1,834.9	Kg
Paper Use			
Units of paper used per employee	4.8	9.48	Reams/FTE
Total units of paper used	217	476	Reams
Water Consumption			
Units of water used per employee	5.6	5.44	kL/FTE
Total units of water consumed	254	273	kL
Units of water used per square metre of office space	0.2	0.22	kL / m ²
Transport			
Total energy consumption	590.6	710.42	Gigajoules
Total CO ₂ equivalent	39.63	48.34	t CO ₂ - e
Energy consumption per employee	13	14	GJ / FTE
CO ₂ equivalent/per employee	0.88	0.96	t CO ₂ - e / FTE
Kilometres travelled per employee	5,033	4,540	km / FTE
Total kilometres travelled (not private or commuting)	226,493	227,920	km
Percentage of employees using public transport, car pool, cycling or walking to work.	11	12	%

Note: * FTE = Full time equivalent staff

Overall Greenhouse Gas Emissions

The Corporation's Greenhouse Gas Reduction Strategy, launched in 2008, contains a five year action plan for achieving greenhouse gas reductions and the overall level of greenhouse gas emissions decreased by 1 percent in 2011/12 from 8,736 to 8,377.80 t CO₂-e.

This was within the Corporate Plan target of 8,400 t CO₂-e for the year.

Initiatives implemented during the reporting period included:

- continuation of a program to replace old and worn pumps with new, energy-efficient models;
- further rationalisation of distribution systems and improvements in water quality, allowing a number of water disinfection stations to be taken out of service;
- further replacement of servers with virtual servers to help reduce the carbon footprint in future years.

Greenhouse Gas Emissions 2011/12

	Electricity Usage	Fuel		Direct emission
		ULP / Diesel	LPG	
	t CO ₂ -e	t CO ₂ -e	t CO ₂ -e	t CO ₂ -e
Water Treatment and Supply	3,868.43	29.50	0	0
Sewage Treatment and Management	2,571.76	58.85	1.03	1,273.28
Transport	0	282.15	16.46	0
Other (ie office buildings)	276.35	0	0	0
Total	6,716.53	370.49	17.49	1,273.28

Total Greenhouse Gas Emissions	=	8,377.80	t CO₂-e
Offsets	=	0	t CO₂-e
Net Greenhouse Gas Emissions	=	8,377.80	t CO₂-e

Environmental Management System

The Corporation maintained certification of its Environmental Management System (ISO 14001) during the reporting period. It performed consistently well in all areas during the surveillance audit conducted by external auditors NCS International.

This system is invaluable for minimising East Gippsland Water's impact on the environment. Significant environmental aspects are identified, managed and monitored in line with the system's processes. Some of the key ones are outlined in the table below:

Significant environmental aspects identified 1 July 2011	Action taken during 2011/12 to reduce impact
Use of water treatment chemicals	The effectiveness of the new water treatment plant at Woodglen meant the chlorination treatment plants at Sarsfield and Eagle Point could be removed. An ongoing, proactive air scouring program maintained cleaner pipes, requiring less disinfection.
Gas emissions that contribute to a change in climate	The design concept progressed for a replacement wastewater treatment plant for Bairnsdale for progressed.
Use of electricity and fuel contributing to a change in climate	Energy-efficient equipment continues to be installed at sites and sites are being operated more efficiently based on the weather and fluctuations in demand.
Soil erosion and pollution of waterways	Soil stabilisation works, including revegetation works, were carried out at key sites. There is also a staff education program covering the management of soil and water on construction works.
Extraction of raw water from bores, creeks and rivers impacting on water available for the environment.	The Corporation completed an update of the Water Supply Demand Strategies for each of its water supply systems covering the next 50 years. Storing water underground in a group of deep aquifers at Woodglen, for use to supply customers during low rainfall and peak demand periods, decreases impacts on the environment.
Sewer overflows contributing to pollution and public	Proactive root cutting, manhole inspections and CCTV camera inspections of sewers have reduced sewer blockages and overflows.
The supply of freshwater to the Macleod Morass providing benefit to the environment.	The freshwater supply continues to benefit the morass environment. The Macleod Morass working group continues to manage the morass as endorsed by the EPA.

Biosolids Management

East Gippsland Water is committed to the sustainable reuse of biosolids produced during the wastewater treatment process.

In 2011/12 the Corporation completed its *Biosolids Management Plan*, which outlines the way forward in managing current and forecast levels of biosolids into the future.

East Gippsland Water continues to reuse biosolids as an environmentally beneficial soil-conditioner at a number of its reuse farms across East Gippsland.

Asset Management

East Gippsland Water is responsible for delivering quality water and wastewater services to its customers through the operation of an extensive range of infrastructure assets. These assets comprise water and sewerage networks and include pipes, pumps, storages, treatment plants and equipment, as well as depots and office buildings.

The construction and maintenance of these assets is often carried out in partnership with the engineering consulting firm AECOM.

The commitments contained in the Corporation's Asset Management Policy are aimed at achieving a safe, reliable and high quality of service to both existing and new customers.

During the reporting period East Gippsland Water continued work to ensure that assets were being managed safely, effectively, efficiently; and with minimal environmental impact. Key asset management initiatives that were progressed during the 2011/12 financial year appear below.

New Assets and Projects

A number of significant projects were either progressed or commissioned during the reporting period to improve services to customers, ensuring they receive secure, high quality water supplies and wastewater services well into the future. A key focus was addressing long term risks associated with extreme weather events, changes in climate and population growth. Significant initiatives included:

Swifts Creek Tank

A 400,000 litre covered storage tank was constructed at Swifts Creek to supplement the town's main water storage. This will help ensure that there is enough water to safeguard the local community against short-term consumption peaks and maintain high quality drinking water supplies. This project was supported by more than \$200,000 from the Victorian Government's Small Towns Water Quality Fund.

Omeo Water Storage

The newly constructed 10ML additional water storage at Omeo was officially opened in July 2011 by The Hon. Peter Walsh MLA, Minister for Water. This storage has increased Omeo's drinking water storage capacity from 5ML to 15ML. The \$800,000 facility enables enough water to be held in storage, following sizeable water flow events, to safeguard the local community against prolonged periods of dry weather and times when water flows from the town's supply, Butchers Creek, are insufficient to meet demand.

Orbost Water Filters

Two redundant water filters from the Wy Yung water storage were brought into operation at Orbost to assist with the maintenance of consistently high-quality water supplies for the local community. Worth some \$260,000 each, these filters will help to ensure that Orbost's water treatment plant is able to produce sufficient drinking water to meet future demand.

Orbost Water Storage Cover

The Victorian Government announced more than \$270,000 from its Small Towns Water Quality Fund to assist with the installation of a shade cloth cover over Orbost's 45ML clearwater storage. The remainder of funding for the \$600,000 project is coming from East Gippsland Water.

Installation of the cover is expected to commence in 2012/13 and take approximately 12 months to complete. This project is designed to boost long-term water security for the local community and maintain their water quality. It will greatly reduce any risk of soil, algal or airborne contamination of water held in the clearwater storage, while also cutting evaporation from the storage by up to 90 per cent.

Mallacoota Water Storage Cover

July 2011 saw the official opening of a \$400,000 shade cloth cover over the second of Mallacoota's two drinking water storages, by The Hon. Peter Walsh MLA, Minister for Water. The Victorian Government contributed \$243,500 to the project.

This cover, like the one planned for Orbost, is designed to boost long-term water security for the local community and maintain water quality.

Seaview Parade Sewerage Pump Station

A \$400,000 sewerage pump station and rising main was constructed to direct wastewater flows away from an aging and problematic syphon in the Kalimna Gully. The works have greatly reduced risks to the environment from sewage overflows.

Tambo Bluff Estate

Following construction of the infrastructure for 320 allotments at Tambo Bluff Estate by East Gippsland Shire Council, the estate's reticulated water and wastewater components were available for customer connection from early in the financial year.

Metung Wastewater Treatment Plant

Work commenced on upgrading the Metung Wastewater Treatment Plant to cater for population growth in relation to the Kings Cove development and new customers coming online at Tambo Bluff. The project includes construction of a 50ML winter storage dam and expansion of the irrigation system, with completion expected during 2012/13.

Bemm River Sewerage Scheme

This project is designed to benefit the health of the local waterway and protect public health by removing risks associated with septic tank effluent. Construction of the sewerage scheme - which includes reticulation sewers, pump stations and a wastewater treatment plant - commenced in February 2012 and is due to be completed by early 2013.

Lake Tyers Aboriginal Trust

Work progressed on a much-needed upgrade to the sewerage system at Lake Tyers Aboriginal Trust, which is due for completion early in 2012/13.

East Gippsland Water was commissioned and funded by the Department of Families, Housing, Community Services and Indigenous Affairs to coordinate the \$3 million project, which will address the community's current and future sewerage requirements. Work has included repairing and refurbishing two pump stations, as well as manhole covers and wastewater pipes. In addition, 6km of sewer pipeline connecting Lake Tyers Aboriginal Trust to the East Gippsland Water sewage system has been installed.

Local community members have been employed by contractors working on the initiative.

Computerised Asset Maintenance System

During 2011/12 East Gippsland Water's Maintenance and IT sections worked to enhance the computer software package used to manage the maintenance of mechanical and electrical assets, to make it less time consuming and more user-friendly for field staff to operate.

The Corporation's Geographical Information System (GIS) was adapted to link into the software package. This means that staff can now access GIS data in the field from an iPad and with the click of a button can view asset information and maintenance tasks to be carried out, as well as record maintenance action taken.

Supervisory Control and Data Acquisition (SCADA)

Using remote monitoring, SCADA operates continuously and provides early warning of faults or performance issues at water treatment plants, wastewater treatment facilities and pump stations. The focus is on maximising operational efficiency, monitoring equipment reliability and compliance, and improving customer service.

During the reporting period East Gippsland Water continued the roll-out of its SCADA system across wastewater facilities. Five pump stations have now been brought on-line and this roll-out will continue in 2012/13 to include Lakes Entrance Wastewater Treatment Plant, Lake Tyers Aboriginal Trust Sewer Pump Station and Bemm Wastewater Treatment Plant.

Further investment in a backup communications system for water treatment plants was also made to bolster existing alarm and monitoring arrangements. Dual communications are now installed at all water treatment plants, with other critical sites to follow.

In addition a backup SCADA alarm system is also being installed to replace any alarm diallers that still exist.

Developer Works and Subdivisions

A total of 454 new allotments were created during 2011/12, compared with 295 the previous year. The value of owner-financed works involving water and wastewater assets was \$2.1 million, compared with \$0.9 million in 2010/11.

Asset Maintenance and Renewals

East Gippsland Water is committed to continuously improving the reliability of its water and wastewater services and minimising service interruptions to customers.

The Corporation operates a very proactive regime when it comes to inspecting and maintaining its underground water and wastewater assets, using dedicated teams and the latest in technology. This has brought reductions in the number of pipeline blockages and bursts, which in turn has cut the level of reactive work required.

The Essential Services Commission report for 2011/12 shows that East Gippsland Water continues to perform very favourably compared with the industry average for blockages, bursts and incident response times.

Work undertaken as part of ongoing proactive programs in 2011/12 included:

- extensive cleaning of 106.8km of water mains (around 12 per cent of the total network) to ensure the efficiency of the supply network and maintain drinking water quality. Communities targeted included Paynesville, Eagle Point, Metung, Swan Reach, Johnsonville, Kalimna, Lakes Entrance, Lake Bunga and Lake Tyers Beach;
- cleaning sewer mains to reduce any odour issues. Areas targeted included West Bairnsdale, Johnsonville and Bruthen;
- leak detection work focusing on water mains in the Mitchell River Water Supply System from Bairnsdale to Lakes Entrance and on to Lake Bunga. This involved a combination of acoustic leak detection by specialist contractors and a proactive maintenance and inspection program. A total of 50 leaks were identified, including three that were very significant. Addressing all these resulted in 2,500kLs of potentially lost water being saved a day;
- proactive pipeline inspection and cleaning, along with tree root cutting work, targeting 180km of sewer mains (around 28.5 per cent of the total network) to prevent blockages, overflows and interruptions to customers' wastewater services. This has been a key driver in East Gippsland Water's ability to reduce unplanned interruptions in its wastewater network and position it at the forefront of the Victorian water industry averages in this area;
- closed-circuit television inspection of sewers in a number of townships – using small remote controlled cameras to check for pipe breaks, leaks, tree root intrusions and groundwater infiltration. During the reporting period East Gippsland Water commissioned an additional camera to further boost inspection work across all its districts and 19km of sewers were inspected (around three per cent of the total network) were inspected;
- chemical foaming of sewer pipelines with known tree root intrusion problems to prevent the re-growth of tree roots and the recurrence of blockages;
- chemical foaming of sewer pipelines with known fat build-up problems to prevent the accumulation of fats and the reduce the likelihood of blockages;
- refurbishing aged and deteriorated sewer manholes to significantly extend their useable life. The technology used avoids the need for excavation work and service interruptions;

- inspecting sections of sewer pipeline to pinpoint any stormwater infiltration of the network caused by leaks or illegal stormwater pipe connections. Areas targeted included Bairnsdale, Bairnsdale West, Lucknow, Lakes Entrance, Mallacoota and Omeo, with a number of illegal connections and inappropriately located overflow relief gully's (ORG's) identified. A number of ORG savers were installed to combat infiltration into the sewerage network during significant rain events and floods.

Asset Planning

The review and refinement of East Gippsland Water's ten year capital works expenditure program was largely finalised during the reporting period. This included a focus on initiatives to be covered in the next Water Plan (Water Plan 3), which will run for the five year period 2013-18.

Water Plan 3 sets out the Corporation's challenges, objectives and targets for the period. Specific projects covered include upgrading the Bairnsdale Wastewater Treatment Plant, as well as the Bairnsdale and Lakes Entrance sewerage networks, and renewing aging pipe network infrastructure.

In formulating the Plan, consideration has been given to East Gippsland Water's recently revised Water Supply Demand Strategies, Sewer Master Plans and Water Asset Master Plans. Also considered are the findings from community engagement initiated during 2011/12.

People and Culture

Our Philosophy

East Gippsland Water continues to provide a safe and respectful working environment where the personal and professional development of staff is actively encouraged. These principles, along with the application of safe working practices, are of the utmost importance to enhance the operation of the organisation and lead to ongoing improvements in service delivery.

Risk Management

East Gippsland Water applies risk management to all areas of its work, including: business operations; the evaluation and management of new projects; and stakeholder management.

East Gippsland Water's Risk Management Team comprises the four executive managers and the Manager Business Risk and Compliance. This team meets quarterly to review and discuss risk issues.

Responsibility for the management of risk is clearly defined within each executive manager's portfolio and the team approach allows for 'top level' visibility across the organisation. The interaction and interdependence of the portfolios is also recognised.

The Corporation's risk management system is based on International Standard ISO 31000 and continued to be enhanced during 2011/12.

The key systems that currently assist in the management of risk are:

- Drinking Water Quality Management System;
- Environmental Management System;
- Occupational Health & Safety Management System, including the Contractor Health, Safety and Environment Management System;
- Emergency Incident Response System, which includes the Emergency Incident Response Manual, business continuity and pandemic plans, as well as the Security Risk Management Plan;
- Dam Safety Management System;
- Asset Management System, which includes the capital works and project planning processes;
- Financial Management System, which incorporates the Financial Management Compliance Framework, Accounting Manual and Audit Plan.

Effective risk management requires the identification of relevant stakeholders and an understanding of their needs, issues, concerns and interests. This aids the development of marketing and communication strategies, as stakeholder consultation is an integral part of the risk management process.

