

Annual Report 2013-14

Our mission

Improve the environmental health of rivers, wetlands and floodplains by managing Victoria's environmental Water Holdings and cooperating with partners.

Our values

Collaboration. Integrity.
Commitment. Initiative.



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Chairperson and Executive Officer report

In 2013-14 the Victorian Environmental Water Holder (VEWH) continued to build on the successes of past years, with the refinement of some key practices that are critical to its work in improving the health and resilience of Victoria's waterways.

This annual report provides an overview of the 2013-14 water and financial year. It reports on performance against the *Corporate Plan 2013-14 to 2016-17* and the VEWH's compliance with statutory and corporate responsibilities. It also provides a brief analysis of the management of Victoria's environmental water entitlements (the Water Holdings) and the achievements of the VEWH in 2013-14.

An important achievement in 2013-14 was the development of a risk management framework which outlines a partnership approach to managing shared risks in environmental watering. Formal endorsement by environmental watering program partners and implementation of the framework will now be a key focus of 2014-15.

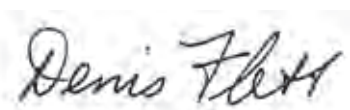
The VEWH continues to build positive relationships with its program partners, including waterway managers, storage managers, the Murray-Darling Basin Authority and the Commonwealth Environmental Water Office. The strength of these relationships was demonstrated in 2013-14 through the delivery of multi-site watering events, including one commencing at Barmah Forest and continuing through to the Lower Lakes in South Australia.

A key role of the VEWH is reporting on the outcomes of environmental watering. In 2013-14, the VEWH worked to strengthen its fulfilment of this role by investing in targeted event-based monitoring. The projects aim to more effectively link the use of the Water Holdings to environmental outcomes.

After three years of operation, the VEWH has matured as an organisation, and in 2013-14 produced its most comprehensive seasonal watering plan to date. The seasonal watering plan guides the majority of the VEWH's work in collaborating with its program partners to deliver water from the Water Holdings to improve the health of Victoria's rivers, wetlands and floodplains.

As we review our 2013-14 achievements, we look forward to another year of development in 2014-15. In accordance with the *Financial Management Act 1994*, we are pleased to present the VEWH's Annual Report for the year ending 30 June 2014.

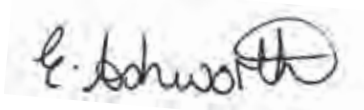
Denis Flett



Chairperson
Victorian Environmental Water Holder

6 October 2014

Elizabeth Ashworth



Executive Officer
Victorian Environmental Water Holder

6 October 2014

Governance

2.1 Organisational overview

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

Vision, mission and values

The vision provides insight and guidance to drive the VEWH's operations in the long term. The VEWH's vision is:

Environmental watering for healthy waterways

Healthy and resilient waterways with restored watering patterns that sustain a more natural level of biodiversity. Collaborative partnerships that build widespread support for environmental watering and the multiple values and services provided by waterways. Best-practice environmental water management to achieve the most effective and efficient use of Victoria's Water Holdings.

The vision of the VEWH is supported by a mission statement to:

Improve the environmental health of rivers, wetlands and floodplains by managing Victoria's environmental Water Holdings and cooperating with partners.

In undertaking its mission, the VEWH:

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

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Relationships

Collaboration with Victoria's environmental watering program partners is critical for effective delivery of environmental water to achieve desired outcomes. Program partners, including other water holders, waterway managers, storage managers and land managers, work with the VEWH to agree on and implement priority watering actions. These partnerships are outlined in Figure 2.1.

The VEWH works closely with other water holders, such as the Commonwealth Environmental Water Holder (through the Commonwealth Environmental Water Office), the Murray-Darling Basin Authority and other partners in the Living Murray program, to negotiate use of their water in Victorian rivers, wetlands and floodplains.

Figure 2.1 Key partnerships and responsibilities



2.2 Commissioners and office

The VEWH is comprised of three part-time Commissioners. The Commissioners in 2013-14 were:

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



L-R: Geoff Hocking, Denis Flett and Ian Penrose

The Commissioners were appointed for a three-year term ending 30 June 2014.

In May 2014, Governor in Council reappointed Denis Flett and Geoff Hocking for a five-year term commencing 1 July 2014, together with Chris Chesterfield, who will take the place of Ian Penrose. Ian opted not to seek reappointment as he scales back his work commitments. The VEWH would like to thank Ian for the significant contribution he made to the VEWH in its foundation years and congratulate him on his successful term.

The Commissioners are supported by a small number of office staff comprised of:

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



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2.3 Governance arrangements

The VEWH Commissioners are appointed by Governor in Council, upon recommendation of the Minister for Environment and Climate Change. Under the Water Act, Commissioners must have knowledge or experience in one or more of the following fields – environmental management, sustainable water management, economics or public administration. The Commission is responsible for setting strategic direction, establishing goals, objectives and programs for executive management, and monitoring the business. The Commissioners attended all Commission meetings in 2013-14.

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

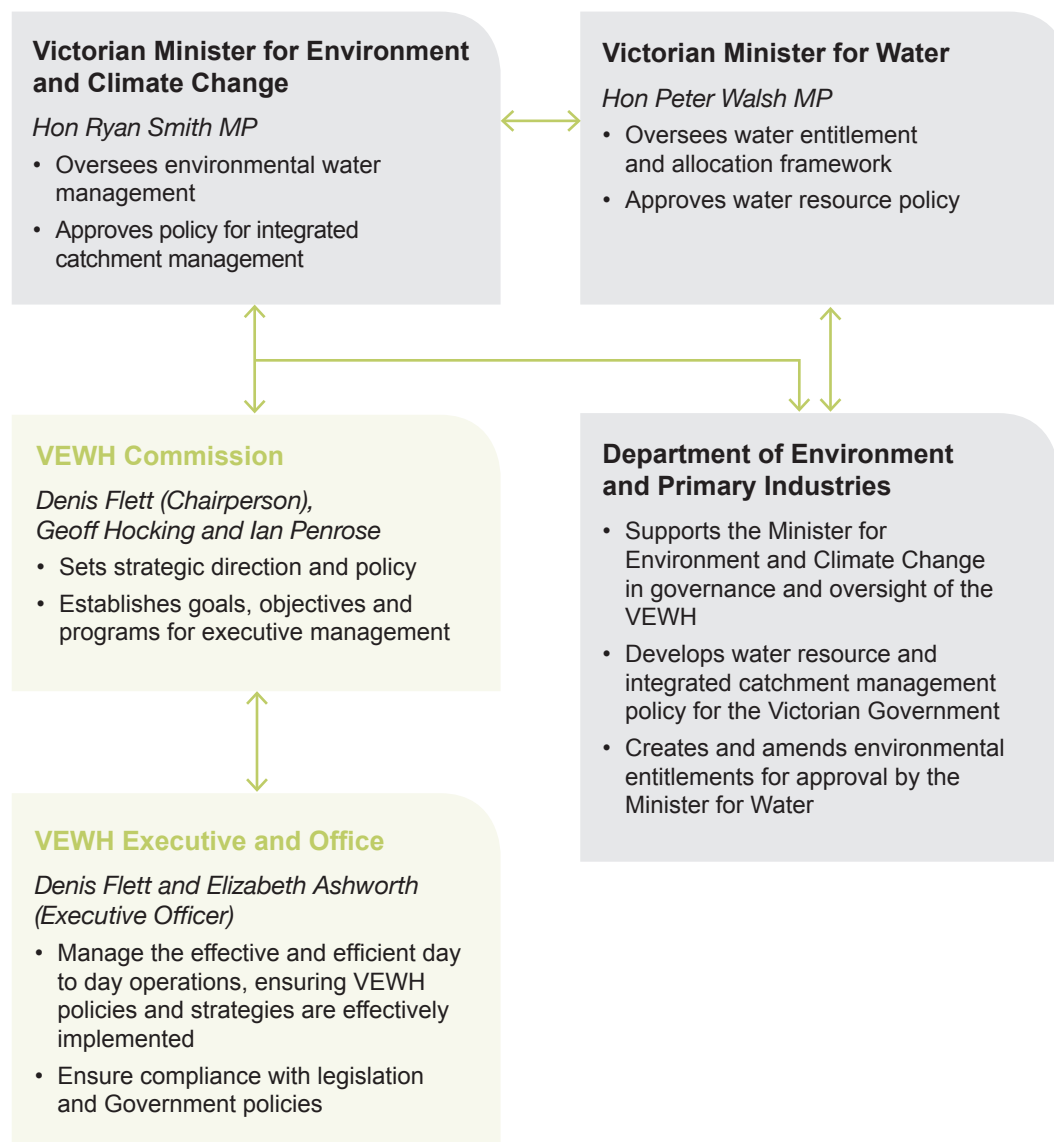
The VEWH reports directly to the Minister for Environment and Climate Change. The Department of Environment and Primary Industries (DEPI) has a role in governance oversight of the VEWH, advising the Minister for Environment and Climate Change on its performance. DEPI also has a role supporting the Minister for Water in creating and amending water entitlements (see Figure 2.2).

Under section 33DS of the Water Act, the Minister for Environment and Climate Change can give the VEWH written directions in relation to its functions, powers and duties. The Minister did not give the VEWH any written directions in 2013-14.

The Risk and Audit Committee is an independent body established by the Commission in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. It provides assurance to the VEWH Commission that the organisation's risk and control environment is operating effectively and efficiently. The committee meets quarterly. In 2013-14, Risk and Audit Committee members were:

- Geoff Hocking, Chairperson
- Ian Penrose (independent)
- John Howson (independent).

Figure 2.2 Governance structure





SECTION TWO

Powers listed under the Water Act

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

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

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

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

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

Risk management and insurance

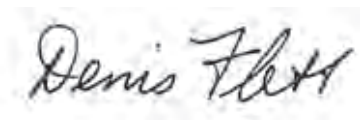
In line with the *Victorian Government Risk Management Framework* issued by the Department of Treasury and Finance, the VEWH implements appropriate strategies and practices to ensure strategic and operational risks are identified, assessed and mitigated as appropriate. In 2013-14, the VEWH, in collaboration with environmental watering program partners, drafted the *Victorian Environmental Watering Partnership Risk Management Framework* which outlines a partnership approach to managing shared risks in environmental watering. Formal endorsement and implementation of the framework by program partners will be a key focus of 2014-15.

Key strategic risks have been identified in the VEWH risk register and are reviewed by the Risk and Audit Committee and VEWH Commission regularly. Operational risks have been identified in the *Seasonal Watering Plan 2014-15*, as well as its underpinning operational documents, which is available by visiting www.vewh.vic.gov.au or contacting the VEWH office at general.enquiries@vewh.vic.gov.au.

I, Denis Flett, certify that the Victorian Environmental Water Holder has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the Executive to understand, manage and satisfactorily control risk exposures. The Risk and Audit Committee verifies that this assurance and the risk profile of the Victorian Environmental Water Holder has been critically reviewed within the last 12 months.

I, as the Victorian Environmental Water Holder Chairperson, certify that the Victorian Environmental Water Holder has complied with Ministerial Direction 4.5.5.1 – Insurance.

Denis Flett



Chairperson
Victorian Environmental Water Holder

6 October 2014

Overview of 2013-14

3.1 Year in review

Seasonal conditions

In 2013-14, many systems across Victoria experienced average to wet conditions early in the water year followed by drier conditions towards the end of the year. Priority watering actions were managed to meet these changing conditions and some significant environmental outcomes were achieved. The drier conditions also enabled many wetlands and floodplains to undergo a drying phase, which is a critical component of environmental water management in these systems.

Restoring flows with environmental water

The *Seasonal Watering Plan 2013-14* outlined 222 potential priority watering actions across Victoria. These represented the full scope of actions that may have been able to be delivered under a range of planning scenarios. The number of priority watering actions achieved is always dependent on actual seasonal and operational conditions.

In 2013-14 a significantly greater number of priority watering actions were able to be achieved than in previous years. More water was delivered to more sites across the State. Both the volume of environmental water delivered and the number of river reaches or wetlands receiving water, were close to twice the achievement of 2012-13. Due to drier seasonal conditions the Water Holdings also played a greater part, with an increased reliance on environmental water to restore the flow.

Of the priority watering actions identified as in scope for 2013-14, 181 actions or 82 percent were fully¹ or partially achieved²; that is, the flow pattern that occurred was consistent with or not materially different from the planned pattern and there was some certainty of achieving the environmental objectives (see Figure 3.1).

Of those watering actions which were fully or partially achieved, 147 or 81 percent relied on some contribution of managed environmental water. The remaining 19 percent were achieved with unregulated flows, consumptive water en route or with water being delivered for other purposes, or were events that did not require water such as a wetland that was in a drying phase.

The watering actions which were not achieved³ were due to:

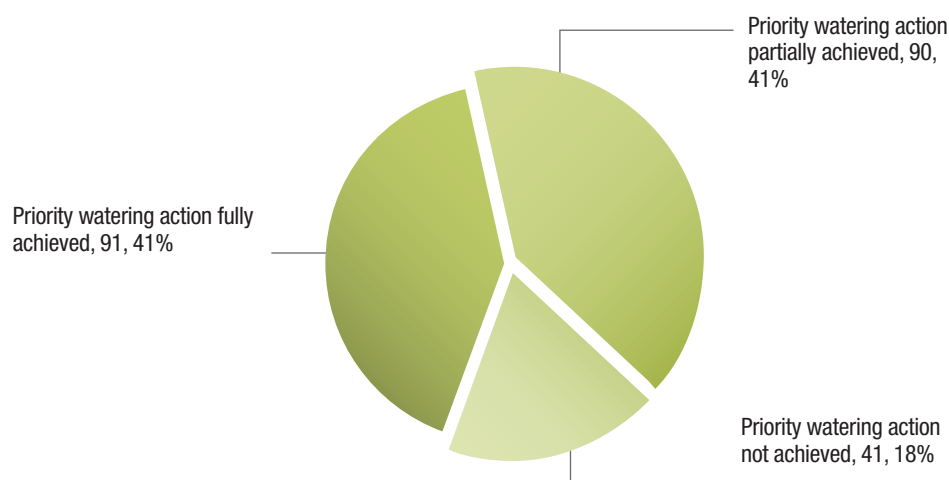
- wetlands being naturally inundated during planned drying phases, or inundated as a result of storage manager works
- a lack of agreement with landholders for watering private wetlands or lack of connection to the source system
- storage manager asset maintenance works restricting the magnitude of flows which could be delivered
- insufficient water availability
- an absence of natural cues, leading to limited ecological basis for environmental watering.

¹ The flow pattern that occurred was consistent with the planned parameters for the watering action. There is relative certainty that the environmental objectives have been achieved.

² The flow pattern that occurred was not entirely consistent with, but not materially different from, the planned parameters for the watering action. There is less, but still some certainty that the environmental objective has been achieved.

³ A priority watering action was not achieved if the flow pattern did not occur at all, or was materially different from the planned parameters for the watering action. There is little to no certainty that the environmental objective was achieved.

Figure 3.1 Achievement of priority watering actions in 2013-14



Total net water availability in 2013-14 was 1,105,541 ML, including water made available by the Commonwealth Environmental Water Holder and the Living Murray program. See section 3.4 for more information.

In total, it was possible to deliver 809,678 ML of environmental water to 145 priority environmental flow river reaches (66) or wetlands (79) across Victoria. A greater number of sites were able to be watered this year compared to previous years, because the total volume held in environmental entitlements increased, in addition to increased availability of Commonwealth environmental water. Water delivery to new wetland sites also became possible with improved or increased infrastructure and landholder support.

During the 12 months to 30 June 2014, the VEWH Commission issued 95 seasonal watering statements authorising waterway managers to order delivery of the Water Holdings. The Water Act requires all seasonal watering statements to be consistent with the seasonal watering plan. In comparison to previous years, a greater number of statements were required due to an increase in priority watering actions undertaken and the number of sites receiving environmental water.