The Corporation is a member of several special interest groups and networks which allow the sharing of ideas and solutions to common issues. One of these is the DSE Water Security Continuity Network, which focuses on the management of critical infrastructure.

Public Liability and Property Risk Management Audit

East Gippsland Water is regularly assessed by its insurer for public liability and property risk management. Full audits are conducted every two years (the last being in March 2012), with a brief review carried out during intervening years.

The Corporation has maintained its high achievement in these audits and scored its first 100 per cent in property risk management in the 2012 audit.

Staff Training and Achievements

The Corporation invests significant resources in staff training and development to enhance skills and promote personal advancement. There is a clear focus on safe working practices.

During 2011/12, many staff commenced or successfully completed accredited training at various levels, as well as pursuing a diverse range of short courses. East Gippsland Water continued to provide ongoing training and assessments for Operations and Maintenance staff in relation to Certificate II/III & IV in Water Industry Operations.

A significant number of Operations and Maintenance staff also completed and received various certificates and licences relating to occupational health and safety, new work skills and further personal development.

Staff undertaking accredited training 2011/12

Water Industry Operations Cert II/III	7
Water Industry Operations Cert IV	4
Certified Practising Accountant	1
Graduate Diploma of Accounting	1
Diploma of Accounting	1
Advanced Diploma of Management	1
Masters (IT)	1
Diploma in Information Technology / Project Management	1
Training and Assessment Cert IV	4
Masters of Science (Hydrogeology)	1
Vocational Graduate Certificate in Physical Asset Management	1
Mindful leadership Course	1
The New Manager Course	2
Fleet Management Certificate	1
Contract Management Course	2
Board & Company Secretary Course	1
Community Engagement Training	2
Dam Safety Course	2
Acid Sulfate Soils Course	1
TOTAL	35

Staff Health and Wellbeing

A key element of the Corporation's Occupational Health & Safety (OH&S) Management System is linking personal wellbeing and working life via regular health and wellbeing initiatives.

A staff wellbeing working group managed a number of key health-related events during the reporting period, aimed at maximising employee involvement in health and fitness related initiatives. These included:

Sports and Team Based Activities

The Corporation entered six teams in the East Gippsland Corporate Teams Triathlon and four teams participated in the Fit 'n' Healthy Steps Challenge. A number of field and office staff also registered in the East Gippsland Soccer League.

Movember and Pink Ribbon

East Gippsland Water once again combined these annual fundraising events and staff raised more than \$1,300. This money has gone directly to cancer and mental health campaigns.

Australian Red Cross Blood Service

The availability of the mobile blood donation service was actively promoted with a number of staff donating on a regular basis.

Employee Assistance Program

This ongoing East Gippsland Water initiative offers staff confidential counselling and support for personal and workplace issues that may impact on their wellbeing and work capability. The Corporation employs the services of a qualified independent counsellor, who regularly visits work sites to discuss any issues with staff in the strictest confidence. This counsellor also provides executive management with an independent overview of the psychological health of the workforce, highlighting any areas of concern.

Public Administration Values, Employment Principles and Trademark Behaviours

East Gippsland Water recognises the influence that staff behaviour has on productivity, internal relationships, the work environment, public relations and relationships with customers, clients, contractors and the wider community.

In accordance with the principles of Equal Employment Opportunity and the Victorian Charter of Human Rights and Responsibilities, all staff are expected to actively promote a workplace that abides by this Charter and are provided with appropriate training to inform them of this obligation.

East Gippsland Water also has an identified Equal Opportunity Officer, and two trained Equal Employment Opportunity Contact Officers, who can provide informal counselling to staff.

To complement its code of conduct for staff, which is consistent with the Code of Conduct for Victorian Public Sector Employees, the Corporation has also established a set of trademark behaviours that staff have identified as important for the effective functioning of the business. These behaviours have been built into East Gippsland Water's annual review process and continue to be the focus of workplace culture.

Staff receive updates on the Victorian Charter of Human Rights, and all new staff receive an introduction to the Charter and the Equal Opportunity Act as part of their overall induction to East Gippsland Water.

Staff Satisfaction

Surveys help the Corporation identify where it is performing well in the management of its people, as well as identifying opportunities for improvement in workplace practices.

Along with other water corporations, East Gippsland Water participates in the State Services Authority (SSA) People in Water Matter survey to assess staff satisfaction with the organisation and its employment practices. This is held every two years and was most recently conducted in March 2012.

The results from this survey provide an invaluable tool for measuring staff perceptions and act as a useful comparison with other Water Industry employees. Satisfaction continues to remain particularly high within the organisation.

To continually monitor staff satisfaction, East Gippsland Water also collects and considers feedback as part of its annual review process. An internal staff satisfaction survey is also conducted in alternate years to the People Matters survey.

Workplace Relations

East Gippsland Water's Employee Consultative Committee provides an invaluable means of communication and information flow within the Corporation. Its primary role is to monitor the contribution made by staff to the Corporation's performance and its adherence to Key Performance Indicators, as identified in the East Gippsland Water Enterprise Agreement. It also provides feedback on the quality of staff training and participates in the identification of continuous improvement programs.

Staff continued to operate effectively and efficiently under the East Gippsland Water Enterprise Agreement in 2011/12.

Workforce Data

As at June 30, 2012 the Corporation employed 88 people. The breakdown of staff was as follows:

Staff classification	Total		Male		Female	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Managing Director and Executive staff	5	5	5	5	0	0
Technical and Administrative staff (full time)	36	41	21	23	15	18
Technical and Administrative staff (part time & temp)	3	4	0	0	3	4
Field staff (full time)	39	38	38	38	1	0
Total	83	88	64	66	19	22

Occupational Health & Safety (OH&S)

Managing risks in the workplace and ensuring staff are able to return home every day without injury remains an essential goal, as the staff are the Corporation's most important asset. To this end, the corporation maintains an OH&S management system externally certified against Australian/New Zealand Standard 4801:2011, to monitor the safety of staff, contractors and the public across all areas of the business. The original certification was achieved in 2005.

The foundation of the safety management system continues to be: open consultation on workplace safety; staff OH&S induction; formal and industry-specific training, including nationally accredited training programs; staff supervision; and a suite of tailored work instructions and procedures. Procedures are developed using a sound risk assessment process, so that risk can be reduced if not eliminated.

East Gippsland Water also continues to promote OH&S courses to contractors and other East Gippsland organisations in order to make training more cost effective and improve the management of safety in the civil construction industry. The Corporation's Contractor Health, Safety and Environment Management System is a corner-stone of its overall OH&S management system.

Safety remained a key focus in all contract works during 2011/12, with contractor safety incidents reported to the Corporation so that lessons could be learnt and applied as a continuous improvement activity.

Safety-related key performance indicators are embedded within the Corporation's Enterprise Agreement and these are reported to the Employee Consultative Committee on a quarterly basis.

Performance for 2011/12

	Audits/Inspections Conducted	External Audit Compliance	Safety meetings conducted	Incidents reported on time
Target (%)	90	100	90	90
Result (%)	100	100	95	99

East Gippsland Water staff continued to provide leadership in the steering group of the East Gippsland Occupational Health & Safety Network in 2011/12, as they have done since the network's inception in 2000. This forum brings high quality presentations at no direct cost to the businesses attending. East Gippsland Water also continued its involvement with, and leadership of, the Victorian Water Industry OH&S Network, which has operated since 2002.

Significant achievements in OH&S for 2011/12 included:

- continued certification of the Corporation's OH&S Management System against AS/NSZ 4801:2001 and compliance across all management system elements;
- continuation of the corporate health and wellbeing program with an emphasis on running monthly activities, including social and sporting events;
- Key Performance Indicators embedded into the Certified Agreement to reflect OH&S commitment and performance;
- increasing awareness of health issues via monthly, theme-focused events publicised in East Gippsland Water's Health Promotion Calendar - with workgroups organising morning tea at which relevant health literature was made available to staff;
- integration of OH&S workplace inspections into asset management systems that enable staff to complete workplace inspection forms on-line and immediately using a laptop computer. The scheduling of inspections and tracking of actions is also centralised via these systems. This process is being expanded to other types of inspection across the Corporation.
- development of a traffic risk management tool for field staff. This enables desktop risk assessment and development of a "traffic guidance scheme" using the electronic Geographic Information System, in order to manage traffic risk and record measures taken before field work begins;
- taking a lead role in the introduction of world first technology to manage and assess manual handling risk within the water industry;
- organisation of a legal expert to provide specialist advice to frontline managers, executives and board directors on safety legislation;
- ongoing maintenance of the electronic chemical management system, which is more accessible and user-friendly than the previous hard-copy chemical register. This has led to faster response times for assessing the risk of new chemicals and reviewing ongoing chemical risk assessments;
- utilising in-house expertise to deliver courses to staff, including OH&S hazard and incident management and locating underground utilities;

- continued close collaboration with local emergency services - with an annual induction to the Woodglan Water Treatment Plant carried out to help ensure an effective emergency response to chemical related incidents;
- continued integration of the OH&S and environmental management systems when managing projects, selecting contractors and managing contractors via relevant forms, applications and manuals;
- continued leadership role in the East Gippsland Occupational Health and Safety Network;
- continued involvement with the Victorian Water Industry OHS Network as a member of the VicWater OH&S steering committee.

Occupational Health & Safety Statistics

Number of Incidents/Lost-Time Incidents

Incident reporting, including the reporting of near misses, reflects the effectiveness of East Gippsland Water's safety system and, therefore, the reporting of all incidents is encouraged. All incidents are tabled at regular committee and board meetings and, depending on their severity, receive an investigation in order to determine the cause and prevent a repeat.

There were a total of 24 incidents for 2011/12, which was the same as for the previous reporting period. Near miss/hit events continued to make up the majority of the total and these were incidents that did not cause an injury.

Medical treatment incidents are those that result in treatment by a registered medical practitioner, not just referral to a doctor. Lost-time incidents are those that result in a person being absent from work for at least one full shift due to a workplace injury.

	2007/08	2008/09	2009/10	2010/11	2011/12
Incidents					
Total incidents reported	16	12	9	24	24
Medical treatment incidents	1	1	0	1	1
Lost-time incidents	0	1	1	1	1
Working days lost	0	2	3	2	2

Average Time Lost

Average Time Lost is the average time lost from work, per incident, in days. For the purpose of this indicator, 12 months (220 days) is the maximum time for any single incident. It is calculated against total incidents recorded, as well as against lost time incidents.

Average Time Lost = $\frac{\text{Number of Working Days Lost}}{\text{Number of Incidents in the Period}}$

Average Time Lost	2007/08	2008/09	2009/10	2010/11	2011/12
Days lost per total incidents	0.00	0.17	0.33	0.08	0.08
Days lost per lost-time incident	0.00	2.00	3.0	2	2

Community Engagement

Communication and Consultation

East Gippsland Water uses a variety of communication and consultation tools to actively engage with its residential and business customers, as they are spread across a vast geographic area spanning some 21,000 square kilometres.

Tools utilised include:

- media releases, advertisements and articles published in local newspapers, the Corporation's website and broadcast on local TV and radio, often inviting public feedback;
- the Corporation's Pipeline newsletter (targeted at a selection of key stakeholders) and On Tap news sheet (mailed to all account holders), again often inviting public comment;
- a monthly, full page advertorial in the East Gippsland News, titled In the Flow;
- information brochures covering a wide range of topics;
- Customer Reference/Advisory Committees (Groups) where appropriate;
- customer service follow-up calls;
- monthly, Regional Visits/Consultative Meetings where customers are invited to discuss East Gippsland Water issues with senior management;
- an annual, independently conducted customer satisfaction survey to assess how well Corporation services are being delivered.

East Gippsland Water recognises its responsibility to communicate key messages to all age groups in the community. The emphasis is on using water efficiently, awareness that water is a finite resource, the impact of extreme weather events and the drive for long term security of drinking water supplies.

A major message is the Corporation's commitment to environmental benefit and sustainability as a fundamental requirement of all its operations in relation to water, wastewater and water recycling.

Consultation is conducted on specific issues and proposed projects as well as draft East Gippsland Water strategies and policies, where there is a significant potential impact on customers and the community.

The Corporation is keen to expand the level of community engagement, to ensure that customers are informed and, where appropriate, involved in the shaping and implementation of initiatives, programs and services that have an impact on them.

During the financial year customers were invited to register their interest to participate in consultation activities. This assisted with community engagement in relation to the Corporation's draft five-year business plan for the years 2013-18, known as Water Plan 3.

Water Plan 3

Residential and non-residential customers were invited to participate in a series of input sessions held across East Gippsland, which assisted with the preparation of the exposure draft for Water Plan 3 and the final draft. Feedback was also invited by email, letter and an online survey.

Regular publicity was provided through the local media, particularly printed media, with a dedicated page also provided on the East Gippsland Water website.

Public Board Meeting

East Gippsland Water held a public Board Meeting in June 2012, in Bairnsdale, which customers were invited to attend. Amongst items discussed was Water Plan 3 and questions were invited from the attendees on any issue.

Community Reference Groups

The Bemm River Sewerage Scheme Community Reference Group held its final meeting in March 2012, coinciding with the start of construction on the sewerage scheme itself. East Gippsland Water established the group in 2009 to help keep the local community informed about progress on the initiative. The group proved invaluable in helping the Corporation to address any questions or concerns raised by the community. Members are still encouraged to contact East Gippsland Water as appropriate with any queries about the project.

Regional Consultative Meetings

The Corporation holds monthly community consultative meetings at regional centres across the region including Omeo, Lakes Entrance, Orbost and Mallacoota. These are advertised in advance in the local press, with customers invited to meet with the Managing Director and senior management to discuss any issues relating to East Gippsland Water.

Newsletters/news sheets/advertorials

Three issues of East Gippsland Water's *Pipeline* newsletter were published during the reporting period. This is designed to inform key stakeholders of significant Corporation activities and projects. It is mailed out and is also available on the Corporation's website and over the counter at East Gippsland Water offices.

Three issues of the *On Tap* newsheet were published in 2011/12. This is mailed out to all account holders with their bill, to inform them about East Gippsland Water services and projects.

In October 2011 the Corporation commenced with a monthly, full page advertorial in the East Gippsland News, designed to update customers on services and initiatives, including progress with Water Plan 3. Called *In the Flow*, this was a response to customer requests for more information highlighted in the annual customer satisfaction survey and identified in the Victorian Water Industry "The Victorian Water Customer – Water Services Needs and Values" survey.

East Gippsland Water's extensive brochure range includes customer service, water efficiency and environmental information, as well as Permanent Water Saving Rules, water

restrictions and information about the Corporation's water and wastewater systems. These are available at East Gippsland Water offices and on its website.

Web Site

East Gippsland Water's website www.egwater.vic.gov.au aims to provide customers with easy to access information about the Corporation and its services, as well as direct links to other water-related websites.

Tours/presentations/events

East Gippsland Water handled more than 50 requests for tours and presentations in relation to its infrastructure and various aspects of its operations, including wastewater treatment and water recycling. Those to benefit included Nagle College (Bairnsdale), Tambo Upper Primary School, Department of Health, Gippsland Lakes Community Health, Cunningham Arm Probus Group, Methodist Ladies College (Melbourne), Bairnsdale Christian Community School, Orbost Secondary College, Bruthen Primary School, Bairnsdale Home Schoolers, Monash University (Gippsland), Bairnsdale Secondary College, U3A, Apprenticeships Group Australia, Orbost TAFE, Lakes Entrance Rotary Club and Lindenow Primary School.

The Corporation participated in a series of Environmental Fun Days targeted at ten primary schools (500 students) around the region in December 2011. These were conducted in partnership with East Gippsland Waterwatch, CoastAction and Fishcare.

Staff were involved in the Swan Reach Cluster Schools Science Week Activity Day and Lakes Entrance School Holiday Program, as well as running an information stand at the Orbost Show, Swifts Creek and Monash University (Gippsland) career expos.

East Gippsland Water participates in the CSIRO Scientist in Schools program, which enables local schools to tap into the scientific and mathematical expertise of East Gippsland Water staff.

In addition it is a member of the Victorian Water Educators' Network, which is invaluable for sharing ideas and strategies to advance water education in schools.

National Water Week

National Water Week in October each year provides a focus for sustainable water issues at national, state and regional level.

As in previous years, East Gippsland Water promoted the National Water Week Primary Schools Poster Competition, receiving entries from schools across the region.

Students from Cann River P-12 College, Meerlieu and Lucknow primary schools came out as East Gippsland region winners, with one student also scooping first prize at state level and another finishing a runner-up.

Start Smiling oral health promotion

Encouraging the region's 0-5 year olds to drink healthily and drink water is a key message of the Start Smiling Oral Health program launched in June 2011 by the East Gippsland Primary Care Partnership and East Gippsland Water.

This initiative ran during the financial year, being piloted in five settings including kinder gyms in Bruthen, Lakes Entrance and Bairnsdale, and an occasional care/playgroup in Mallacoota.

The program promotes the benefits of good oral hygiene and eating and drinking healthily, and is based on the Dental Health Services Victoria Smiles 4 Miles oral health drive.

Resources used to help support the initiative include books, posters, displays, DVDs, music and East Gippsland Water drink bottles bearing the message 'Water is Best'.

Promotional items

East Gippsland Water provides promotional items to the community which are practical and include messages promoting the value of water.

Sponsorship

East Gippsland Water provides financial, merchandise and in-kind sponsorship to a number of local organisations and community groups for activities with a focus on water use, water efficiency, healthy lifestyles and environmental sustainability.

Sponsorship provided during the reporting period included:

- East Gippsland Corporate Teams Triathlon
- Riviera Triathlon Club series
- Lakes Entrance Early Years Starting School Well Expo
- Gippsland Lakes Community Health Christmas Day Meals on Wheels
- East Gippsland Water Dragons Swim Club
- 23rd Women on Farms Gathering
- NAIDOC Week celebrations
- Mallacoota Cup Soccer Tournament
- Local schools participating in the RACV Energy Breakthrough Challenge

Annual Customer Satisfaction Survey

	% of customers at least satisfied		% of customers very satisfied	
	2010	2011	2010	2011
Overall satisfaction	98	98	48	49
Water supply	99	98	66	68
Water quality	96	98	54	68
Wastewater services	99	96	74	77
Customer accounts	97	97	67	73
The price / Value of services	87 (price)	87	31 (price)	37
Information provided	89	85	40	37
Looking after the environment	88	77	42	49

Note: The survey was conducted in July 2011 and considered East Gippsland Water's performance over the previous 12 months.

Customer Satisfaction Survey

Annual customer satisfaction surveys are a useful tool to measure the perception of East Gippsland Water services, including where the Corporation is delivering services well and any areas that may require action and improvement.

A review of the survey questions resulted in the deletion of a number considered less relevant than in previous years and fresh questions covering water supply and quality, price/value of services, wastewater services and how the corporation looks after the environment.

In July 2011 a random sample of 600 customers from districts across the region were interviewed over the telephone. Bartley Consulting, an independent research consultancy, was engaged to conduct the survey.

The results showed the overall level of satisfaction with East Gippsland Water remaining high and consistent, with 98 per cent of customers contacted 'at least satisfied' with the service they received – the same percentage as for the previous two years.

Even more encouraging, the proportion 'very satisfied' increased from 48 per cent to 49 per cent. This also represents a 9 per cent increase in the proportion 'very satisfied' since 2008.

The proportion 'very satisfied' with price / value of services was 37 per cent, up from 31 per cent the previous year, though seven per cent of customers remained dissatisfied. When considering what areas of service customers felt to be 'important', 99 per cent said having an uninterrupted water supply, the taste of the water and receiving advance notice of service interruptions. In addition 84 per cent said the taste of the water and an uninterrupted supply was 'very important'.

Water Trailer

East Gippsland Water's mobile drinking water trailer creates a highly visible and positive image for the Corporation at community events. Operating under the slogan *Preserving our environment – Naturally*, it is available free of charge to community and not-for-profit regional organisations.

During 2011/12 the water trailer attracted 36 bookings and was utilised at a variety of events including community festivals, major sporting events and field days with hundreds of people benefitting across the region.

Social Sustainability

The Corporation employs a triple bottom line approach to its decision making and strategic planning. This recognises that the provision of water and wastewater services has the potential for both positive and negative social, economic and environmental impacts.

In relation to social sustainability:

- East Gippsland Water is committed to the provision of high quality drinking water to all communities, not just the larger population centres.
- It is committed to a 100 per cent environmentally beneficial, affordable and sustainable reuse of wastewater.
- The revegetation and passive use of East Gippsland Water land for public purposes is another focus for enhancing environmental and social capital. The Corporation is actively involved with Landcare groups in rehabilitating wetlands.
- East Gippsland Water's Permanent Water Saving Rules include watering times adjusted to meet the needs of the region's significant older age group.

Billing arrangements

Responding to customer feedback East Gippsland Water announced changes to its billing process, publicising a shift from three bills a year to four, effective from 1 July 2012.

This move to quarterly bills, with each covering a shorter period of 13 weeks, means customers will receive more up-to-date information about their water usage, making it easier to compare bills and to budget effectively.

The Corporation also took the opportunity to publicise the availability of Easyway interest-free instalment plans as an option to make bill payments. These plans offer the flexibility to pay weekly, fortnightly or monthly and are designed to enable customers to control the family or business budget on their terms.

Living Victoria Water Rebate Program

East Gippsland Water supports the Victorian Government's Living Victoria Water Rebate Program, introduced on 1 July 2011. During the reporting period the Corporation used its *On Tap* newsheet (mailed to all account holders), *Pipeline* newsletter (distributed to key stakeholders) and monthly *In the Flow* page in the East Gippsland News to publicise the initiative.

The program makes rebates on water-efficient products accessible to all Victorian households, including those not connected to a reticulated water supply, as well as to small businesses.

Showerheads and trigger nozzles

East Gippsland Water continued to provide the opportunity for residential customers to replace inefficient showerheads with three-star rated, water-efficient models, free of charge.

As part of East Gippsland Water's Corporate Licence with the EPA, the program continued to include tourist accommodation operators. The Corporation will continue to work closely with the region's tourism industry to improve water efficiency.

East Gippsland Water also offered water-efficient trigger nozzles free to customers on a 'first come first served' basis, with a limit of one per household. Designed to assist

customers with their water efficient gardening efforts, the initiative proved very popular with the entire stock of 2,000 nozzles distributed.

Water Leaks, Exceptional Circumstances

East Gippsland Water policy allows for dispensation on high water usage accounts in instances where customers cannot reasonably have been expected to be aware of a water leak.

Each case is considered on merit and a total of \$10,395 was adjusted on accounts during the reporting period.

To be eligible, customers must have engaged a licensed plumber to confirm the leak, the circumstances surrounding it and the repair undertaken.

Community concessions provided

East Gippsland Water provides concession relief to some members of the community as part of its community service obligations.

Living Victoria Water Rebates 2011/12

Rebate Type	Applications Approved	Applications Received	Applications Granted \$
Rainwater Tank	2	4	\$1,000
Large Rainwater Tank	7	9	\$6,800
Greywater System	1	1	\$500
Tank to Toilet	0	0	\$0
Basket Offer	193	197	\$5,800
Dual Flush Toilet	11	11	\$1,100
Shower Rose	1	1	\$20
Pool Cover and Roller	7	7	\$1,400
Washing Machine	2	2	\$300
Small Business Grant	1	4	\$1,759.62
Total	225	236	\$18,679.62

Value of Community Service Obligation provided	2010/11	2011/12
Concessions to pensioners	\$1,264,576	\$1,699,350
Rebates to Not-For-Profit Organisations under the Water & Sewerage Rebate Scheme	\$142,659	\$177,010
Utility Relief Grant Scheme payments	\$8,379	\$7,478
Water Concessions on Life Support machines - Haemodialysis	\$0	\$0
Hardship Relief Grant Scheme (Sewerage Connection Scheme)	\$0	\$0
Total	\$1,415,614.00	\$1,883,838

In addition, the corporation granted \$8,113 in hardship incentive payments.

Summary of Financial Results

Financial Result	2007/08	2008/09	2009/10	2010/11	2011/12
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Core business revenue	17,369	19,637	21,636	23,422	25,244
Government contributions	900	0	0	815	2,185
Other revenue	3,613	3,826	2,908	3,578	4,848
Total revenue	21,882	23,463	24,544	27,815	32,277
Operating expenditure	12,521	13,189	13,267	13,948	15,856
Depreciation expenditure	5,323	5,951	6,382	7,145	9,352
Finance costs	676	1,285	2,023	2,448	2,519
Other expenditure	793	567	2,500	4,518	823
Total expenditure	19,313	20,992	24,172	28,059	28,550
Net result before tax	2,569	2,471	372	-244	3,727
Current assets	8,244	8,601	6,860	8,555	8,832
Non-current assets	189,661	203,256	216,677	335,562	336,072
Total assets	197,905	211,857	223,537	344,417	344,904
Current liabilities	9,405	12,583	8,442	10,679	16,649
Non-current liabilities	16,308	24,395	39,494	76,377	68,039
Total liabilities	25,713	36,978	47,936	87,056	84,688
Net cash flows from operations	3,945	7,697	4,859	7,610	8,453
Payments for property, plant and equipment (including infrastructure)	15,912	18,876	20,360	10,569	7,901

Summary of Financial Performance

Performance indicator	2007/08	2008/09	2009/10	2010/11	2011/12
Internal Financing Ratio	23%	38%	23%	64%	105%
Gearing Ratio	7.07%	10.38%	15.66%	10.6%	9.13%
Interest Cover (EBIT) times	5.66	3.09	2.06	2.58	3.18
Interest Cover (Cash) times	8.92	7.83	3.61	4.93	4.38
Return on Assets	1.68%	1.83%	1.09%	0.81%	1.74%
Return on Equity	1.12%	0.84%	0.15%	-0.08%	0.97%

Overview

The Corporation recorded a surplus before tax of \$3.696 million for 2011/12, which was below budget expectations of \$4.771 million, with a number of factors contributing to this outcome.

First, there was a Defined Benefits Superannuation funding call totalling \$1.469 million and an increased depreciation expense of \$1.5 million due to the revaluation of infrastructure assets.

Also, there was a further decline in revenue from water sales. The amount of water delivered to customers totalled 4,260ML in 2011/12, which was a decrease of 182ML on the previous year. This equated to a reduction in expected revenue of \$502,000 for the reporting period.

The Corporation did experience an increase in revenue from gifted / donated assets received from developers, and received Federal Government grant funding in relation to water and wastewater services for the Lake Tyers Aboriginal Trust. These two factors offset the increased expenditure to deliver a strong financial result for the 2011/12 financial year.

Importantly, East Gippsland Water was able to meet its debt repayment strategy and reduce borrowings in the reporting period from \$36.5 million to \$31.5 million.

Other Information

Freedom of Information

The Freedom of Information Act 1982 allows public access to documents held by government entities, which includes right of access to documents held by East Gippsland Water.

A decision to release information is made by an Authorised Officer. Freedom of Information requests need to be made in writing to:

Mr Brett Millington,
Freedom of Information Officer,
East Gippsland Water,
PO Box 52,
Bairnsdale, Victoria, 3875.

The telephone number is 1800 671 841 and enquiries can also be e-mailed to foi@egwater.vic.gov.au.

The fee for requests from 1 July 2012 is \$25.10.

During the reporting no requests for information were received by the Corporation

The following information is available on request in relation to East Gippsland Water, subject to the Freedom of Information Act:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers (covered in the Corporate Governance section of this Annual Report);
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by East Gippsland Water about itself and how these can be obtained (covered in the Environmental Sustainability section of this Annual Report and on the website www.egwater.vic.gov.au);
- details of changes in prices, fees, charges, rates and levies charged by East Gippsland Water;
- details of any major external reviews carried out on East Gippsland Water;
- details of major research and development activities undertaken by East Gippsland Water;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by East Gippsland Water to develop community awareness of the Corporation and its services (covered in the Environmental Sustainability and Community Engagement sections of this Annual Report, as well as on the website www.egwater.vic.gov.au);
- details on assessments and measures undertaken to improve the occupational health and safety of employees (covered in the People and Culture section of this Annual report);
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes (covered in the People and Culture section of this Annual Report);

- a list of major committees sponsored by East Gippsland Water; the purposes of each committee and the extent to which the purposes have been achieved;
- details of all consultancies and contractors including:
 - consultants/contractors engaged
 - services provided; and
 - expenditure committed to for each engagement (also covered in the Other Information section of this Annual Report)

Whistleblowers' Protection Act 2001

The main objective of the Whistleblowers Protection Act 2001 is to encourage and facilitate the making of disclosures of improper conduct or detrimental action by public officers and public bodies.

Further information is available from the Victorian Ombudsman's website at www.ombudsman.vic.gov.au

Within the terms of reference of the Whistleblowers Protection Act, no disclosures were made to East Gippsland Region Water Corporation, or to the Ombudsman, for public interest determination or investigation during the year.

A copy of East Gippsland Water's Whistleblower's Protection Act Policy is included in this Annual Report. See Appendix (pages 67 – 74).

Alternatively, to request a copy please email egw@egwater.vic.gov.au or call 1800 671 841.

Implementation of the Victorian Industry Participation Policy

During 2011/12, the Corporation did not commence or complete any contracts applicable to the requirements of the Victorian Industry Participation Policy.

Compliance with the Building Act

During the reporting period East Gippsland Water complied with the building and maintenance provisions of the Building Act 1993.

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. East Gippsland Water continues to implement and apply this principle in its business undertakings.

Financial Management Compliance Framework

The Financial Management Compliance Framework was implemented on 1 July 2003. Department of Treasury and Finance developed the framework in response to the Government's initiative of promoting responsible financial management in the public sector. The framework provides a vehicle for the Department of Treasury and Finance to monitor and report on East Gippsland Water's financial management obligations. The annual certification for 2011/12 assessed the Corporation's compliance at 98%.

Consultants to the Corporation

Consultants costing below \$10,000 in the 2011/12 financial year

Number – 23

Total cost of consultants engaged - \$82,000 (excl. GST)

Consultants costing over \$10,000 in the 2011/12 financial year

Number – 10

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excl. GST)	Expenditure 2011/12 (excl. GST)	Future expenditure (excl. GST)
Bartley Consulting Pty Ltd	Annual customer satisfaction survey for 2011			\$37,000	\$37,000	\$0
FYB Pty Ltd	Upgrade Corporate Electronic Content Management System	1/08/11	30/11/11	\$27,000	\$27,000	\$0
Gnarwarre Group	Integrity governance review of Directors and Board operations of East Gippsland Water			\$31,000	\$31,000	\$0
Inglis Medical Centre	Asbestos medicals			\$10,000	\$10,000	\$0
Ochre Imprints	Cultural heritage assessment for Bemm River Sewerage Scheme	1/07/11	30/07/11	\$23,000	\$23,000	\$0
Parasyn Control	Supervisory Control and Data Acquisition (SCADA)	1/07/11	30/06/12	\$143,000	\$131,000	\$12,000
Russell Kennedy Solicitors	Review Native Title requirements for Bemm River			\$16,000	\$16,000	\$0
Russell Kennedy Solicitors	Legal advice			\$13,000	\$13,000	\$0
Technology One	Improvements to finance system	1/07/11	30/12/12	\$100,000	\$15,000	\$50,000
Total Eden	Irrigation specifications for Bruces Track and Bemm River	1/09/11	30/11/11	\$11,000	\$11,000	\$0
Warren Graham & Murphy Pty Ltd	Legal advice			\$12,000	\$12,000	\$0

Contracts

East Gippsland Water engages AECOM to provide engineering design and project management services and has done so for a number of years.