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In response to unforeseen circumstances and changing conditions, the VEWH approved eight variations to the seasonal watering plan during the year. These variations are an important tool to ensure environmental water management remains adaptive to changing conditions. However, the VEWH aims to ensure that the seasonal watering plan is as enabling as possible from the outset, and will continue to strive to better scope and streamline its planning and decision-making. Variations were made to the plan in the following areas:

- Mallee wetlands (Edmonds wetlands): Seasonal watering plan amended to include Edmonds wetlands. The site was previously omitted due to uncertainty of support for environmental watering from adjacent landholders. Further consultation with landholders identified that the watering of the site was feasible (September 2013).
- Yarra system: Seasonal watering plan amended to correct an error which described winter/spring freshes as a priority during June to September. This was changed to 'June to November' (September 2013).
- Werribee system: Seasonal watering plan amended to incorporate a change in the volume of winter/spring freshes in reach 6 from '10 ML per day for five days' to 'up to 50 ML per day for up to five days', in response to new monitoring information (November 2013).
- Mallee wetlands (Butlers Creek): Seasonal watering plan amended to extend the timing of water delivery to Butlers Creek from 'spring and autumn/winter' to 'spring and early summer, and autumn/winter', in response to a longer than expected drying phase (November 2013).
- Werribee system: Seasonal watering plan amended to incorporate a change in the timing of two spring/summer freshes from 'September to December' to 'September to February', in response to new monitoring information regarding the best outcomes for juvenile black bream (January 2014).
- Goulburn Broken wetlands (Moodies Swamp): Seasonal watering plan amended to include Moodies Swamp. The site was previously omitted based on limited information available in the seasonal watering proposal (April 2014).
- Maribyrnong system: Seasonal watering plan amended after Melbourne Water identified an opportunity to purchase unused licence allocation in the Maribyrnong system to support environmental flow releases to Jacksons Creek in 2014 (April 2014).
- Werribee system: Seasonal watering plan amended to correct an error in the volume and timing for winter flows in reaches 8 and 9 to 'baseflows of 81 ML per day' and 'freshes of 350 ML per day for five days' (June 2014).

Table 3.1 provides a comparison of some water planning and delivery indicators from 2011-12 to 2013-14. These indicators are not reported against set targets because they are dependent upon seasonal and operational conditions.

Table 3.1 Comparison of 2013-14 watering performance with previous years

	2011-12 ⁴		2012-13		2013-14	
Priority watering actions (number of actions and as percentage of total number of actions identified ⁵)						
Total no. of actions identified	109		122		222	
Actions fully achieved	68	62%	81	66%	91	41%
Actions partially achieved	31	28%	30	25%	90	41%
Actions not achieved	10	9%	11	9%	41	18%
Contribution of Water Holdings to fully and partially achieved watering actions (number of actions and as percentage of total number of fully or partially achieved actions ⁵)						
Full contribution by Water Holdings	28	28%	37	33%	94	52%
Partial contribution by Water Holdings	30	30%	37	33%	53	29%
No contribution by Water Holdings	41	41%	24	22%	31	17%
No water required (eg. drying) or action not achieved	Not reported separately		13	12%	3	2%
Other indicators						
Total number of river reaches and wetlands	45		63		145	
Total number of seasonal watering statements	47		60		95	
Total number of seasonal watering plan variations	6		8		8	

Table 3.2 provides a comparison of water availability and delivery across the State from 2011-12 to 2013-14.

Water available but not used, may or may not be available in 2014-15, depending on provisions within the relevant entitlements. Some of this water is forfeited, some is available under continuous accounting and some is carried over subject to carryover rules and conditions. Some water carried over is targeted to critical early-season watering actions in 2014-15.

⁴ Note that the 2011-12 number of priority watering actions has been updated this year to reflect more accurate data. Note also that this number does not include the Snowy River or the Goulburn-Broken wetlands as in that year they were not considered as a part of the environmental watering program.

⁵ Note that the percentages do not add to 100% due to rounding.

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Table 3.2 Water availability and delivery by region and for the State from 2011-12 to 2013-14

	2011-12	2012-13	2013-14
<i>Total volume available (ML)</i>			
Southern Victoria (Gippsland + Central)	75,651	85,050	111,257
Gippsland Region ⁶	Not reported separately	Not reported separately	48,124
Central Region ⁶			63,133
Western Region	69,211	82,296	60,401
Northern Region ⁷	575,854	597,789	933,883
Total State	720,716	765,135	1,105,541
<i>Total volume delivered (ML⁸)</i>			
Southern Victoria (Gippsland + Central)	33,008	41,060	49,130
Gippsland Region ⁶	Not reported separately	Not reported separately	27,351
Central Region ⁶			21,780
Western Region	18,345	50,277	30,004
Northern Region ⁷	427,858	345,904	730,543
Total State	479,212⁹	437,242	809,678

The seasonal watering plan, all seasonal watering statements and a regular environmental watering update are available from www.vewh.vic.gov.au. Anyone interested in receiving this update can email general.enquiries@vewh.vic.gov.au. Information on all the watering activities undertaken in Victoria in 2013-14 and the associated environmental outcomes can be found in the annual watering booklet *Reflections*, also available on the website.

Linking water delivery to environmental outcomes

Delivering environmental water to river systems across the State is a core role of the VEWH and its program partners. Demonstrating the outcomes achieved with this water is equally as important. The VEWH is required to report on when, how and why environmental water is used. The delivery of environmental water in Victoria seeks to achieve a range of environmental objectives. These objectives are based on scientific studies and may include fish, birds and macroinvertebrates, in-stream and riparian vegetation. The objectives vary for each system and monitoring programs help to determine the effectiveness of environmental watering towards achieving them.

⁶ Reported separately for the first time in 2013-14. Details for Gippsland and Central regions have been included as subtotals of the Southern Victoria region for 2013-14.

⁷ Includes water made available from and delivered on behalf of the Living Murray program and the Commonwealth Environmental Water Holder.

⁸ Reporting on the volume *not* delivered is available in Tables 3.5 to 3.8.

⁹ Note that the region volumes do not add to the total State volume due to rounding.

Scientific environmental flow studies identify and demonstrate the links between particular watering actions (such as freshes or overbank flows) and specific environmental outcomes (such as triggering breeding of a priority fish species).

The environmental effect of water delivery is then tested through observation and monitoring over a range of timeframes. The VEWH and waterway managers conduct targeted short-term ecological monitoring to improve future management decisions.

In addition, the Victorian Government, through DEPI, has developed and is undertaking the Victorian Environmental Flow Monitoring and Assessment Program. This program will provide additional certainty and a scientific basis for the long-term ecological response from particular watering actions.

Often, the delivery of environmental water has flow-on recreational and social benefits, including providing opportunities for recreational activities such as boating, kayaking, fishing and bushwalking. Other added benefits of providing environmental flows can include protecting important sites of Indigenous cultural heritage, such as particular wetlands, scar trees, midden or burial sites. Where possible, the VEWH and its program partners endeavour to maximise these opportunities while achieving the environmental targets outlined in the seasonal watering plan.

The following provides an example of some of the outcomes achieved through environmental water delivery in 2013-14. More information can be found in *Reflections 2013-14*, available from www.vewh.vic.gov.au.

Case study 1:

Boost to golden perch in the Goulburn River

2013-14 saw a boost to golden perch (also known as yellow belly) numbers in the Goulburn River following the first major breeding event since the 2010 floods. The breeding event followed two managed spring freshes in the Goulburn River which aimed to encourage golden perch to breed.

Golden perch breeding is a key objective for environmental water delivery in the Goulburn River as they (and silver perch) are important native fish species that need flow variation as a cue to breed.

Golden perch can be found throughout the Murray-Darling Basin, except the headwaters at high elevations. The species is considered rare within much of its original range, although it is still present in large numbers in some locations.

Over the last 10 years, only one significant golden perch breeding event has occurred in the Goulburn system, however a blackwater event caused by natural flooding in 2010 is suspected to have resulted in some subsequent population loss. The 2013 breeding event was, therefore, important for rebuilding populations of golden perch within the Goulburn and Murray rivers. It is also an excellent example of how environmental flows can be used to target very specific ecological objectives.