The Corporation and AECOM have a contractual arrangement in place for engineering services covering the provision of feasibility studies, detailed design, project management and construction supervision. This arrangement is independently assessed, benchmarked and validated to ensure that East Gippsland Water receives value for money and that the appropriate governance issues are upheld.

Following an independent, external review the contract was extended in November 2009 for four years.

The agreement is monitored against ongoing and annual performance indicators. There are provisions in the agreement and the Corporation's policies to ensure conflict of interest issues are avoided and the Board of East Gippsland Water also actively oversees the ongoing arrangement.

The total fees paid to AECOM for design, project management and construction work undertaken on behalf of the Corporation in 2011/12 was \$2.4 million.

The contractual arrangement is non-exclusive and the Corporation may also engage other consulting engineers who have expertise in specialist areas.

Major Contracts

East Gippsland Water did not enter into any contracts greater than \$10 million during the reporting period.

Energy and Water Ombudsman Victoria

Customers dissatisfied with any aspect of interaction or service performance from a utility within Victoria may seek assistance from the Energy and Water Ombudsman Victoria. This is an independent body funded by member utilities.

During the reporting period East Gippsland Water received one complaint that was referred to a higher-level contact in the Corporation for resolution. This complaint was resolved satisfactorily.

Subsequent Events

No significant events occurred between the end of 2011/12 financial year and this Annual Report going to print that may significantly affect East Gippsland Water's operations in subsequent reporting periods.

2011/12 Performance Report

EAST GIPPSLAND REGION WATER CORPORATION

Financial Performance Indicators

	Performance indicator (Complying with Essential Services Commission definitions)	Notes	2010-11 Result	2011-12 Result	2011-12 Target	Variance
F1	Internal Financing Ratio					
	(Net operating cash flow – dividends) / Capital expenditure		80.5%	144.10%	148.70%	-2.8%
F2	Gearing Ratio					
	Total debt (including finance leases) / total assets		10.58%	9.13%	10.00%	-9.49%
F3	Interest Cover (EBIT)					
	Earnings before net interest and tax expense / net interest expense		0.93	2.56	2.90	-11.72%
F4	Interest Cover (cash)					
	Cash flow from operations before net interest and tax payments / net interest payments	I	4.75	5.50	6.30	-12.7%

Notes:

I. Lower than expected water sales reduced cash flow.

EAST GIPPSLAND REGION WATER CORPORATION

Service and Environmental Performance Indicators

(Whole-of-business)

	Performance Indicator (Complying with Essential Services Commission definitions)	Notes	2010-11 Result	2011-12 Result	2011-12 Target	Variance
S1	Water supply interruptions					
S1.1	Number of customers receiving 1 unplanned interruptions in the year	1	1,697	1,306	1,700	23%
	Number of customers receiving 2 unplanned interruptions in the year	2	55	95	442	79%
	Number of customers receiving 3 unplanned interruptions in the year		26	0	30	100%
	Number of customers receiving 4 unplanned interruptions in the year		0	0	26	100%
	Number of customers receiving 5 unplanned interruptions in the year		0	0	5	100%
	Number of customers receiving > 5 unplanned interruptions in the year		0	0	0	0%
S2	Interruption time indicators					
S2.1	Average duration of unplanned water supply interruptions	3	60.1 mins	94.9 mins	125.9 mins	25%
S3	Restoration of water supply					
S3.1	Unplanned water supply interruptions restored within 3 hours		94%	93.7%	91.7%	2.1%
	Unplanned water supply interruptions restored within 5 hours		96%	98.4%	97.5%	0.9%
	Unplanned water supply interruptions restored within 12 hours		100%	100%	99.3%	0.7%
S4	Reliability of sewerage collection services					
S4.1	Sewer Spills from reticulation and branch sewers - Priority 1 (number)		1	3	No target	N/A
	Sewer Spills from reticulation and branch sewers - Priority 2 (number)	4	49	22	65	66%
S5	Containment of sewer spillages					
S5.1	Sewer spills contained within 5 hours (%)	5	100%	100%	100%	0%
S6	Customer complaints indicators					
S6.1	Water quality complaints per 1,000 customers	6	1.16	0.32	7.27	96%
S6.2	Sewerage service quality and reliability complaints per 1,000 customers	7	1.12	0.05	5.18	99%
S6.3	Billing complaints per 1,000 customers	8	0.00	0.46	0.96	52%
S6.4	Sewage odour complaints per 1,000 customers	9	0.50	0.22	0.50	57%

Notes:

- 1 & 2. Improved planned maintenance activities continued to reduce the number of unplanned water supply interruptions.
3. Average time for unplanned water supply interruptions increased as a result of a small number of lengthy unplanned interruptions (eg. Golf Links Rd main break March 2012). Despite this increase, the result was favourable to target.
4. Sewer spills from reticulation and branch sewers continued to decline as a result of proactive sewer pipeline maintenance works.
5. Containment of sewer spillages is affected by the low number of spills recorded for the year.
6. Improved water quality processes and maintenance programs resulted in a decrease in the number of complaints.
7. Sewer service reliability improved as a result of a major planned maintenance strategy.
8. Billing complaints increased from the previous year but remained favourable to target.
9. The low number of sewage odour complaints resulted from proactive maintenance program.

EAST GIPPSLAND REGION WATER CORPORATION

Service and Environmental Performance Indicators

(Whole-of-business)

	Performance Indicator (Complying with Essential Services Commission definitions)	Notes	2010-11 Result	2011-12 Result	2011-12 Target	Variance
E1	Reuse Indicators					
E1.1	Effluent reuse (volume %)	1	99%	90%	100%	10%
E1.2	Biosolids reuse (dry mass %)	2	N/A	N/A	100%	N/A
E2	Sewage Treatment Standards					
E2.1	Number of analyses complying with licence agreements as % of samples		100%	100%	100%	0.0%

Notes:

1. Unusually high rainfall over the year restricted opportunities to use recycled water for irrigation purposes.
2. Biosolids are stored in lagoons and reused when conditions are favourable. All biosolids stored during the 2011/12 financial year will be reused eventually.

East Gippsland Region Water Corporation

Certification of Performance Report for 2011/12

We certify that the accompanying Performance Report of East Gippsland Regional Water Corporation in respect of the 2011-12 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

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

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



Gail Morley
Chairperson

East Gippsland Region Water Corporation



Brett Millington
Acting Managing Director

East Gippsland Region Water Corporation



Rob Carlesso
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

30 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Board Members, East Gippsland Region Water Corporation

The Performance Report

The accompanying performance report for the year ended 30 June 2012 of the East Gippsland Region Water Corporation comprises the performance indicators, the related notes and the certification.

The Board Members' Responsibility for the Performance Report

The Board Members of the East Gippsland Region Water Corporation are responsible for the preparation and fair presentation of the performance report in accordance with the *Financial Management Act 1994* and for such internal control as the Board Members determine is necessary to enable the preparation of the performance report that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance 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 performance report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report. The audit procedures selected depend on judgment, including the assessment of the risks of material misstatement of the performance 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 performance 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 overall presentation of the performance report.

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

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 performance report of the East Gippsland Region Water Corporation in respect of the 30 June 2012 financial year presents fairly, in all material respects, and in accordance with the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Performance Report

This auditor's report relates to the performance report of the East Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the East Gippsland Region Water Corporation's annual report and on the website. The Board Members of the East Gippsland Region Water Corporation are responsible for the integrity of the East Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the East Gippsland Region Water Corporation'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 performance 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 performance report to confirm the information contained in the website version of the performance report.

MELBOURNE
31 August 2012

T. D. H.
For
D D R Pearson
Auditor-General

Financial Report

For the Year Ended 30 June 2012

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EAST GIPPSLAND REGION WATER CORPORATION

Comprehensive Operating Statement for the year ended 30 June 2012

	Note	2012 \$000	2011 \$000
Revenue from operating activities	1(b)		
Service Charges	3(a)	18,840	17,092
Metered Charges		6,404	6,110
Trade Waste Charges		312	220
Government Contributions	1(b), 3(a)	2,185	815
Developer Contributions	3(a)	2,552	2,212
Other Income	3(a)	1,287	1,070
Gain on Assets Disposed	8(b), 8(c)	420	111
Total Revenue from operating activities		32,000	27,630
Revenue from non-operating activities			
Interest Income		135	103
Other Revenue	3(a)	111	82
Total Revenue from non-operating activities		246	185
Total Revenue		32,246	27,815
Expenses			
Borrowing Costs	1(c)	2,519	2,448
Depreciation	3(b)	8,904	6,455
Amortisation	3(b)	448	690
Employees	3(b)	8,711	6,907
Environmental Contribution	1(p)	823	823
Suppliers & Materials		7,145	7,041
Loss on Impairment of Non Financial Assets	3(b)	0	3,695
Total Expenses		28,550	28,059
Net Result before tax		3,696	(244)
Income tax Expense / (Benefit)	1(q), 4(a)	1,105	(83)
Net Result for the Period	19	2,591	(161)
Other Comprehensive Income			
Net gain of revaluation of Infrastructure, Land & Buildings	4(c)	0	119,136
Income Tax Relating to Comprehensive Income	4(c)	0	(37,214)
Total Comprehensive Income		0	81,922
Comprehensive Result		2,591	81,761

The above Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

EAST GIPPSLAND REGION WATER CORPORATION

Balance Sheet as at 30 June 2012

	Note	2012 \$000	2011 \$000
Current Assets			
Cash and Cash Equivalents	I (g), 5, 22	975	1,314
Receivables	I (h), 6	7,221	6,805
Prepayments	I (j)	243	217
Inventories	I (i), 7	393	520
Total Current Assets		8,832	8,856
Non Current Assets			
Receivables	I (h), 6	268	358
Property, Plant and Equipment	8	327,989	326,400
Intangible Assets	I (k), 9	592	876
Capital Works in Progress	8(a), 8(e)	7,223	7,928
Total Non Current Assets		336,072	335,562
Total Assets		344,904	344,418
Current Liabilities			
Payables	I (m), 10	4,480	3,680
Interest Bearing Liabilities	I (l), 12	9,500	5,000
Funds Held in Trust		27	27
Employee Benefits	I (o), 11(a)	1,830	1,681
Deferred Revenue - Developer Deposits	I (b)	811	291
Total Current Liabilities		16,648	10,679
Non Current Liabilities			
Employee Benefits	11(b)	202	141
Interest Bearing Liabilities	12	22,000	31,500
Deferred Tax Liabilities	I (q), 13	44,828	44,736
Total Non Current Liabilities		68,030	76,377
Total Liabilities		84,678	87,056
Net Assets		260,226	257,362
Equity			
Contributed Capital	I (t), 17	95,967	95,694
Reserves	18	91,703	91,703
Accumulated Surplus	19	72,556	69,965
Total Equity		260,226	257,362

The above Balance Sheet should be read in conjunction with the accompanying notes.

EAST GIPPSLAND REGION WATER CORPORATION

Statement of Changes in Equity for the year ended 30 June 2012

	Contributed Capital \$000	Reserves \$000	Accumulated Surplus \$000	Total \$000
Balance as at 1 July 2010	<u>95,694</u>	<u>9,781</u>	<u>70,126</u>	<u>175,601</u>
Total Comprehensive Income for the year as reported in the 2011 financial report	<u>0</u>	<u>81,922</u>	<u>(161)</u>	<u>81,761</u>
Transactions with State in its capacity as owner				
Contributions by owners	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance as at 30 June 2011	<u>95,694</u>	<u>91,703</u>	<u>69,965</u>	<u>257,362</u>
Total Comprehensive Income for the year	<u>0</u>	<u>0</u>	<u>2,591</u>	<u>2,591</u>
Transactions with State in its capacity as owner				
Contributions by owners	<u>273</u>	<u>0</u>	<u>0</u>	<u>273</u>
Balance as at 30 June 2012	<u>95,967</u>	<u>91,703</u>	<u>72,556</u>	<u>260,226</u>

The above statement of Changes in Equity should be read in conjunction with the accompanying notes.

EAST GIPPSLAND REGION WATER CORPORATION

Cash Flow Statement for the year ended 30 June 2012

	Note	2012 \$000 Inflows / (Outflows)	2011 \$000 Inflows / (Outflows)
Cash flows from Operating Activities			
Receipts			
Rates, Tariffs, Fees and Charges		25,227	21,748
Interest Received		135	103
Other		1,398	1,152
GST Received from ATO		1,354	1,481
Contributions for Capital Works		2,933	909
Payments			
Interest Paid		(2,501)	(2,271)
Employees		(6,782)	(6,696)
Environmental Contribution		(823)	(823)
Suppliers and Others		(9,555)	(7,084)
Net Cash Inflow from Operating Activities	20	11,386	8,519
Cash flows from Investing Activities			
Payment for Property, Plant and Equipment		(7,901)	(10,571)
Payments for Intangibles		(164)	(183)
Trust Monies Received		0	20
Proceeds from Sale of Property, Plant and Equipment		1,067	1,414
Net Cash Inflow (Outflow) from Investing Activities		(6,998)	(9,320)
Cash flows from Financing Activities			
Proceeds from Contributions by Owners	17	273	0
Proceeds from Borrowings		1,500	5,800
Repayment of Borrowings		(6,500)	(4,300)
Net Cash Inflow (Outflow) from Financing Activities		(4,727)	1,500
Net Increase (Decrease) in Cash and Cash Equivalents		(339)	699
Cash and Cash Equivalents at the Beginning of Financial Year		1,314	615
Cash and Cash Equivalents at end of Financial Year	5, 22	975	1,314

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 1: Summary of Significant Accounting Policies

(a) Basis of Accounting

General

This financial report includes separate financial statements for East Gippsland Region Water Corporation (the Corporation) as an individual reporting entity. This financial report is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the *Financial Management Act 1994* and applicable Ministerial Directions.

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.

These financial statements were authorised for issue by the Board of Directors on the 30th August 2012.

The principal address is:

East Gippsland Region Water Corporation
133 Macleod Street
Bairnsdale VIC 3875

Accounting Policies

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

Functional and Presentation Currency

Items included in this financial report are measured using the currency of the primary economic environment in which the Corporation operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Corporation's functional and presentation currency.

Classification between Current and Non-Current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Corporation's operational cycle - see Note 1(o) for a variation in relation to employee benefits.

Rounding

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

Historical Cost Convention

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

Accounting Estimates

The preparation of financial statements in conformity with AAS requires the use of certain critical accounting estimates that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies.

Financial Statement Presentation

The Corporation has applied the revised AASB 101 Presentation of Financial Statements which became effective for reporting periods beginning on or after 1 July 2011, and AASB 1054 Australian Additional Disclosures which became effective for reporting periods beginning on or after 1 July 2011.

(b) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Service and Metered Charges

Rate/tariff and service charges are recognised as revenue when levied or determined. Water usage charges are recognised when the product is provided through metered water volume measure. Wastewater volume measure is based on the metered water volume measure for Dinner Plain. Meter reading is undertaken progressively during the year. An accrual, calculated by multiplying the number of days since the last reading by each customer's average water volume measure usage, is made at the end of each accounting period in respect of water meters which have not been read at balance date. This amount is included as accrued income for the reporting period. All tariffs for Water and Wastewater include the Environmental Contribution.