The environmental water was provided by the Commonwealth Environmental Water Holder and the Living Murray program. Delivery was coordinated by the VEWH, the Goulburn-Broken Catchment Management Authority and Goulburn-Murray Water.



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Management decisions get water where it is needed most

Carryover and trade are two important tools the VEWH uses, where available, to maximise the availability of the Water Holdings to meet priority environmental watering actions. Carryover rules under entitlements or in water supply systems allow the VEWH to retain unused environmental water in storage to meet priority watering actions in the following year. Trade refers to the buying or selling of water allocations (or entitlements) on water markets, but is also the mechanism used for transferring water between environmental water accounts within or between connected supply systems (these are known as 'administrative transfers').

Throughout the year, the VEWH undertook continual analysis of water demand and supply to inform its decisions. As the season unfolded, there was greater certainty of seasonal conditions and water availability.

In 2013-14, the VEWH made its first water allocation purchase in a system where no permanent Water Holdings are currently held. This purchase in the Maribyrnong system was made jointly with Melbourne Water, who initiated transfer of 731 ML of unused licence allocation to support environmental flow releases to Jacksons Creek in 2014. The total trade cost was shared equally by the VEWH and Melbourne Water. The VEWH also purchased 300 ML of water allocation in the Loddon system to provide sufficient water for a spring fresh priority watering action.

The VEWH undertook administrative transfers between its entitlements to assist in meeting supply shortfalls in 2013-14. 2,500 ML was transferred from the Yarra system to the Thomson system to enable the delivery of a summer/autumn fresh in the Thomson River in 2014. When the flow target for the fresh was partially met by natural flows, the unused water (1,399 ML) was transferred back to the Yarra system (see case study 2).

At the end of 2013-14, 296,050 ML of environmental water remained in VEWH accounts. This represents 27 percent of the VEWH's total water availability last year. Of the total water remaining in VEWH accounts, 2,684 ML in the Campaspe, Maribyrnong and Werribee systems was forfeited as current entitlement and allocation rules did not allow that water to be carried over into the new season. The remaining volume was carried over and may be available for use in 2014-15, subject to carryover rules and conditions (for example, evaporation and potential loss to storage spills).

The largest share of the total unused water was held in northern Victoria, of which 114,300 ML was held under the Barmah-Millewa Environmental Water Allocation (managed jointly with New South Wales), while 30,521 ML remained in Living Murray accounts held by the VEWH for use for Living Murray icon site watering events in 2014-15. VEWH carryover in the Murray and Goulburn systems is intended to be used as part of the Gunbower and Hattah icon site watering events, which commenced in 2013-14 and will continue into 2014-15. Further detail on volumes carried over for each specific system can be found in section 3.4.

Case study 2:

Sharing allocations:

Water transfer from the Yarra to the Thomson

A total of 2,500 ML of environmental water was transferred from the Yarra system to the Thomson system in autumn 2014 to provide a summer/autumn fresh in the Thomson system after it was identified that there was insufficient water to achieve priority watering actions. The environmental water delivery aimed to support fish populations, including the Australian grayling. The environmental flow targets were successfully met, and additional monitoring is being conducted to confirm that the expected ecological outcomes were achieved.

Good water availability in the Yarra system and a physical connection to the Thomson system meant this transfer could take place. It was approved only after confirming that there was sufficient water to provide all priority watering actions in, and that the transfer posed a low risk to, the Yarra system.

Following the provision of the summer/autumn fresh in the Thomson River, the unused water was then traded back to the Yarra system.

This transfer is a great example of how use, trade and carryover decisions can maximise the value of available water across the State to achieve environmental outcomes.

Building collaboration across a range of partners

The VEWH works with a range of partners to deliver environmental water to sites across Victoria. These partners include waterway managers, storage managers, land managers and other holders of environmental water available for use in Victoria.

Waterway managers play a critical role in the on-ground delivery of environmental water. It follows that they also undertake local planning for environmental watering actions, including consultation with key local stakeholders and communities. The VEWH continued its collaboration with waterway managers in 2013-14 through regular meetings, site visits and forum participation. For the third year, waterway managers presented their seasonal watering proposals to the VEWH, the Commonwealth Environmental Water Office, the Murray-Darling Basin Authority and other waterway managers.

Storage managers play a key role in the physical release of environmental water from storages, and ensure that releases are made with consideration of other entitlement holders. The VEWH continues to build positive and effective relationships with storage managers by attending bulk entitlement holder committee meetings (where they exist), and other forums. These committees provide a means of consulting all entitlement holders on issues such as entitlement amendments, operating arrangements and tariff reviews, as well as providing a forum for other issues and concerns to be aired.

The Murray-Darling Basin Authority's Environmental Watering Group is responsible for overseeing the use of Living Murray environmental entitlements. The VEWH participates in this group, which in 2013-14 oversaw the delivery of 502,952 ML to five icon sites. With the finalisation of the Murray-Darling Basin Plan, the VEWH is committed to working collaboratively to plan, implement and report on Victoria's environmental watering requirements.



SECTION THREE

The VEWH continues to develop its partnership with the Commonwealth Environmental Water Office (CEWO). In 2013-14, the VEWH established a partnership agreement with the CEWO to set out how the two organisations will work together to achieve their shared vision: *Environmental watering in Victoria is a collaborative, complementary, objective and integrated effort between partners, supported by communities, that delivers optimal environmental outcomes*. The VEWH continues to meet with the CEWO on a regular basis to improve alignment in the planning and delivery of environmental water.

Case study 3: Moira grass benefits from coordinated approach

A threatened Moira grass community was the focus of a coordinated, large-scale environmental watering event in Barmah Forest during 2013-14.

The event was part of a multi-site watering in the Murray system, targeting outcomes in Barmah Forest, whilst additionally providing benefits for locations downstream, including the Lower Lakes, Coorong and Murray Mouth in South Australia.

Moira grass is an aquatic grass species which forms part of an important, and threatened, vegetation community within Barmah Forest. It underpins many aspects of a healthy floodplain. There has been a 96 percent decline in the extent of Moira grass plains in Barmah Forest over the last 80 years. This is thought to be due to the impact of drought, the absence of an appropriate wetting and drying regime, and exotic animal grazing pressure.

Following natural flooding throughout winter/spring 2013, a total of 355,400 ML of environmental water was used to extend the inundation of Barmah Forest through to late spring. This resulted in significant growth and extensive flowering of Moira grass; the best response seen in seven years.

The watering also provided broader benefits to floodplain vegetation, and improved habitat, feeding, and breeding resources for other species including waterbirds, fish, frogs and turtles.

The multi-site watering event was a coordinated delivery involving a number of environmental water holders, which included the VEWH, the Living Murray, CEWO and New South Wales Office of Water.

Water Holdings expand for greater environmental benefit

At 30 June 2014, the VEWH Water Holdings comprised 22 entitlements and a number of water shares, totalling a long-term average of about 650,000 ML. In the year up to 30 June 2014, one entitlement was created and six were amended. These adjustments are described below:

- The creation of the *Blue Rock Environmental Entitlement 2013* provided a share of inflows equating to a long-term average of 18,737 ML per year in Blue Rock Reservoir, plus passing flows for the Latrobe River.
- An amendment to the *Bulk Entitlement (Loddon River – Environmental Reserve) Order 2005* recognised savings from the East Loddon Waterworks District modernisation project as an environmental entitlement, and also reduced the complexity of the entitlement.

- Amendments to the *Goulburn River Environmental Entitlement 2010* and the *Bulk Entitlement (River Murray – Flora and Fauna) Conversion Order 1999* recognised water purchases equating to a long-term average of 12,500 ML per year as part of irrigation modernisation projects in the Goulburn and Murray systems, which occurred prior to the Goulburn-Murray Water Connections project. The amendment to the Murray entitlement also allowed the VEWH to use River Murray Increased Flows in Victoria (when access is provided).
- Minor consequential amendments were made to the *Yarra Environmental Entitlement 2010*, *Environmental Entitlement (Tarago and Bunyip Reservoirs) 2009*, and *Bulk Entitlement (Thomson River – Environment) Order 2005* resulting from the Office of Living Victoria initiative to disaggregate the Melbourne Water retailers' bulk entitlements.