Developer Contributions / Fees paid by developers

Fees paid by developers to connect new developments to the Corporation's existing water supply and sewerage systems are recognised as revenue when the construction work and connection to the system has been completed and the contributions are received. In cases where the Corporation has entered into conditional agreements with developers to meet outfall and headworks charges, revenue is recognised at the date of agreement. Developer deposits received for construction works are recognised as deferred revenue until works are completed. Assets acquired at no cost to the Corporation (developer's capital contributions) are recognised as revenue upon their acceptance by the Corporation for maintenance in perpetuity, and are recorded at their fair value in the financial statements.

Government Grants and Contributions

Government grants and contributions are recognised as operating revenue on receipt or when the Corporation obtains control of the contribution and meets certain other criteria as outlined by AASB 1004, whichever is the sooner; and disclosed in the comprehensive operating statement as government grants and contributions. However, grants and contributions received from the Victorian State Government, which were originally appropriated by the Parliament as additions to net assets or where the Minister for Finance and the Minister for Water have indicated are in the nature of owners' contributions, are accounted for as Equity - Contributions by Owners.

Interest

Interest income is recognised using the effective interest rate method.

Lease Income

Income from operating leases (i.e. rentals) is recognised on a straight-line basis over the lease term.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(c) Borrowing Costs

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

(d) Infrastructure property plant and equipment

Recognition and Measurement of Assets

Property, plant and equipment represent non-current assets comprising land, buildings, water infrastructure, sewerage and drainage infrastructure, heritage assets, plant, equipment and motor vehicles, used by the Corporation in its operations. Items with a cost or value in excess of \$500 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed.

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

Works on existing assets are only capitalised if they substantially increase the useful life of the asset. The cost of capital works projects are accumulated as work in progress until the projects have been commissioned. Costs are then transferred to completed works at the end of each month and depreciation is applied from the following month.

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

Repairs and Maintenance

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

Measurement of Non-Current Physical Assets

All non-current physical assets are recognised initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment in accordance with the requirements of Financial Reporting Direction FRD 103D.

Revaluations are conducted in accordance with FRD 103D. Scheduled revaluation is undertaken every five years with an annual assessment of fair value to determine if it is materially different to carrying value. If the difference to carrying value is greater than 10 per cent, a management revaluation is undertaken, while a movement greater than 40 per cent will normally involve an Approved Valuer (usually the Valuer General of Victoria) to perform detailed assessment of fair value. If the movement in fair value since the last revaluation is less than or equal to 10 per cent, then no change is made to carrying amounts.

Plant, equipment and motor vehicles are measured at fair value.

For the plant, equipment and vehicles asset class, where the Corporation is able to demonstrate that there is no evidence that a reliable market-based fair value (or other fair value indicators) exist for these assets, depreciated replacement cost could represent a reasonable approximation of fair value.

Water infrastructure assets, at both the entity reporting level and whole of government reporting level, are measured at fair value less accumulated depreciation and impairment in accordance with FRD 103D. These assets comprise substructures or underlying systems held to facilitate harvesting, storage, treatment and transfer of water to meet customer needs. They also include infrastructure assets that underlie sewage and drainage systems.

The initial fair value assessment for water infrastructure in the current period was undertaken with involvement from Valuer General of Victoria (VGV) and under the instructions of Department of Treasury & Finance (DTF). The assessment was performed on a portfolio basis for various categories of water infrastructures. Further details of the valuation exercise is provided in Note 8.

Revaluation of Non-Current Physical Assets

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

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

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

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

All fixed assets excluding land are depreciated on the straight-line basis over the estimated useful lives of the assets to the Corporation.

Land & Buildings were revalued at 30th June 2011 by Egan National Valuers on behalf of the Valuer General's Office.

Infrastructure assets were revalued at 30th June 2011 by AECOM on behalf of the Valuer General's Office.

(e) Impairment of Non-current Assets

Impairment of Assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount.

All other assets are assessed annually for indicators of impairment, except for;

- inventories;
- deferred tax assets; and
- financial instrument assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off by a charge to the Comprehensive Operating Statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

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

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

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(f) Depreciation and Amortisation of Non-Current Assets

All non-current physical assets that have a limited useful life are depreciated. Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

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

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

Class of Fixed Asset	Useful Life (Years)
Buildings	67
Water Infrastructure	10 to 350
Wastewater Infrastructure	10 to 350
Plant & Equipment	3 to 20
Motor Vehicles	8
Office Equipment	1 to 10
Intangible Assets	3

Intangible assets with finite useful lives are amortised as an expense on a systematic basis (typically straight line) commencing from the time the asset is available to use. The amortisation periods are reviewed and adjusted if appropriate at each balance date. Intangible assets with indefinite useful lives are not amortised. However, all intangible assets are assessed for impairment as outlined in note 1(k).

(g) Cash and Cash Equivalents

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

(h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impaired receivables.

Receivables are due for settlement no more than 28 days from the date of recognition for tariff debtors, and no more than 30 days for other debtors.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impaired receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due, according to the original terms of receivables on tenant accounts, as all accounts raised against property owners are collectable on sale of the property and hence have been excluded from any impairment assessment.

The amount of the allowance is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. The amounts credited to the allowance are recognised as an expense in the Comprehensive Operating Statement.

(i) Inventories

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

Inventories held for distribution are measured at the lower of cost and current replacement cost. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

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

(j) Prepayments

Prepayments represent payments in advance of receipt of goods or services, or that part of expenditure made in one accounting period covering a term extending beyond the period.

(k) Intangibles

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are initially recognised at cost.

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Corporation.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible assets concerned are impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment of that asset. In addition, the Corporation tests all intangible assets with indefinite useful lives for impairment by comparing their recoverable amount with their carrying amount annually and, whenever there is an indication that the intangible assets may be impaired. Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

A summary of the policies applied to the Corporation's intangible assets is as follows:

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(k) Intangibles continued

Development Costs

Useful Lives	Finite
Method Used	3 Years - Straight Line
Internally Generated / Acquired	Internally Generated
Impairment Test / Recoverable	Amortisation method reviewed at financial year ended 30 June 2012

Licenses

Useful Lives	Indefinite
Method Used	Not amortised or revalued
Internally Generated / Acquired	Acquired
Impairment Test / Recoverable	Annually and where an indicator of impairment exists

(l) Interest Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the initial amount recognised and the redemption amount is recognised in the Comprehensive Operating Statement over the period of the borrowings, using the effective interest method.

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

(m) Payables

Payables consist predominantly of trade and sundry creditors. These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the financial year, which are unpaid at financial year end. The amounts are unsecured and are usually paid within 30 days of recognition. Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

(n) Financial Instruments

Recognition

Financial instruments are initially measured at fair value, plus in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or the issue of the financial asset or liability. Subsequent to initial recognition, the financial instruments are measured as set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. Gains and losses arising from changes in the fair value are recognised in the Comprehensive Operating Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables and other receivables in the balance sheet. Loans and receivables are recognised at amortised cost less impairment.

Held-to-maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. If the Corporation were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets. Any held-to maturity investments held by the Corporation are stated at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the other categories. Available-for-sale financial assets are reflected at fair value. Gains and losses arising from changes in fair value are taken directly to equity and recycled to the Comprehensive Operating Statement upon disposal or the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Comprehensive Operating Statement of the period.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale equity investment, a significant or prolonged decline in value of the instrument below its cost is considered as an indicator that the investment is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the Comprehensive Operating Statement. Impairment losses are recognised in the Comprehensive Operating Statement. Impairment losses recognised in the Comprehensive Operating Statement on equity instruments classified as available for sale are not reversed through the Comprehensive Operating Statement.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(o) Employee Benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages, salaries, annual leave and accumulating long service leave expected to be settled within 12 months of the reporting date are recognised in employee benefits liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, at their nominal values plus on-costs. Employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows made by the Corporation, in respect of services rendered by employees up to the reporting date.

Regardless of the expected timing of settlements, liabilities made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

Long Service Leave (LSL)

Current Liability - unconditional LSL

(representing 7 or more years of continuous service) is disclosed as a current liability even where the Corporation does not expect to settle the liability within 12 months because it does 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:

- Present value - component that the Corporation does not expect to settle within 12 months; and
- Nominal value - component that the Corporation expects to settle within 12 months.

Non-Current Liability - conditional LSL

(representing less than 7 years of continuous service) 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. Conditional LSL is required to be measured at present value.

In calculating present value, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

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

Employee Benefit on-Costs

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

(p) Environmental Contribution

The Water Industry (Environmental Contributions) Act 2004 amended the Water Industry Act 1994 to make provision for environmental contributions to be paid by water supply corporations. The Act establishes an obligation for corporations to pay into the consolidated fund annual contributions. The contribution period has been extended to cover the period from 1 July 2008 to 30 June 2012. On 28 June 2012 the environmental contribution was extended for a period of four years from 1 July 2012 to 30 June 2016.

The purpose for the environmental contribution is set out in the Act, and the funding may be used for the purpose of funding initiatives that seek to promote the sustainable management of water or address water-related initiatives. The environmental contributions are disclosed separately in expenses within the Comprehensive Operating Statement.

(q) Taxation

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office.

The income tax expense or revenue for the period is the expected tax payable or receivable on the current period's taxable income based on the national income tax rate of 30 per cent, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Corporation's deferred tax liabilities exceed the level of deferred tax assets and therefore a net deferred tax liability has been disclosed in the Balance Sheet.

(r) Dividend Policy

The Corporation is required to pay a dividend in accordance with a determination of the Treasurer of Victoria under the Public Authorities (Dividend) Act 1983, based on a prescribed percentage of the previous years' adjusted net profit. An obligation to pay a dividend only arises after consultation with the portfolio Minister and the Treasurer and a formal determination is made by the Treasurer. The Corporation does not expect to provide a dividend from the results of this reporting period.

(s) Goods and Services Tax

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

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows arising from operating activities are disclosed in the Cash Flow Statement on a gross basis – i.e., inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable or payable to the taxation Authority is classified as operating cash flows.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(t) Contributed Capital

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.

(u) Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Corporation and that are believed to be reasonable under the circumstances.

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Key estimates and judgments made are disclosed throughout the financial statements.

(v) 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 21) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(w) 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 14) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented exclusive of GST receivable or payable respectively.

(x) New Accounting Standards and Interpretations issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2012 reporting period. The Corporation has not and does not intend to adopt these standards early.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Corporation has not yet decided when to adopt AASB 9.	1-Jan-13	The Corporation is yet to assess its full impact. However, initial indications are that it may affect the entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.
AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards. Accounting Standards	AASB10 introduces a single definition of control that applies to all entities and focuses on the need to have both power and rights or exposure to variable returns. AASB 11 introduces a new approach for which the focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. These standards provide more reliable and relevant information for users to assess the composition of the group and the amounts, timing and uncertainty of future cash flows.	1-Jan-13	The Corporation is yet to assess its full impact. The group will apply amended standard from 1 January 2013.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 1053 Application of Tiers of Australian Accounting Standards, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.	1-Jan-13	The impact of this standard will depend on instructions provided by DTF on its applicability to the Corporation. The Corporation will assess its impact once DTF has provided guidance on this standard.
AASB 13 Fair Value Measurement, AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2012-1 Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements	The standard explains how to measure fair value and aims to enhance fair value disclosures	1-Jul-13	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.
AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements.	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1-Jul-13	The Corporation is yet to assess its full impact. The Corporation will apply amended standard from 1 January 2013.
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale.	1-Jan-12	The Corporation will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities	1-Jan-13	This amendment will not affect the financial statements of the Corporation.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changed to the Manual and improve related disclosures. Applicable only to not-for-profit entities and/or public sector entities.	1-Jul-12	The Corporation will apply the amended standard from 1 July 2012. When the amendments are applied, the Corporation will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001. The amendments cannot be adopted early.	1-Jul-13	This amendment is expected to have a limited impact.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.	1-Jul-12	The Corporation will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 [AASB 1]	The interpretation provides guidance on the accounting for waste removal (stripping) costs in the production phase of a mine. Such stripping costs can only be recognised as an asset if they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow and the costs can be measured reliably.	1-Jan-13	This amendment does not affect the financial statements of the Corporation
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory Governments. Applicable only to not-for-profit entities and/or public sector entities.	1-Jul-12	This amendment is expected to have a limited impact.

Note 2: Financial Risk Management

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Corporation's Board has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. The Corporation uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by the Audit and Risk Committee under policies approved by the Board of Directors (The Board). The Board provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

An effective framework is in place to adequately assess, monitor, manage and report, the significant financial risks to which the Corporation is exposed to as a result of, and in the course of its activities and responsibilities.

(a) Risk exposures

The main risks the Corporation is exposed to through its financial instruments are as follows:

Market risk

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Corporation's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Corporation's exposure to market risk is primarily through interest rate risk, there is insignificant exposure to foreign exchange risk and other price risk.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

(i) Interest rate risk

The Corporation's exposure to market interest rates relates primarily to the Corporation's long term borrowings.

The Corporation minimises its exposure to interest rate changes on its long term borrowings by holding fixed rate debt. Debt is sourced from Treasury Corporation of Victoria and is managed within a range of Board approved limits with debt levels and interest rates being monitored regularly. In accordance with the Corporation's Treasury Management Policy, floating debt is limited to less than 30 of the total borrowing portfolio. This debt is restricted to short term borrowings, which limits the exposure to interest rate risk further.

The Corporation has minimal exposure to interest rate risk through its holding of cash assets and other financial assets.

(ii) Foreign exchange risk

The Corporation has limited exposure to changes in the foreign exchange rate.

(iii) Other price risk

The Corporation has no significant exposure to other price risk.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Market risk sensitivity analysis

The sensitivity analysis below has taken into consideration past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Corporation believes that a movement of 1 per cent in interest rates is reasonable over the next 12 months.

30th June 2012	Carrying amount \$'000	Interest Rate Risk			
		-1%		1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial Assets					
Cash	975	(9)	(9)	9	9
Receivables: Trade	7,221	0	0	0	0
Private Schemes	268	(3)	(3)	3	3
Total Financial Assets	8,464	(12)	(12)	12	12
Financial Liabilities					
Trade Creditors & Accruals	3,011	0	0	0	0
Interest Bearing Liabilities	31,500	0	0	0	0
Defined Benefits Superannuation	1,469	0	0	0	0
Total Financial Liabilities	35,980	0	0	0	0
Total Increase / (Decrease)		(12)	(12)	12	12
30th June 2011	Carrying amount \$'000	Interest Rate Risk			
		-1%		1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial Assets					
Cash	1,314	(13)	(13)	13	13
Receivables: Trade	6,805	0	0	0	0
Private Schemes	358	(4)	(4)	4	4
Total Financial Assets	8,477	(17)	(17)	17	17
Financial Liabilities					
Trade Creditors & Accruals	3,707	0	0	0	0
Interest Bearing Liabilities	36,500	50	50	(50)	(50)
Total Financial Liabilities	40,207	50	50	(50)	(50)
Total Increase / (Decrease)		33	33	(33)	(33)

Credit Risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises principally from the Corporation's receivables.

The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of a large number of residential and business customers which are spread across a diverse range of industries. Receivable balances are monitored on an on-going basis to ensure that exposure to bad debts is not significant. The Corporation has in place a policy and procedure for the collection of overdue receivables, and if required, can evoke sections of the Water Act 1989 to recover unpaid debts from customers. An analysis of the ageing of trade receivables is presented in Note 6.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's policy is to settle financial obligations within 30 days and in the event of dispute make payments within 30 days from the date of resolution.

The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continually monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

To manage liquidity risk the Corporation has in place an ability to access funds via overnight notifications to Treasury Corporation of Victoria in accordance with the Treasurer's borrowing approval limits. Under the State's centralised borrowing arrangement, TCV has assumed responsibility for securing adequate access to global financial markets.

(b) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, the Corporation has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amounts of trade receivables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of current borrowings approximate the carrying amount, as the impact of discounting is not significant.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(c) Interest Rate Risk

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity.

2012	Contractual repricing of maturity periods									
	Non-interest bearing	Floating interest rate	Fixed Interest Rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Financial Instruments	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(i) Financial Assets										
Cash and Cash Equivalents	27	948								975
Receivables: Trade	7,221									7,221
Private Schemes				10	10	8	8	8	224	268
Total Financial Assets	7,248	948	0	10	10	8	8	8	224	8,464
(ii) Financial Liabilities										
Trade Creditors & Accruals	4,480									4,480
Interest Bearing Liabilities				9,500	7,000	5,500	2,500	3,000	4,000	31,500
Total Financial Liabilities	4,480	0	0	9,500	7,000	5,500	2,500	3,000	4,000	35,980
Net Financial asset / (liabilities)	2,768	948	0	(9,490)	(6,990)	(5,492)	(2,492)	(2,992)	(3,776)	(27,516)

2011	Contractual repricing of maturity periods									
	Non-interest bearing	Floating interest rate	Fixed interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Financial Instruments	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
(i) Financial Assets										
Cash and Cash Equivalents	27	1,287								1,314
Receivables: Trade	6,805									6,805
Private Schemes				10	10	8	8	8	314	358
Total Financial Assets	6,832	1,287	0	10	10	8	8	8	314	8,477
(ii) Financial Liabilities										
Trade Creditors & Accruals	3,707									3,707
Interest Bearing Liabilities				5,000	9,500	7,000	5,500	2,500	7,000	36,500
Total Financial Liabilities	3,707	0	0	5,000	9,500	7,000	5,500	2,500	7,000	40,207
Net Financial asset / (liabilities)	3,125	1,287	0	(4,990)	(9,490)	(6,992)	(5,492)	(2,492)	(6,686)	(31,730)

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

(d) Net Fair Values Measurements

The carrying amounts and fair values of interest bearing liabilities at balance date are:

Financial Instruments	Carrying Amount		Fair Value	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
(i) Financial Assets				
Cash and Cash Equivalents	975	1,314	975	1,314
Receivables	7,221	6,805	7,221	6,805
Private Schemes	268	358	268	358
Total Financial Assets	8,464	8,477	8,464	8,477
(ii) Financial Liabilities				
Payables - Trade Creditors and Accruals	4,480	3,707	4,480	3,707
Borrowings - TCV	31,500	36,500	33,550	37,229
Total Financial Liabilities	35,980	40,207	38,030	40,936

None of the classes of interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of borrowings is based upon market prices, where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles. Fair value is inclusive of costs which would be incurred on settlement of a liability.

(e) Credit Risk Exposure

The Corporation's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet.

Concentration of Credit Risk

The Corporation minimises concentrations of credit risk in relation to Trade Accounts Receivable by undertaking transactions with a large number of customers.

Credit risk in trade and other receivables is managed by payment term of 14 days.

Credit risk for bank accounts is reduced by banking with reputable financial institutions with a sound credit rating.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 3: Operating Statement - Disclosures

(a) Revenues Service Charges

Water Charges	6,304	5,852
Wastewater Charges	12,536	11,240

18,840

17,092

Government Contributions

Capital	2,185	815
	2,185	815

Developer Contributions

Fees paid by developers	372	678
Assets received from developers	2,180	1,534
	2,552	2,212

Other Revenue

Planning Fees	480	485
Farm Operation Income	155	179
Rental Income	111	82
Miscellaneous	579	330
Legal Fees Recovered	73	76
	1,398	1,152

(b) Expenses

Depreciation and Amortisation:

Buildings	22	59
Water Infrastructure	4,073	3,402
Wastewater Infrastructure	4,155	2,409
Plant, Equipment, Office and Motor Vehicles	654	585
Sub-total	8,904	6,455

Amortisation - Intangible Assets	448	690
	9,352	7,145

Employee Costs

Salaries & Wages	5,370	5,619
Leave Payments	1,000	203
Superannuation Contributions	541	492
Defined Benefits Funding Call	1,469	265
Other	331	328
	8,711	6,907

Bad and Doubtful Debts

21

36

Loss on Impairment of Non Financial Assets

Water Assets - Impairment of Nicholson Dam	0	2,716
Corporate Assets - Building Revaluation Impairment	0	979
	0	3,695

Auditors' Remuneration

Auditor General for audit of financial statements	40	40
Internal Audit	100	88
	140	128

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 4: Income Tax

The income tax expense/(benefit) for the financial year differs from the amount calculated on the profit / (loss). These differences are reconciled as follows:

(a) Components of Tax Expense

Deferred tax relating to temporary differences

Deferred income tax expense/(benefit) included in income tax expense comprises:

Decrease / (increase) in deferred tax assets

(Decrease) / increase in deferred tax liabilities

(b) Reconciliation of Income Tax to prima facie tax payable

Net result before income tax expense

Tax at the Australian tax rate of 30% (2011: 30%)

Add / (Deduct)

Tax Effect of amounts which are not deductible / (taxable) in calculating taxable income:

- Depreciation on Buildings

- Entertainment

- Amortisation of Buildings

- Prior Year Correction

Aggregate Income Tax Expense/(Benefit)

Aggregate Income Tax Expense/(Benefit) comprises:

- Deferred Income Tax Provision

(c) Income Tax recognised in Other Comprehensive Income

Net gain on revaluation of property, plant & equipment

Tax at the Australian tax rate of 30% (2011: 30%)

Tax relating to prior land and building revaluation not previously recognised

Total Income Tax recognised in Other Comprehensive Income

	2012 \$000	2011 \$000
	1,105	(83)
	1,105	(83)
	(63)	(68)
	1,168	(15)
	1,105	(83)
	3,696	(244)
	1,109	(73)
	7	18
	0	2
	(11)	(30)
	0	0
	1,105	(83)
	1,105	(83)
	0	119,136
	0	35,741
	0	1,473
	0	37,214

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 5: Cash and Cash Equivalents

Current

Cash on Hand and Bank Accounts	948	1,287
Developer Bond Accounts	27	27

The deposits are bearing floating interest rates between 3.5% and 4.65% (2011: 4.39% and 4.63%)

2012	2011
948	1,287
27	27
975	1,314

Note 6: Receivables

Current:

Trade Debtors	3,157	355
Other Debtors	4,121	6,505
Less Provision for Impaired Receivables	(57)	(55)

2012 \$000	2011 \$000
3,157	355
4,121	6,505
(57)	(55)
7,221	6,805

Non Current:

Private Schemes	268	358
-----------------	-----	-----

268	358
268	358

Past due but not impaired trade receivables

As at the 30 June 2012, current receivables of the Corporation with a nominal value of \$153K (2011: \$174K) were past due but not impaired. The amount of the provision was \$57K (2011: \$55K). The individually impaired receivables relate to tenant debtors. The ageing of these receivables is as follows:

3 to 6 months	8	40
Over 6 months	151	134
	159	174

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected these amounts will be received when due.

Movements in the provision for impaired receivables are as follows:

At 1 July	55	46
Provision for impairment recognised during the year	23	37
Receivables written off during the year as uncollectable	(21)	(28)
	57	55

The creation and release of the provision for impaired receivables has been included as an expense in the Comprehensive Operating Statement.

Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

Note 7: Inventories

Stores at Cost	393	488
Livestock at Valuation	0	32

2012 \$000	2011 \$000
393	488
0	32
393	520

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 8: Infrastructure, Property, Plant and Equipment

(a) Classes of Property, Plant and Equipment

Land

At Fair Value (Crown)

At Fair Value (Freehold)

At Cost (freehold)

Buildings

At Fair Value

At Cost

Less Accumulated Depreciation

Water Infrastructure

At Fair Value

At Cost

Less Accumulated Depreciation

Wastewater Infrastructure

At Fair Value

At Cost

Less Accumulated Depreciation

Motor Vehicles

At Fair Value

At Cost

Less Accumulated Depreciation

Plant and Equipment

At Fair Value

At Cost

Less Accumulated Depreciation

Office Equipment

At Fair Value

At Cost

Less Accumulated Depreciation

Total Infrastructure, Property, Plant and Equipment

Capital Works in Progress

Water, At Cost

Wastewater, At Cost

Total Capital Works in Progress

2012 \$000	2011 \$000
2,377	2,377
11,122	11,196
321	157
13,820	13,730
1,720	1,720
122	0
(22)	0
1,820	1,720
166,637	166,637
13,273	9,548
(4,106)	(33)
175,804	176,152
130,651	130,651
7,347	1,464
(4,170)	(16)
133,828	132,099
34	863
1,452	489
(133)	(26)
1,353	1,326
566	869
506	201
(97)	(19)
975	1,051
0	131
451	202
(62)	(11)
389	322
327,989	326,400
376	1,600
6,847	6,328
7,223	7,928

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Asset Value at Sale Date	Accumulated Depreciation on Disposal	WDV at Sale Date	Proceeds from Sale	Profit / (Loss) on Sale
	\$000	\$000	\$000	\$000	\$000
(b) Profit / Loss on Sale of Non Current Assets 2012					
Motor Vehicles	593	(205)	388	384	(4)
Plant and Equipment	86	(86)	0	17	17
Office Equipment	134	(129)	5	0	(5)
Infrastructure	271	(14)	257	669	412
Total	1,084	(434)	650	1,070	420
(c) Profit / Loss on Sale of Non Current Assets 2011					
Motor Vehicles	435	(144)	291	233	(58)
Plant and Equipment	94	(92)	2	0	(2)
Office Equipment	57	(57)	0	0	0
Infrastructure	1,184	(174)	1,010	1,181	171
Total	1,770	(467)	1,303	1,414	111

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Opening WDV \$000	Additions \$000	Disposals \$000	Revaluation \$000	Impairment \$000	Transfers \$0	Depreciation Exp \$000	Closing WDV \$000
(d) Movement during financial year 2012								
Land								
At Fair Value (Crown)	2,377							2,377
At Fair Value (Freehold)	11,196		(73)					11,123
At Cost	157	353	(189)					321
	13,730	353	(262)	0	0	0	0	13,821
Buildings								
At Fair Value	1,720						(21)	1,699
At Cost	0	122					(1)	121
	1,720	122	0	0	0	0	(22)	1,820
Water Infrastructure								
At Fair Value	166,637						(4,036)	162,601
At Cost	9,515	3,734	(8)				(37)	13,204
	176,152	3,734	(8)	0	0	0	(4,073)	175,805
Wastewater Infrastructure								
At Fair Value	130,651						(3,783)	126,868
At Cost	1,448	5,883					(372)	6,959
	132,099	5,883	0	0	0	0	(4,155)	133,827
Motor Vehicles								
At Fair Value	447		(287)				(126)	34
At Cost	879	674	(101)				(133)	1,319
	1,326	674	(388)	0	0	0	(259)	1,353
Plant and Equipment								
At Fair Value	736						(170)	566
At Cost	315	191					(97)	409
	1,051	191	0	0	0	0	(267)	975
Office Equipment								
At Fair Value	71		(5)				(66)	0
At Cost	251	199					(62)	388
	322	199	(5)	0	0	0	(128)	388
Total	326,400	11,156	(663)	0	0	0	(8,904)	327,989

Land and Buildings were independently valued at 30 June 2011 by Valuer General of Victoria (using Egan National Valuers). For Land, the valuation methodology used has been market value adjusted for community service obligations where applicable. Due to their specialised nature Buildings have been valued using depreciated replacement costs.

Infrastructure assets were independently valued at 30 June 2011 by the Valuer General of Victoria (using AECOM valuers). The valuation methodology used was depreciated replacement costs using a Greenfields approach for assessing costs and only included assets that were constructed before 1 July 2010. Cost models were built based on actual construction information complemented by a variety of information sources including capacity, height, material type, length and depth that could be applied broadly across the range of assets in each category.

At 1 July 2011

Cost / fair value	329,877
Accumulated Depreciation and Impairment	(3,477)
Net Carrying Amount	326,400

At 30 June 2012

Cost / fair value	339,949
Accumulated Depreciation and Impairment	(11,960)
Net Carrying Amount	327,989

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Opening WDV \$000	Additions \$000	Disposals \$000	Revaluation \$000	Impairment \$000	Transfers \$0	Depreciation Exp \$000	Closing WDV \$000
(d) Movement during financial year 2011								
Land								
At Fair Value (Crown)	2,492			(115)				2,377
At Fair Value (Freehold)	13,627		(350)	(2,081)				11,196
At Cost	1,369	402	(245)	(1,369)				157
	17,488	402	(595)	(3,565)	0	0	0	13,730
Buildings								
At Fair Value	4,509			(1,058)	(979)	(693)	(59)	1,720
At Cost	39			(39)			0	0
	4,548	0	0	(1,097)	(979)	(693)	(59)	1,720
Water Infrastructure								
At Fair Value	0			166,637				166,637
At Deemed Cost	54,864		(415)	(51,733)	(2,716)			0
At Cost	46,052	9,548		(42,684)			(3,401)	9,515
	100,916	9,548	(415)	72,220	(2,716)	0	(3,401)	176,152
Wastewater Infrastructure								
At Fair Value	0			130,651				130,651
At Deemed Cost	56,822			(55,105)		693	(2,410)	0
At Cost	23,706	1,466		(23,724)				1,448
	80,528	1,466	0	51,822	0	693	(2,410)	132,099
Motor Vehicles								
At Fair Value	932		(291)				(194)	447
At Cost	417	488					(26)	879
	1,349	488	(291)	0	0	0	(220)	1,326
Plant and Equipment								
At Fair Value	973		(2)				(235)	736
At Cost	133	201					(19)	315
	1,106	201	(2)	0	0	0	(254)	1,051
Office Equipment								
At Fair Value	171						(100)	71
At Cost	60	202					(11)	251
	231	202	0	0	0	0	(111)	322
Total	206,166	12,307	(1,303)	119,380	(3,695)	0	(6,455)	326,400

At 1 July 2010

Cost / fair value	246,712
Accumulated Depreciation and Impairment	(40,546)
Net Carrying Amount	206,166

At 30 June 2011

Cost / fair value	329,877
Accumulated Depreciation and Impairment	(3,477)
Net Carrying Amount	326,400

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 8: Infrastructure, Property, Plant and Equipment (Continued)

	Opening Cost \$000	Additions \$000	Transfer \$000	Closing Cost \$000
(e) Capital Works in Progress 2012				
Water				
At Cost	1,600	4,049	(5,273)	376
Wastewater				
At Cost	6,328	6,402	(5,883)	6,847
	7,928	10,451	(11,156)	7,223
	Opening Cost \$000	Additions \$000	Transfer \$000	Closing Cost \$000
2011				
Water				
At Cost	6,426	6,015	(10,841)	1,600
Wastewater				
At Cost	2,173	5,621	(1,466)	6,328
	8,599	11,636	(12,307)	7,928

Note 9: Intangible Assets

Cost (Gross Carrying Amount) - Software
 Cost (Gross Carrying Amount) - Gound Water Licence (Indefinite Life)
 Accumulated Amortisation and Impairment

Net Carrying Amount

Opening Written Down Value
 Additions
 Amortisation

Net Carrying Amount

	2012 \$000	2011 \$000
Cost (Gross Carrying Amount) - Software	3,001	2,837
Cost (Gross Carrying Amount) - Gound Water Licence (Indefinite Life)	181	181
Accumulated Amortisation and Impairment	(2,590)	(2,142)
Net Carrying Amount	592	876
Opening Written Down Value	876	1,276
Additions	164	290
Amortisation	(448)	(690)
Net Carrying Amount	592	876

Note 10: Payables

Trade Creditors and Accruals
 Defined Benefits Superannuation Payable
 Contractor Deposits and Retention

	2012 \$000	2011 \$000
Trade Creditors and Accruals	2,544	3,432
Defined Benefits Superannuation Payable	1,469	0
Contractor Deposits and Retention	467	248
Total	4,480	3,680

The Corporation does not have a foreign exchange rate exposure in respect of its Payables balance.