The long-term average water availability of the Water Holdings also increased due to increases in Murray and Goulburn entitlements as a result of water savings under the Goulburn-Murray Water Connections Project Stage 1. These entitlement volumes will increase each year based on an annual audit of long-term savings achieved to date.

Case study 4:

Blue Rock entitlement protects the Latrobe River

The new Blue Rock entitlement, created in 2013, provides an additional 18,737 ML per year (long-term average) for the Latrobe system. The entitlement consists of passing flows and a nine percent share of inflows into storage, with the actual volume available in any year varying depending upon inflow conditions.

Options for the use of the previously unallocated share of the inflows into the Blue Rock Reservoir, which holds water in storage for the Latrobe system, were investigated as part of the Gippsland Region Sustainable Water Strategy. The result was a shared approach, in which the unused allocation was divided between consumptive users and the environment.

The entitlement was used for the first time in May 2014, to encourage the growth of vegetation in the river channel and improve habitat for fish and macroinvertebrates.

The water entitlements held by the VEWH are continually evolving as changes to legislation and water savings projects make more water available to Victorian rivers and wetlands. The VEWH, along with its partners, continues to adapt its approach in line with these changes and to ensure it has the capacity to achieve the best possible environmental outcomes.

3.2 Performance against key indicators

Three strategic performance indicators were included as part of the *VEWH Corporate Plan 2013-14 to 2016-17*. Table 3.3 briefly describes the VEWH's performance against these indicators in 2013-14.

The VEWH complied with all the relevant provisions in the *Water Act* and the *Public Administration Act 2004* and the *Financial Management Act 1994*. In August 2013 the VEWH Risk and Audit Committee was formed and the internal audit function enabled. Financial performance indicators were also identified and performance against these monitored in 2013-14. These actions addressed the Standing Directions of the Minister for Finance (2.5 and 4.4). However the VEWH did not comply with Standing Direction 2.2, as the Chairperson of the Risk and Audit Committee did not meet all requirements for independence. There were no Ministerial rules in place in 2013-14.

SECTION THREE

The VEWH did not meet all the obligations for the Water Holdings as outlined in the relevant environmental entitlements, as operating arrangements and metering programs have not been finalised. The entitlements specify that, in general, operating arrangements and metering programs must be completed within 12 months of each entitlement being issued. In 2013-14, extensive collaboration with environmental watering program partners has occurred to develop and implement operating arrangements and metering programs.

These identified gaps will be addressed in 2014-15 to meet the requirements of the Standing Directions of the Minister for Finance and the obligations of the Water Holdings. For 2013-14 these gaps contribute to a 73 percent achievement of the performance indicator 'Water Act 1989, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time' as shown in Table 3.3.

Key tasks which contribute to achievement of the VEWH's vision and continuous improvement are captured as priority outputs in the *Corporate Plan 2013-14 to 2016-17*. Key achievements include the development of a partnership agreement with the CEWO, and an external review of the VEWH's environmental watering, trade and carryover decisions. For the first time, targeted event-based monitoring projects were commissioned to demonstrate outcomes of environmental watering and improve understanding of the influence of flows on environmental values. These key learnings will improve decision making and management practices to support native fish and waterbird populations, improve vegetation condition and maintain water quality. A risk management process and strategy were developed including a risk appetite statement, and the *Victorian Environmental Watering Partnership Risk Management Framework* was drafted.

Only three out of 46 outputs were not adequately delivered. These related to the development of operating arrangements with storage managers and waterway managers (as discussed above), undertaking a stakeholder satisfaction survey, and the public availability of business rules. Non-achievement of these priority outputs was due to staff resource constraints.

All strategic programs were evaluated for effectiveness for the 2013-14 year, with opportunities for improvement captured. Within the 'Planning for the Water Holdings and environmental water' strategic program we have continued to improve the guidelines for seasonal watering proposals and the development of the *Seasonal Watering Plan 2014-15*. Key improvements which have been captured as priority outputs in the *Corporate Plan 2014-15 to 2017-18* (as resources allow) include meeting the planning and reporting requirements under the Murray-Darling Basin Plan, improving the availability of environmental watering information through the VEWH website, and improving governance processes including through tracking and reporting safety and well-being incidents and clarifying agreements with VEWH service providers.

In 2014-15, the VEWH will build on these solid results to continue achieving the best practicable outcomes for Victoria's rivers, wetlands and floodplains.

Table 3.3 Strategic performance against key indicators

Performance indicator	Target	Achievement
Water Act 1989, other legislative, Ministerial rules and Water Holdings obligations fulfilled on time	100	73
Priority outputs delivered within committed timeframes	85	94
Programs evaluated for effectiveness in achieving goals and opportunities for improvement identified	100	100

3.3 Financial summary

Table 3.4 below provides a financial summary for VEWH operation in 2013-14. As this is only the VEWH's third year of operation, it is not possible to provide five years of financial summaries.

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

Table 3.4 Financial summary

	2013-14	2012-13	2011-12
<i>Revenues</i>			
Government contributions / grants	6,735,668	3,814,190	3,630,841
Other income	30,565	23,695	20,489
Sale of water allocation	0	552,605	92,066
Interest	119,864	49,668	18,176
Total revenue	6,886,097	4,440,158	3,761,572
<i>Expenditures</i>			
Employee benefits	(803,516)	(653,733)	(597,759)
Grants (water delivery and management)	(1,205,865)	(382,855)	(941,233)
Environmental water holdings and transaction expenses	(2,210,926)	(1,471,600)	(1,172,647)
Other operating expenses	(723,980)	(322,751)	(306,765)
Total expenditure	(4,944,287)	(2,830,939)	(3,018,404)
<i>Assets¹</i>			
Total assets	4,829,609	2,508,345	961,863
<i>Liabilities</i>			
Total liabilities	541,141	157,882	218,695

¹ Environmental entitlements are issued by the Minister for Water under section 48B of the *Water Act 1989*, through an order published in the Victoria Government Gazette. The VEWH does not recognise environmental entitlements that have been gifted to it by the Victorian Government (or other Victorian Government entities) as an intangible asset, as they do not satisfy the recognition criteria of AASB 138 Intangible Assets and Financial Reporting Direction 109 Intangible Assets. Separately acquired water entitlements do meet the recognition criteria of AASB 138 and FRD 109 and would be recognised as an intangible asset. There were no separately acquired water entitlements in 2013-14.



SECTION THREE

There were no significant changes or factors which affected VEWH performance during the reporting period.

Since the first year of operation, environmental water holdings and transaction expenses have increased as additional environmental water entitlements have been created, resulting in additional costs, for example charges for the storage of water in reservoirs. Despite this, some entitlements have not been created or transferred within the expected timeframe, thus some expected costs were not incurred, contributing to the \$1.9 million surplus that the VEWH achieved during 2013-14 (an increase from previous years).

This surplus also results from water delivery costs varying from year to year, according to seasonal conditions and environmental needs, which affects the volume of water required to be delivered and the costs incurred. The VEWH is provided funding to meet environmental watering objectives during an 'average' year. Delivery costs in 2013-14 were lower than average. It is important that the VEWH is able to carry forward and access funds for years with 'above average' seasonal conditions and associated costs. There may be a general increase in delivery costs over time, as more Commonwealth environmental water is delivered in line with their growing Water Holdings. Costs for this delivery are incurred by the VEWH, and are reimbursed in full by the Commonwealth Government.

Additional office resources have also improved the VEWH's ability to fund and/or implement technical projects in 2013-14 as evidenced by the increased management and operating expenses. However, these costs are expected to plateau in the coming years as key knowledge gaps are addressed.

Staff costs have increased as expected over the past three years, with additional resources being required to manage the increasing environmental water entitlements, and to reflect new VEWH obligations with respect to implementation of the Murray-Darling Basin Plan.

No water allocation was sold in 2013-14. Water trading opportunities are assessed throughout the year, with the sale of water allocation only being considered when this supply is not required to meet priority watering actions. Revenue from previous water allocation sales is retained to purchase water allocation to meet priority watering actions in different systems or in different years, or to otherwise provide environmental benefits in Victoria's waterways. As such, water trading revenue and expenditure will vary from year to year, and it is important that the VEWH is able to carry forward and access these funds when required in future years.

There were no significant matters which changed the VEWH's financial position during the reporting period. The increase in liabilities is due to accrued grant payments for water delivery and increased provisions in line with recruitment actions being completed.

The VEWH monitors its expenditure on office operations as a percentage of total expenditure. Office expenditure was 25 percent and is within the target range (less than 33 percent). The *VEWH Corporate Plan 2014-15 to 2017-18* identifies additional financial key performance indicators which will be tracked from 1 July 2014 and reported in the *VEWH Annual Report 2014-15*.

There were no events occurring after the balance date which may significantly affect the VEWH's operations in subsequent reporting periods.

3.4 Final water accounts

Tables 3.5 to 3.8 indicate the total volumes of water carried over, allocated, traded, transferred between accounts, lost to spill and used in 2013-14 in the Gippsland, Central, Western and Northern regions respectively.

Further detail about the Water Holdings can be obtained from the Victorian Water Register (www.waterregister.vic.gov.au).

Table 3.5 VEWH water account summary in the Gippsland Region in 2013-14

VEWH Water Holdings 2013-14 – Gippsland Region												
River system	Entitlement	Reliability	Entitlement volume (ML) at 1 July 2013	Carryover from 2012-13 (ML)	Allocation (ML)	Share of inflows (ML)	Net trade (ML)	Net spills ¹ (ML)	Total accrued (ML)	Total available (ML)	Use (ML)	Closing balance ² (ML)
				A	B	C	D	E	F = A+B+C+D+E	G = A+B+C+D+E	H	F or G minus H ³
Latrobe	Latrobe River Environmental Entitlement ⁴	Unregulated		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Blue Rock Environmental Entitlement ⁵	Share of inflows	9% inflows		18,737.0	1,369.2		2,378.7	22,484.9		3,747.9	18,737.0
Thomson	Thomson River Bulk Entitlement	High	10,000	-187 ⁶	10,000		1,054			10,867	10,754	113
		Passing flows		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Macalister	Macalister River Environmental Entitlement	High	12,460.9	2,895.9	12,460.9			-2,142.0		13,214.8	11,388.0	1,826.8
		Low	6,229.5	1,245.9	311.0					1,556.9	1,460.8	96.1
Gippsland Region total				3,954.8	41,508.9	1,369.2	1,054.0	236.7	22,484.9	25,638.7	27,350.7	20,772.9

¹ Net spills are calculated by the addition of: i) physical spills from storages, ii) credits to the VEWH account from other accounts in the same storage when those accounts are full, iii) debits from the VEWH account to other accounts in the same storage when the VEWH account is full.

² The water detailed in the closing balance column is available to carry over, subject to the carryover rules of the relevant entitlements.

³ The use of column F or G to calculate the closing balance depends on the allocation method in that system.

⁴ Use of this entitlement is dependent on suitable river heights, as specified in the entitlement.

⁵ This entitlement became a part of the VEWH Water Holdings during the 2013-14 water year.

⁶ Overuse at the end of 2012-13 resulted in the Thomson account being overdrawn.



Table 3.6 VEWH water account summary in the Central Region systems in 2013-14

VEWH Water Holdings 2013-14 – Central Region													
River system	Entitlement	Reliability	Entitlement volume (ML) or percentage of inflows at 1 July 2013	Carryover from 2012-13 (ML)	Allocation (ML)	Share of inflows (ML)	Net trade (ML)	Net spills ¹ (ML)	Return flows (ML)	Total accrued (ML)	Total available (ML)	Use (ML)	Closing balance ² (ML)
				A	B	C	D	E	F	G = A+B+C+D+E+F	H = A+B+C+D+E+F	I	F or G minus H ³
Tarago	Tarago and Bunyip Rivers Environmental Entitlement	Share of inflows	10.3% inflows	1,808		2,449		527		4,784		1,784	3,000
		Passing flows											
Yarra	Yarra River Environmental Entitlement	High	17,000	34,965	17,000		-1,054				50,911	16,835	34,076
		Passing flows											
Werribee	Werribee River Environmental Entitlement	Share of inflows	10% inflows	869		298			43	1,210		461	865 ⁴
	Melbourne Water Water Shares	N/A	N/A		788.2						788.2	0.0	788.2
Maribyrnong	Purchased allocation	N/A	N/A		731.4						731.4	200.0	531.4
Moorabool	Moorabool River Environmental Entitlement	Share of inflows	11.9% inflows	4,423		285				4,708		2,500	2,208
		Passing flows											
Barwon	Barwon River Environmental Entitlement ⁵	Unregulated		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Central Region total				42,064.8	18,519.6	3,032.6	-1,054.0	527.0	43.0	10,702.4	52,430.6	21,779.5	41,468.7

¹ Net spills are calculated by the addition of: i) physical spills from storages, ii) credits to the VEWH account from other accounts in the same storage when those accounts are full, iii) debits from the VEWH account to other accounts in the same storage when the VEWH account is full.

² The water detailed in the closing balance column is available to carry over, subject to the carryover rules of the relevant entitlements.

³ The use of column G or H to calculate the closing balance depends on the allocation method in that system.

⁴ Closing balance in the Werribee system is not calculated as available water minus used water, due to the allocation rules in these entitlements.

⁵ Use of this entitlement is dependent on suitable river heights, as specified in the entitlement.

Table 3.7 VEWH water account summary in the Western Region in 2013-14

VEWH Water Holdings 2013-14 – Western Region									
System	Entitlement	Reliability	Entitlement at 1 July 2013	Allocation carried over from 2012-13 (ML)	Carryover lost to spill (ML)	Allocation (ML)	Total available (ML)	Use (ML)	Closing balance¹ (ML)
				A	B	C	D = A - B + C	E	D - E
Wimmera and Glenelg	Wimmera Glenelg Rivers Environmental Entitlement 2010	Wimmera-Mallee pipeline product – high reliability	40,560	25,795.1	0.0	32,934.7	58,729.8	29,739.0	28,990.8
		Wimmera-Mallee wetlands – high reliability	1,000	1,421.0	0.0	250.0	1,671.0	264.7²	1,406.3
		Passing flows							
Western Region total				27,216.1	0.0	33,184.7	60,400.9	30,003.7³	30,397.2

¹ The water detailed in the closing balance column is available to carry over, subject to the carryover rules of the relevant entitlements.

² The reliability of the Wimmera-Mallee wetlands entitlement is lower than the Wimmera Mallee Pipeline product, but is still “high-reliability” compared to other entitlements in the Wimmera.

³ This does not include the use of 15.6 ML water at the Supply System 5 wetlands (Cokym Bushland Reserve, Considines, Poyner) as this water was not accounted for under the Environmental Entitlement.