Note 11: Employee Benefits

(a) Current

Annual leave and unconditional long service leave entitlements, representing 7 years of continuous service:

Annual Leave - nominal value
 Long Service Leave - nominal value

	2012 \$000	2011 \$000
Annual Leave - nominal value	675	661
Long Service Leave - nominal value	1,155	1,020
Total	1,830	1,681
(b) Non Current		
Conditional long service leave, measured at present value	202	141
Total	202	141

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 11: Employee Benefits (continued)

	2012 \$000	2011 \$000
(c) Employee Statistics		
Number of Employees	90	84
Number of Effective Full Time Employees	88	83
The present value of employee entitlements that are not expected to be settled within twelve months of balance date have been calculated using the following weighted averages, as advised by the Department of Treasury and Finance.		
Rostered Days Off were not deemed to be liabilities and no provision was calculated during the reporting period.		
Assumed rate of increase in wage and salary rates	4.31%	4.60%
Discount Rate	2.40% - 2.86%	4.74% - 5.03%
Settlement Term (years)	7	7

Note 12: Interest Bearing Liabilities

Current

Secured TCV Borrowings	9,500	5,000
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Non-Current:

Secured TCV Borrowings	22,000	31,500
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Total Interest Bearing Liabilities

31,500	36,500
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The borrowings are not directly secured by assets of the Corporation but have the benefit of the Treasurer's guarantee in favour of TCV dated 25 April 2002.

For an analysis of the sensitivity of borrowings to interest rate risk refer to Note 2.

Credit Standby arrangements

Bank (TCV) loan facilities

Total Facilities	31,500	36,500
Used at Balance Date	31,500	36,500

Unused at Balance Date

0	0
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Interest rate risk exposures

The following table sets out the Corporation's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate maturity periods. Exposures arise predominately from, liabilities bearing variable interest rates as the Corporation intends to hold fixed borrowings to maturity.

TCV Borrowings - Floating	9,500	5,000
TCV Borrowings - Fixed	22,000	31,500
	31,500	36,500
Weighted Average interest rate (%)	5.84%	5.96%

Weighted Average interest rate (%)

None of the Corporation's interest bearing liabilities are readily traded on organised markets in standardised form. The fair value of the Corporation's interest bearing liabilities are disclosed in Note 2. All of the Corporation's interest bearing liabilities are denominated in AUD and are not subject to foreign exchange risk.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 13: Deferred Tax Liabilities

(a) Deferred tax assets

The balance comprises temporary differences attributable to:

	2012 \$000	2011 \$000
Employee Benefits	610	547
Doubtful Debts	17	16
Other	9	10
Benefit of carry forward tax losses	10,421	10,654
Sub total	11,057	11,227
Offset against deferred tax liabilities	(11,057)	(11,227)
Closing Balance	0	0

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Cumulative depreciation & amortisation	17,606	16,661
Net gain on revaluation of property, plant & equipment	39,279	39,302
Offset from deferred tax assets	(11,057)	(11,227)
Closing Balance	45,828	44,736

Movements

Opening Balance at 1 July	44,736	7,360
Charged/(credited) to Comprehensive Operating Statement	1,105	(83)
Charged/(credited) to Equity	(13)	37,459
Closing Balance	45,828	44,736

Deferred tax liabilities to be recovered after more than 12 months
Deferred tax liabilities to be recovered within 12 months

45,828	44,736
0	0

Note 14: Contingent Liabilities and contingent assets

At balance date the Corporation is unaware of any contingent liabilities or contingent assets that have not been disclosed or recorded.

Note 15: Superannuation

The Corporation contributes to the following superannuation schemes in respect of its employees with contribution rates varying from 9% - 9.25% of employee salaries. Contributions by the Corporation during the reporting period are detailed below:

	2012 \$000	2011 \$000
Local Authorities Super - Defined Benefits	117	104
Local Authorities Super - Super Saver	424	388
Local Authorities Super - Defined Benefits Funding Call	1,469	265
	2,010	757

The Corporation makes employer superannuation contributions in respect of most employees to the Local Authorities Superannuation Fund (the Fund). Obligations for contributions are recognised as an expense in profit or loss when they are due. The Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Accumulation Fund

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the fund.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Defined Benefit Plan

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

The Corporation makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation conducted by the Fund's actuary as at 31 December 2011, the Corporation makes the following contributions -

- 9.25% of members' salaries
- the difference between resignation and retrenchment benefits paid to any retrenched employees, plus contributions tax.

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2011 pursuant to the requirements of Australian Accounting Standard AAS25 and is as follows:

	31-Dec-11
	\$'000
Net Market Value of Assets	4,315,324
Accrued Benefits	4,642,133
Difference between Assets and Accrued Benefits	<u>(326,809)</u>
Vested Benefits (minimum sum which must be paid to members when they leave the fund)	<u>4,838,503</u>

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund were:

Net Investment Return	7.50% p.a
Salary Inflation	4.25% p.a
Price Inflation	2.75% p.a

The Trustee has made a funding call to employers for a top up of the short fall.

The Corporation's share of the funding short fall is \$1.469M payable on 1 July 2013.

The funding call has been recognised as an expense in the Comprehensive Operating Statement and as a current payable liability in the Balance Sheet.

The Trustee of the fund has liaised with APRA to arrange a payment plan that covers a 15 year period.

Note 16: Lease Commitments

	2012	2011
	\$000	\$000
Less than One Year	188	234
One to Five Years	249	464
Over Five Years	145	177
	<u>582</u>	<u>875</u>

The Corporation's lease and rental income is derived from lease of telecommunication tower sites, rental of residential farm property and rental of sites for weather and navigational monitoring facilities with terms between 5 and 20 years. The Corporation has entered into a 5 year lease arrangement for agistment of owned land to a third party.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 17: Contributed Capital

	2012 \$000	2011 \$000
Opening Balance at 1 July	95,694	95,694
Equity Contributions from Victorian Government - Cash	273	0
Closing Balance at 30 June	95,967	95,694

Note 18: Reserves

Asset Revaluation Reserve

	2012 \$000	2011 \$000
Land	4,348	4,348
Infrastructure	87,355	87,355
Total Reserves	91,703	91,703

Movements in Reserves

Opening Balance	91,703	9,781
Land Valuation Decrement	0	(4,117)
Building Valuation Decrement	0	(1,316)
Infrastructure Increment	0	87,355
Closing Balance	91,703	91,703

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

Note 19: Accumulated Surplus

	2012 \$000	2011 \$000
Balance July 1	69,965	70,126
Net result for the period	2,591	(161)
Accumulated Surplus at the end of year	72,556	69,965

Note 20: Reconciliation of Net Results from Ordinary Activities to Cash Provided by Operating Activities

	2012 \$000	2011 \$000
Net Result for the Period	2,591	(161)
Depreciation and Amortisation	9,352	7,145
Loss on Sale on Non-Current Assets	(420)	2,392
Bad Debts	21	28
Movement in Assets and Liabilities		
(Increase)/Decrease in Receivables	(1,207)	(1,044)
(Increase)/Decrease in Inventories	127	(31)
(Increase)/Decrease in Prepayments	(26)	29
Increase/(Decrease) in Provisions	210	211
Increase/(Decrease) in Accounts Payable	(888)	199
Increase/(Decrease) in Deferred Revenue	521	(166)
Increase/(Decrease) in Deferred Tax Liabilities	1,105	(83)
Net Cash Provided by Operating Activities	11,386	8,519
Non Cash Activities		
Income for Capital Purposes - Donated Developer Assets	1,806	1,307

Income for capital purposes includes the value of donated developer assets received, where the Corporation gains control of those assets. They represent "non-cash" activities.

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 21: Commitments

Capital Commitments

Capital Project Commitments due within 12 months - Exclusive of GST

Environmental Contribution Commitments

At 30 June 2012, the Corporation had outstanding environmental contribution commitments, to be paid is follows:

Within one year

One to five years

2012 \$000	2011 \$000
1,691	1,780
823	823
4,684	0
5,507	823

Note 22: Reconciliation of Cash and Cash Equivalents

Cash as at the end of the financial year as shown in the Cash flow Statement is reconciled to the related items in the Balance Sheet as follows:

Cash on Hand

Cash at Bank

Developer Bond Accounts

2012 \$000	2011 \$000
1	1
947	1,286
27	27
975	1,314

Note 23: Auditor's Remuneration

Amounts paid/payable to the Victorian Office of the Auditor General

2012 \$000	2011 \$000
40	40

Note 24: Executive Officers' Remuneration

The number of Executive Officers', other than the responsible persons, whose total remuneration falls within the specific bands above \$100,000 as are follows:

\$130,000 - \$139,999

\$140,000 - \$149,999

\$150,000 - \$159,999

\$160,000 - \$169,999

Total Remuneration

Total Numbers

Annualised Employee Equivalent

Total Remuneration		Base Remuneration	
2012	2011	2012	2011
0	1	3	3
3	2	0	1
0	1	1	0
1	0	0	0
596	573	572	549
4	4	4	4
4	4	4	4

EAST GIPPSLAND REGION WATER CORPORATION

Notes to the financial report for the year ended 30 June 2012

Note 25: Responsible Persons' Related Disclosures

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

Ministers

The Hon. Peter Walsh MP Minister for Water (1 July 2011 - 30 June 2012)

Board

Chairperson	Gail Morley	(1 July 2011 - 30 June 2012)
Deputy Chairperson	Richard Elkington	(1 July 2011 - 30 June 2012)
Director	Robert Supplitt	(1 July 2011 - 30 June 2012)
Director	Eric Sjerp	(1 July 2011 - 30 June 2012)
Director	John Rudge	(1 July 2011 - 30 June 2012)
Director	Samuel Logan	(1 July 2011 - 30 June 2012)
Director	Michelle Dowsett	(1 October 2011 - 30 June 2012)
Director	Geoff Ellis	(1 October 2011 - 30 June 2012)
Director	Jane Rowe	(1 July 2011 - 30 September 2011)
Director	Bernie Smith	(1 July 2011 - 30 September 2011)
Managing Director	Les Mathieson	(1 July 2011 - 30 June 2012)

Remuneration of Responsible Persons

Remuneration paid to Ministers is reported in the Annual Report of the Department of Premier and Cabinet. Other relevant interests are declared in the Register of Members' Interests which each member of the Parliament completes.

The number of Responsible Persons' whose remuneration from the Corporation was within the specific bands were as follows:

	2012	2011
\$0 - \$9,999	2	0
\$10,000 - \$19,999	6	6
\$20,000 - \$29,999	1	1
\$40,000 - \$49,999	1	1
\$210,000 - \$219,999	0	1
\$230,000 - \$239,999	1	0
Total Numbers	11	9
Remuneration received or receivable by responsible persons' and related parties in respect of the management of the Corporation during the reporting period was:		
	2012 \$000	2011 \$000
	416	393

Retirement Benefits

The Corporation has made superannuation payments of \$35,848 (2011: \$36,000) on behalf of the Board Directors.

Transactions between responsible persons and the Corporation

There have been no transactions between responsible persons and the Corporation other than in the normal capacity as ratepayers and consumers.

Note 26: Events Subsequent to the Balance Date

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

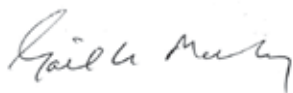
East Gippsland Region Water Corporation

Statutory certification for 2011/12

We certify the attached financial statements for East Gippsland Region Water Corporation have been prepared in accordance with standing direction 4.2 of the *Financial Management Act 1994*, applicable Australian Accounting Standards, Interpretations and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these financial statements, presents fairly the financial transactions during the year ended 30 June 2012 and the financial position of the Corporation as at 30 June 2012.

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



Gail Morley
Chairperson

East Gippsland Region Water Corporation



Brett Millington
Acting Managing Director

East Gippsland Region Water Corporation



Rob Carlesso
Chief Finance & Accounting Officer

East Gippsland Region Water Corporation

30 August 2012

INDEPENDENT AUDITOR'S REPORT

To the Board Members, East Gippsland Region Water Corporation

The Financial Report

The accompanying financial report for the year ended 30 June 2012 of the East Gippsland Region Water Corporation 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 statutory certification has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the East Gippsland Region Water Corporation 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 Board Members 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 Board Members, 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.

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 East Gippsland Region Water Corporation 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 East Gippsland Region Water Corporation for the year ended 30 June 2012 included both in the East Gippsland Region Water Corporation's annual report and on the website. The Board Members of the East Gippsland Region Water Corporation are responsible for the integrity of the East Gippsland Region Water Corporation's website. I have not been engaged to report on the integrity of the East Gippsland Region Water Corporation'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
31 August 2012

For 
D D R Pearson
Auditor-General

Appendix:

Whistleblower's Protection Act Policy Investigation of Disclosures and Protection for Whistleblowers (2011/12)

Within the terms of reference of the Whistleblowers Protection Act which came into effect on January 1, 2002, no disclosures were made to East Gippsland Region Water Corporation, nor were any disclosures made to the Ombudsman for determination as to whether such disclosures were public interest disclosures.

No investigation or disclosure of any type was taken over from East Gippsland Water by the Ombudsman, and no requests by complainants to have disclosures investigated by the Ombudsman due to their dissatisfaction with the way East Gippsland Water investigated any matter, were received.

East Gippsland Water did not decline to investigate any disclosure and no recommendations were received by East Gippsland Water from the Ombudsman in relation to any aspect of the Whistleblowers Protection Act.

Policy No 31 (as follows) was adopted on February 19, 2002. The policy reads: "East Gippsland Region Water Corporation (EGW) is committed to the aims and objectives of the Whistleblowers Protection Act 2001 and will not tolerate improper conduct by its employees, officers or members, nor the taking of reprisals against those who come forward to disclose such conduct.

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

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

A copy of the *Whistleblowers Protection Act 2001 Ombudsman's Guidelines* is registered on File No. 0/040/570 Document No. 24620."

East Gippsland Water's Standard Operating Procedure, **SOP 084 Whistleblowers: Investigation - Protection** provides detailed procedures to facilitate the making and investigation of disclosures and protection of whistleblowers from reprisals. SOP 084 is reprinted as follows.

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1. PURPOSE

These procedures establish a system for reporting disclosures of improper conduct or detrimental action by East Gippsland Water or its employees. The system enables such disclosures to be made to the Protected Disclosure Co-ordinator or to one of the nominated Protected Disclosure Officers. Disclosures may be made by employees or members of the public.

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

1.1 Statement of support to whistleblowers

East Gippsland Water is committed to the aims and objectives of the

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

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

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

2. APPROVAL

Managing Director

3. OBJECTIVES OF THE ACT

The Whistleblowers Protection Act 2001 commenced operation on 1 January 2002. The purpose of the Act is to encourage and facilitate the making of disclosures of improper conduct by public officers and public bodies. The Act provides protection to whistleblowers who make disclosures in accordance with the Act, and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

4. PROCEDURE:

Definitions of key terms

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

4.1 Improper conduct

A disclosure may be made about improper conduct by a public body or public official. Improper conduct means conduct that is corrupt, a substantial mismanagement of public resources, or conduct involving substantial risk to public health or safety or to the environment.