Table 3.8 VEWH water account summary in the Northern Region in 2013-14

VEWH Water Holdings 2013-14 – Northern Region														
Entitlement	Reliability	Entitlement at 1 July 2013	Allocation carried over from 2012-13 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEWO (ML)	Net transfer Living Murray (ML)	Net transfer VEWH (ML) ³	Donations (ML)	Net trade VEWH (ML) ⁴	Total available (ML)	Use (ML)	Closing balance ⁵ (ML)
			A	B	C	D	E	F	G	H	I	J = A - B + C + D + E + F + G + H + I	K	L = J - K
Murray system														
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999	High	28,750.0	25,965.5	23,917.3	28,750.0	355,443.7	7,133.1	0.0	-319,358.4	0.0	0.0	74,016.5	73,915	101.5
	Unreg	40,000.0	N/A	N/A	2,448.3	N/A	N/A	N/A	N/A	N/A	N/A	2,448.3	2,448.3	0.0
Environmental Entitlement (River Murray - NVIRP Stage 1) 2012 ⁶	N/A	13,559.7	27,284.0 ⁷	13,281.7	15,040.1	0.0	127,704.9	0.0	6,218.1	0.0	0.0	162,965.4	145,863.5	17,101.9
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Barmah-Millewa Environmental Water Allocation	High	50,000.0			50,000.0									
	Low	25,000.0	105,750.0	0.0	25,000.0	N/A	N/A	N/A	N/A	N/A	N/A	178,500.0	64,200.0	114,300.0
Bulk Entitlement (River Murray - Flora and Fauna) Conversion Order 1999 - Living Murray	High	9,589.0	5,710.0	5,259.6	9,589.0	0.0	0.0	19,671.2	0.0	0.0	0.0	29,710.6	25,153.0	4,557.6
	Low	101,850.0	0.0	0.0	0.0	81,849.2	0.0	-11,543.1	0.0	0.0	0.0	70,306.1	67,465.0	2,841.1
	Unreg	34,300.0	N/A	N/A	3,586.0	N/A	N/A	N/A	N/A	N/A	N/A	3,586.0	3,586.0	0.0
Bulk Entitlement (River Murray - Snowy Environmental Reserve) Conversion Order 2004 ⁸	High	29,794.0	0.0	0.0	29,794.0	N/A	N/A	N/A	-29,794.0	N/A	N/A	0.0	0	0.0
Water shares - Snowy River Environmental Reserve ⁸	High	11,391.6	0.8	0.0	14,670.9	N/A	N/A	N/A	-14,671.6	N/A	N/A	0.1	0	0.1
	Low	6,415.3	0.0	0.0	0.0	N/A	N/A	N/A	0.0	N/A	N/A	0.0	0	0.0
Broken System														
Broken system water use registration	N/A	0.0	0.0	0.0	0.0	0.0	121.2	0.0	0.0	0.0	0.0	121.2	121.2	0.0

Entitlement	Reliability	Entitlement at 1 July 2013	Allocation carried over from 2012-13 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEWO (ML)	Net transfer Living Murray (ML)	Net transfer VEWL (ML) ³	Donations (ML)	Net trade VEWL (ML) ⁴	Total available (ML)	Use (ML)	Closing balance ⁵ (ML)
			A	B	C	D	E	F	G	H	I	J = A - B + C + D + E + F + G + H + I	K	L = J - K

Goulburn system

Environmental Entitlement (Goulburn System - NVIRP Stage 1) 2012 ⁶	N/A	28,449.3	25,936.9	0.0	25,213.0	0.0	224,388.8	0.0	4,833.6	35.4	0.0	280,407.7	257,787.5	22,620.2
Goulburn River Environmental Entitlement 2010	High	1,432.0	0.0	0.0	1,432.0	0.0	0.0	0.0	0.0	0.0	0.0	1,432.0	1,432.0	0.0
Environmental Entitlement (Goulburn System - Living Murray) 2007	High	39,625.0	30,057.9	0.0	39,625.0	0.0	0.0	-1,509.8	0.0	0.0	0.0	68,173.1	49,009.0	19,164.1
	Low	156,980.0	14,991.0	0.0	0.0	0.0	0.0	1,509.8	0.0	0.0	0.0	16,500.8	14,991.0	1,509.8
Bulk Entitlement (Snowy - Environment) Order 2005 ⁸	High	30,252.0	0.0	0.0	30,252.0	N/A	N/A	N/A	-30,252.0	N/A	N/A	0.0	0.0	0.0
	Low	8,156.0	0.0	0.0	0.0	N/A	N/A	N/A	0.0	N/A	N/A	0.0	0.0	0.0
Water shares - Snowy River Environmental Reserve ⁸	High	6,401.4	0.0	0.0	8,320.9	N/A	N/A	N/A	-8,320.9	N/A	N/A	0.0	0.0	0.0
	Low	17,852.0	0.0	0.0	0.0	N/A	N/A	N/A	0.0	N/A	N/A	0.0	0.0	0.0
Silver and Wallaby Creeks Environmental Entitlement 2006	Passing flows											0.0	0.0	0.0

Campaspe system

Campaspe River Environmental Entitlement 2013	High	20,652.0	0.0	0.0	20,652.0	0.0	6,517.4	0.0	-5,000.0	0.0	0.0	22,169.4	11,676.3	10,052.0
	Low	2,966.0	0.0	0.0	1,364.4	0.0	0.0	0.0	0.0	0.0	0.0	1,364.4	0.0	1,364.4
Campaspe Passing flow account	Passing flows	0.0	0.0	0.0	1,121.0	0.0	0.0	0.0	0.0	0.0	0.0	1,121.0	1,121.0	0.0
Environmental Entitlement (Campaspe River - Living Murray Initiative) 2005	High	126.0	126.0	0.0	126.0	0.0	0.0	0.0	0.0	0.0	0.0	252.0	126.0	126.0
	Low	5,048.0	1,642.0	0.0	2,322.1	0.0	0.0	0.0	0.0	0.0	0.0	3,964.1	1,642.0	2,322.1



Entitlement	Reliability	Entitlement at 1 July 2013	Allocation carried over from 2012-13 (ML)	Carryover lost to spill (ML) ¹	Allocation (ML)	Return flow recredit (ML) ²	Net transfer CEWO (ML)	Net transfer Living Murray (ML)	Net transfer VEWH (ML) ³	Donations (ML)	Net trade VEWH (ML) ⁴	Total available (ML)	Use (ML)	Closing balance ⁵ (ML)
			A	B	C	D	E	F	G	H	I	J = A - B + C + D + E + F + G + H + I	K	L = J - K
Loddon system														
Bulk Entitlement (Loddon River - Environmental Reserve) Order 2005	High	2,000.0	2,000.0	0.0	2,000.0	0.0	0.0	0.0	0.0	0.0	0.0	4,000.0	2,000.0	2,000.0
	High	1,480.0 ⁹	0.0	0.0	1,480.0	0.0	0.0	0.0	0.0	0.0	0.0	1,480.0	785.4	694.6
	Trigger based	7,490.0	0.0	0.0	7,490.0	0.0	0.0	0.0	0.0	0.0	0.0	7,490.0	3,375.7	4,114.3
	Low	2,024.0	0.0	0.0	0.0	0.0	2,774.5	0.0	700.0	0.0	300.0	3,774.5	3,774.5	0.0
Water shares - Snowy River Environmental Reserve ⁸	High	470.0	0.0	0.0	470.0	0.0	N/A	N/A	-470.0	N/A	N/A	0.0	0.0	0.0
Environmental Entitlement (Birch Creek – Bullarook System) 2009	Trigger based	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	100.0
Northern Region total		682,153.3	239,564.1	42,458.6	320,746.7	437,292.9	368,639.9	8,128.1	-396,115.2	35.4	300.0	933,833.3	730,472.4	203,410.9

¹ When spare capacity is available in some systems in northern Victoria, entitlement holders are able to carry over unused water up to 100 percent of their entitlement volume. If system storages spill, some or all of that carryover may be deemed to be 'lost' through that spill.

² Return flow provisions in entitlements allow environmental water to be delivered to achieve outcomes in multiple systems. For example, these rules allow water to be delivered through the Goulburn or Campaspe systems, and then be re-credited for delivery in the Murray system (minus losses) to meet environmental objectives in downstream sites, such as the Gunbower Creek, Hattah Lakes and the Lower Lakes in South Australia.

³ Administrative transfers between allocation bank accounts are required to facilitate the use of water across different systems, and to enable the use of water made available by the Commonwealth Environmental Water Holder and the Living Murray program in Victoria. A positive transfer value indicates there has been a net transfer of allocation into the specified entitlement; while a negative value indicates a net transfer of allocation out of the specified entitlement. Net transfers by the VEWH represent transfers of water to the Snowy River entitlements and transfers of water to South Australia to facilitate delivery in the River Murray.

⁴ Negative net trades indicate a net sale of water allocation, while positive net trades indicate a net purchase of water allocation. The VEWH was active in the northern Victorian water market during 2013-14, purchasing some water allocation for use in the Loddon River.

⁵ The water detailed in the closing balance column is available to carry over, subject to the carryover rules of the relevant entitlements.

⁶ Total entitlement volume and allocation includes mitigation water allocated for the purposes of watering specific environmental sites that have been identified through Goulburn-Murray Water Connections Project environmental approvals processes.