The conduct must be serious enough to constitute, if proved, a criminal offence or reasonable grounds for dismissal.

4.2 Corrupt conduct

Corrupt conduct means:

- Conduct of any person (whether or not a public official) that adversely affects the honest performance of a public officer's or public body's functions;
- The performance of a public officer's functions dishonestly or with inappropriate partiality;
- Conduct of a public officer, former public officer or a public body that amounts to a breach of public trust;
- Conduct by a public officer, former public officer or a public body that amounts to the misuse of information or material acquired in the course of the performance of their official functions; or
- A conspiracy or attempt to engage in the above conduct.

4.3 Detrimental action

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

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

5. THE REPORTING SYSTEM

5.1 Contact persons

- East Gippsland Water

Disclosures of improper conduct or detrimental action by East Gippsland Water or its employees, may be made to the following officers:

- The Protected Disclosure Co-ordinator
East Gippsland Water
Managing Director, Les Mathieson:
telephone 5150 4444 – internal extension 417;
e-mail lmathieson@egwater.vic.gov.au
- The Protected Disclosure Officer
East Gippsland Water
Executive Manager Corporate Development and Services, Brett Millington:
telephone 5150 4444 – internal extension 415;
e-mail bmillington@egwater.vic.gov.au

All correspondence, phone calls and emails from internal or external whistleblowers will be referred to the Protected Disclosure Co-ordinator.

Where a person is contemplating making a disclosure and is concerned about approaching the Protected Disclosure Co-ordinator or a Protected Disclosure Officer in the workplace, he or she can call the relevant officer and request a meeting in a discreet location away from the workplace.

5.2 Alternative contact persons

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

The Ombudsman Victoria
Level 3 (South Tower), 459 Collins Street
Melbourne Victoria 3000
(DX 210174)
Internet: www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au
Toll Free: 1800 806 314

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

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

6. ROLES AND RESPONSIBILITIES

6.1 Employees

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

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

6.2 Protected Disclosure Officers

Protected Disclosure Officers will:

- Be a contact point for general advice about the operation of the Act for any person wishing to make a disclosure about improper conduct or detrimental action;
- Make arrangements for a disclosure to be made privately and discreetly and, if necessary, away from the workplace;
- Receive any disclosure made orally or in writing (from internal and external whistleblowers);

- Commit to writing any disclosure made orally;
- Impartially assess the allegation and determine whether it is a disclosure made in accordance with Part 2 of the Act (that is, a protected disclosure);
- Take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential;
- Forward all disclosures and supporting evidence to the Protected Disclosure Co-ordinator;
- Liaise with the Managing Director East Gippsland Water.

6.3 Protected Disclosure Co-ordinator

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

- Receive all disclosures forwarded from the Protected Disclosure Officers;
- Receive all phone calls, emails and letters from members of the public or employees seeking to make a disclosure;
- Impartially assess each disclosure to determine whether it is a public interest disclosure;
- Refer all public interest disclosures to the Ombudsman;
- Be responsible for carrying out, or appointing an investigator to carry out, an investigation referred to the public body by the Ombudsman;
- Be responsible for overseeing and co-ordinating an investigation where an investigator has been appointed;
- Appoint a Welfare Manager to support the whistleblower and to protect him or her from any reprisals;
- Advise the whistleblower of the progress of an investigation into the disclosed matter;
- Establish and manage a confidential filing system, collate, publish statistics on disclosures made;
- Take all necessary steps to ensure the identity of the whistleblower and the identity of the person who is the subject of the disclosure are kept confidential;

6.4 Investigator

The Investigator will be responsible for carrying out an internal investigation into a disclosure where the Ombudsman has referred a matter to East Gippsland Water. An Investigator may be a person from within an organisation or a consultant engaged for that purpose.

6.5 Welfare manager

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

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

7. CONFIDENTIALITY

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

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

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

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

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

East Gippsland Water will ensure all files, whether paper or on computer disk (all electronic files must be suitably password protected) are kept under lock and key in the personnel files cabinet, and can only be accessed by the Protected Disclosure Co-ordinator, Protected Disclosure Officer, the Investigator or Welfare Manager (in relation to welfare matters). All printed material will be kept in files that are clearly marked as a Whistleblower Protection Act matter, and warn of the criminal penalties that apply to any unauthorised divulging of information concerning a protected disclosure. Electronic files will be produced and stored on a stand-alone computer and be given password protection. Backup files will be kept on floppy disc. All materials relevant to an investigation, such as tapes from interviews, will also be stored securely with the whistleblower files.

East Gippsland Water will not e-mail documents relevant to a whistleblower matter and will ensure all phone calls and meetings are conducted in private.

8. COLLATING AND PUBLISHING STATISTICS

The Protected Disclosure Co-ordinator will establish a secure register to record the information required to be published in the annual report and generally keep account of the status of whistleblower disclosures. The register will be confidential and will not record information that may identify the whistleblower, and will contain the following:

- The number and types of disclosures made to public bodies during the year;
- The number of disclosures referred to the Ombudsman for determination as to whether they are public interest disclosures;

- The number and types of disclosed matters referred to the public body by the Ombudsman for investigation;
- The number and types of disclosures referred by the public body to the Ombudsman for investigation;
- The number and types of investigations taken over from the public body by the Ombudsman;
- The number of requests made by a whistleblower to the Ombudsman to take over an investigation by the public body;
- The number and types of disclosed matters that the public body has declined to investigate;
- The number and types of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation; and
- Any recommendations made by the Ombudsman relating to the public body.

9. RECEIVING AND ASSESSING DISCLOSURES

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

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

9.1.1 *Has the disclosure been made to the appropriate person?*

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

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

- To be a protected disclosure, a disclosure must satisfy the following criteria:
- Did a natural person (that is, an individual person rather than a corporation) make the disclosure?
- Does the disclosure relate to conduct of a public body or public officer acting in their official capacity?
- Is the alleged conduct either improper conduct or detrimental action taken against a person in reprisal for making a protected disclosure?
- Does the person making a disclosure have reasonable grounds for believing the alleged conduct has occurred?
- Where a disclosure is assessed to be a protected disclosure, it is referred to the Protected Disclosure Co-ordinator. The Protected Disclosure Co-ordinator will determine whether the disclosure is a public interest disclosure.
- Where a disclosure is assessed not to be a protected disclosure, the matter does not need to be dealt with under the Act. The Protected Disclosure Officer will decide how the matter should be responded to in consultation with the Protected Disclosure Co-ordinator.

9.2 Is the disclosure a public interest disclosure?

- Where the Protected Disclosure Officer or Co-ordinator has received a disclosure that has been assessed to be a protected disclosure, the Protected Disclosure Co-ordinator will determine whether the disclosure amounts to a public interest disclosure. This assessment will be made within 45 days of the receipt of the disclosure.
- In reaching a conclusion as to whether a protected disclosure is a public interest disclosure, the Protected Disclosure Co-ordinator will consider whether the disclosure shows, or tends to show, that the public officer to whom the disclosure relates:
- Has engaged, is engaging or proposes to engage in improper conduct in his or her capacity as a public officer; or
- Has taken, is taking or proposes to take detrimental action in reprisal for the making of the protected disclosure.
- Where the Protected Disclosure Co-ordinator concludes that the disclosure amounts to a public interest disclosure, he or she will:
- Notify the person who made the disclosure of that conclusion; and
- Refer the disclosure to the Ombudsman for formal determination as to whether it is indeed a public interest disclosure.

Where the Protected Disclosure Co-ordinator concludes that the disclosure is not a public interest disclosure, he or she will:

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

In either case, the Protected Disclosure Co-ordinator will make the notification and the referral within 14 days of the conclusion being reached by the public body. Notification to the whistleblower is not necessary where the disclosure has been made anonymously.

10. INVESTIGATIONS

10.1 Introduction

Where the Ombudsman refers a protected disclosure to East Gippsland Water for investigation, the Protected Disclosure Co-ordinator will appoint an investigator to carry out the investigation.

The objectives of an investigation will be:

- To collate information relating to the allegation as quickly as possible. This may involve steps to protect or preserve documents, materials and equipment;
- Consider information collected/draw conclusions objectively and impartially;
- To maintain procedural fairness in the treatment of witnesses and the person who is the subject of the disclosure; and

- To make recommendations arising from the conclusions drawn concerning remedial or other appropriate action.

10.2 Terms of reference

Before commencing an investigation, the Protected Disclosure Co-ordinator will draw up terms of reference. The terms of reference will set a date by which the investigation report is to be concluded, and will describe the resources available to the Investigator to complete the investigation within the time set. The Protected Disclosure Co-ordinator may approve, if reasonable, an extension of time requested by the Investigator. The terms of reference will require the Investigator to make regular reports to the Protected Disclosure Co-ordinator who, in turn, is to keep the Ombudsman informed of general progress.

10.3 Investigation plan

The Investigator will prepare an investigation plan for approval by the Protected Disclosure Co-ordinator. The plan will list the issues to be substantiated and describe the avenue of inquiry. It will address the following issues:

- What is being alleged?
- What are the possible findings or offences?
- What are the facts in issue?
- How is the inquiry to be conducted?
- What resources are required? At the commencement of the investigation, the whistleblower should be:
- Notified by the Investigator that he or she has been appointed to conduct the investigation;
- Asked to clarify any matters; and
- Provide any additional material.

The Investigator will be sensitive to whistleblowers' possible fear of reprisals and will be aware of statutory protections provided to whistleblowers.

10.4 Natural justice

The principles of natural justice will be followed in any investigation of a public interest disclosure. The principles of natural justice concern procedural fairness and ensure a fair decision is reached by an objective decision maker. Maintaining procedural fairness protects the rights of individuals and enhances public confidence in the process. East Gippsland Water will have regard to the following issues in ensuring procedural fairness:

- The person who is the subject of the disclosure is entitled to know the allegations made against him or her and must be given the right to respond. (This does not mean the person must be advised of the allegation as soon as the disclosure is received or the investigation has commenced);
- If the Investigator is contemplating making a report adverse to the interests of any person, that person should be given the opportunity to put forward further material that may influence the outcome of the report and that person(s) defence should be fairly set out in the report;
- All relevant parties to a matter should be heard and all submissions should be considered;
- A decision should not be made until all reasonable inquiries have been made;

- The Investigator or any decision maker should not have a personal or direct interest in the matter being investigated;
- All proceedings must be carried out fairly and without bias. Care should be taken to exclude perceived bias from the process; and The Investigator must be impartial in assessing the credibility of the whistleblowers and any witnesses. Where appropriate, conclusions as to credibility should be included in the investigation report.

10.5 Conduct of the investigation

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

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

10.6 Referral of an investigation to the Ombudsman

The Protected Disclosure Co-ordinator will make a decision regarding the referral of an investigation to the Ombudsman where, on the advice of the Investigator:

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

10.7 Reporting requirements

The Protected Disclosure Co-ordinator will ensure the whistleblower is kept regularly informed concerning the handling of a protected disclosure and an investigation.

The Protected Disclosure Co-ordinator will report to the Ombudsman about the progress of an investigation.

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

11. ACTION TAKEN AFTER AN INVESTIGATION

11.1 Investigator's final report

At the conclusion of the investigation, the Investigator will submit a written report of his or her findings to the Protected Disclosure Co-ordinator. The report will contain:

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

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

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

The report will be accompanied by:

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

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

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

11.2 Action to be taken

If the Protected Disclosure Co-ordinator is satisfied that the investigation has found that the disclosed conduct has occurred, he or she will recommend the action that must be taken to prevent the conduct from continuing or occurring in the future. The Protected Disclosure Co-ordinator may also recommend that action be taken to remedy any harm or loss arising from the conduct.

The Protected Disclosure Co-ordinator will provide a written report to the Minister for Conservation and Environment, the Ombudsman and the whistleblower setting out the findings of the investigation and any remedial steps taken. Where the investigation concludes that the disclosed conduct did not occur, the Protected Disclosure Co-ordinator will report these findings to the Ombudsman and to the whistleblower.

12. MANAGING THE WELFARE OF THE WHISTLEBLOWER

12.1 Commitment to protecting whistleblowers

East Gippsland Water is committed to the protection of genuine whistleblowers against detrimental action taken in reprisal for the making of protected disclosures. The Protected Disclosure Co-ordinator is responsible for ensuring whistleblowers are protected from direct and indirect detrimental action, and that the culture of the workplace is supportive of protected disclosures being made.

The Protected Disclosure Co-ordinator will appoint a Welfare Manager to all whistleblowers who have made a protected disclosure. The Welfare Manager will:

- Examine the immediate welfare and protection needs of a whistleblower who has made a disclosure and, where the whistleblower is an employee, seek to foster a supportive work environment;

- Advise the whistleblower of legislative and administrative protections available to him or her;
- Listen and respond to any concerns of harassment, intimidation or victimisation in reprisal for making disclosure;
- Keep a contemporaneous record of all aspects of the case management of the whistleblower including all contact and follow-up action; and
- Ensure the expectations of the whistleblower are realistic.

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

Detrimental action includes:

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

12.2 Keeping the whistleblower informed

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

12.3 Occurrence of detrimental action

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

- Record details of the incident;
- Advise the whistleblower of his or her rights under the Act; and
- Advise the Protected Disclosure Co-ordinator of the detrimental action.

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

12.4 Whistleblowers implicated in improper conduct

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

The Protected Disclosure Co-ordinator will make the final decision as to whether disciplinary or other action will be taken against a whistleblower. Where disciplinary or other action relates to conduct that is the subject of the whistleblower's disclosure, disciplinary/other action will only be taken after the disclosed matter has been dealt with appropriately.

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

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

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

13. MANAGING PERSONS AGAINST WHOM A DISCLOSURE HAS BEEN MADE

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

The Protected Disclosure Co-ordinator will ensure the person who is the subject of any disclosure investigated by or on behalf of a public body is:

- Informed as to the substance of the allegations;

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

Where the allegations in a disclosure have been investigated, and the person who is the subject of the disclosure is aware of the allegations or the fact of the investigation, the Protected Disclosure Co-ordinator will formally advise the person who is the subject of the disclosure of the outcome of the investigation.

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

14. CRIMINAL OFFENCES

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

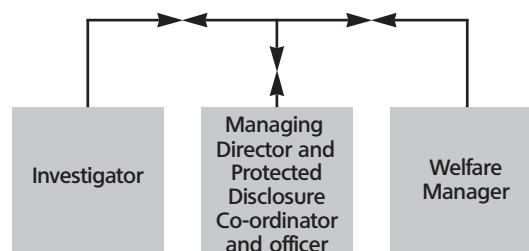
1. It is an offence for a person to take detrimental action against a person in reprisal for a protected disclosure being made. The Act provides a maximum penalty of a fine of 240 penalty units (\$24,000) or two years imprisonment or both.

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

15. REVIEW

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

16. REPORTING STRUCTURE FOR EAST GIPPSLAND WATER



Annexure A – Model Register

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

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

* WB refers to whistleblower

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The Annual Report of the East Gippsland Region Water Corporation is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Corporation's compliance with statutory disclosure requirements.

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Glossary

ASR	Aquifer Storage and Recovery
DSE	Department of Sustainability and Environment
DoH	Department of Health
EGCMA	East Gippsland Catchment Management Authority
EPA	Environment Protection Authority
FTE	Full Time Equivalent
Kilolitre (kL)	One thousand litres
Megalitre (ML)	One million litres
t CO ₂ -e	Tonnes of CO ₂ equivalent
WSDS	Water Supply Demand Strategy



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