⁷ Volume includes 14,752.9 ML of Living Murray allocation carried over in a VEWH account.

⁸ Allocation to water entitlements held in trust for the Snowy River is traded out of VEWH environmental accounts to supply consumptive users, who would otherwise have been supplied through water diverted from the Snowy River to the Murray system. By reducing consumptive demand on Snowy resources, this water can be used to increase environmental flows in the Snowy and Murray rivers.

⁹ This volume of water savings was allocated to the VEWH Water Holdings during the 2013-14 water year through an amendment to the Loddon bulk entitlement.

Disclosures and compliance

4.1 Occupational health and safety

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

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

4.2 Employment and conduct principles

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

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

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

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

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

Human rights

The *Victorian Charter of Human Rights and Responsibilities* is a law under the *Public Administration Act 2004*, protecting the human rights of all people in Victoria. The Charter contains 20 rights that reflect four basic principles – freedom, respect, equality and dignity. The VEWH office acts compatibly with the Charter and gives proper consideration to human rights when making decisions.

SECTION FOUR

Equal opportunity

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

The VEWH is committed to:

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

Diversity

The VEWH recognises the *Department Diversity (Inclusion) Action Plan* which includes the reduction of inequality and disadvantage, the sharing of prosperity and the building of stronger more inclusive communities, with opportunities for all.

Performance management

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

Workforce data

During 2013-14, the VEWH employed up to eight staff (FTEs). At 30 June 2014, there were eight staff, an increase from previous years partly related to additional planning and reporting required to implement the Murray-Darling Basin Plan. Low workforce data at June 2013 was also due to transitional arrangements during recruitment processes. The average number of staff during 2012-13 was five FTEs.

Table 4.1 Workforce data

	2013-14	2012-13
Executive Officer	1	1
Project Officers	7	2
Total	8	3
Male	2	0
Female	6	3
Total	8	3

4.3 Office-based environmental impacts

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

As the office is co-located within DEPI at 8 Nicholson Street, East Melbourne, the VEWH does not collect its own environmental impact data. A full report on the environmental impact of 8 Nicholson Street is available from DEPI's *Annual Report 2013-14*.

4.4 Disclosure of major consultancies

The definition of consultancy was updated effective from 1 July 2013. Consequently, disclosures on the 2013-14 consultancy expenditure cannot be compared with previous year disclosures.

The VEWH maintains a register of contracts, including consultancies.

Consultancies over \$10,000

In 2013-14, the VEWH undertook two consultancies.

Table 4.2 Consultancies over \$10,000

Consultant	Purpose of the consultancy	Start Date	End Date	Total Project Fees Approved (Excl GST)	Total Expenditure in 2013/14 (Excl GST)	Future Expenditure (Excl GST)
RMCG	Development of a risk management framework for environmental water delivery	30/08/2013	31/01/2014	\$142,300	\$137,887	\$0
Alluvium	Development of operating arrangements and metering plans for environmental watering in Victoria	07/11/2013	30/08/2014	\$149,490	\$126,990	\$22,500

Consultancies under \$10,000

In 2013-14, there were two consultancies engaged by the VEWH where the total fees were less than \$10,000. The total expenditure incurred during 2013-14 in relation to these consultancies was \$11,837.

Major contracts

The VEWH did not enter into any contracts greater than \$10 million in value during 2013-14.



SECTION FOUR

4.5 Compliance

Water Act 1989

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

FOI requests

The *Freedom of Information Act 1982* allows public access to documents held by government entities. The VEWH is considered to be a 'Government Agency' under the *Freedom of Information Act 1982* and is required to comply with the procedures that have been prescribed under which members of the public may gain access to documents held by agencies. A decision to release documents is made by an Authorised Officer. The VEWH has determined that its Authorised Officer is DEPI's Freedom of Information Manager, who can be contacted on the details below:

Freedom of Information Manager

Legal Services Branch
Corporate Services Division
Department of Environment and Primary Industries
Level 10, 8 Nicholson Street
East Melbourne, Victoria 3002
Ph: (03) 9637 9730

An application fee of \$26.50 applies.

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

Compliance with Protected Disclosures Act 2012

Compliance with the Protected Disclosures Act 2012

The *Protected Disclosure Act 2012* (PD Act) enables people to make disclosures about improper conduct by public officers and public bodies. The PD Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. VEWH is a 'public body' for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'Protected Disclosure'?

You can make a protected disclosure about VEWH or officers or employees by contacting DEPI or IBAC on the contact details provided below. Please note that VEWH is not able to receive protected disclosures.

How can I access VEWH's procedures for the protection of persons from detrimental action?

The VEWH applies DEPI's established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about VEWH or its employees. You can access DEPI's procedures on its website at: <http://inform.dse.vic.gov.au/business-services/legal-and-legislation/privacy,-ombudsman-and-protected-disclosures>.

Contacts

Department of Environment and Primary Industries (DEPI)

Jennifer Berensen, Senior Advisor, Privacy & Ombudsman
Department of Environment and Primary Industries
Address: PO Box 500, East Melbourne Vic 3002
Ph: 03 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.
Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000
Internet: www.ibac.vic.gov.au
Phone: 1300 735 135
Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Building Act

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

Victorian Industry Participation Policy (VIPP)

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

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

National Competition Policy

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

Public Administration Act

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



SECTION FOUR

4.6 Additional information available on request

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

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

The information is available on request from:

Executive Officer, Victorian Environmental Water Holder

Telephone: (03) 9637 8951

Email: general.enquiries@vewh.vic.gov.au

Financial statements

– 30 June 2014





SECTION FIVE

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

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

Victorian Environmental Water Holder
8 Nicholson Street
East Melbourne VIC 3002

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

The financial report was authorised for issue by the Chairperson – Denis Flett and Executive Officer – Elizabeth Ashworth on 6 October 2014.

For queries in relation to our financial reporting please call 9637 8951, or visit our website www.vewh.vic.gov.au.

Victorian Environmental Water Holder Financial Statements

Comprehensive operating statement for the financial year ended 30 June 2014

	Notes	2014 \$	2013 \$
Income from transactions			
Grants	1(f), 2(a)	6,735,668	3,814,190
Fair value of services received free of charge or for nominal consideration	1(f), 2(b)	30,465	23,695
Sale of water allocation	1(f), 2(c)	0	552,605
Interest	1(f)	119,864	49,668
Other Income	2(d)	100	0
Total income from transactions		6,886,097	4,440,158
Expenses from transactions			
Employee expenses	1(g), 3(a)	(803,516)	(653,733)
Grants (water delivery and management)	1(g), 3(b)	(1,205,865)	(382,855)
Environmental water holdings and transaction expenses	1(g), 3(c)	(2,210,926)	(1,471,600)
Other operating expenses	1(g), 3(d)	(723,980)	(322,751)
Total expenses from transactions		(4,944,287)	(2,830,939)
Net result from transactions		1,941,810	1,609,219
Other economic flows – other comprehensive income			
Other gains/(losses) from other economic flows	1(h), 4	(3,805)	(1,924)
Comprehensive result		1,938,005	1,607,295

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

SECTION FIVE

Balance sheet as at 30 June 2014

	Notes	2014 \$	2013 \$
Assets			
Financial assets			
Cash and deposits	1(j), 11, 12(a)	4,622,862	2,405,240
Receivables	1(j), 5, 11	206,747	103,105
Total financial assets		4,829,609	2,508,345
Total non-financial assets		0	0
Total assets		4,829,609	2,508,345
Liabilities			
Payables	1(k), 6, 11	401,772	66,532
Provisions	1(k), 7	139,369	91,350
Total liabilities		541,141	157,882
Net assets		4,288,468	2,350,463
Equity			
Accumulated surplus		4,288,468	2,350,463
Net worth		4,288,468	2,350,463

The balance sheet should be read in conjunction with the notes to the financial statements.

Commitment for expenditure	1(l), 9
Contingent assets and contingent liabilities	1(m), 10

Statement of changes in equity for the financial year ended 30 June 2014

	Accumulated surplus/(deficit) \$	Total \$
Balance at 1 July 2012	743,168	743,168
Comprehensive result	1,607,295	1,607,295
Balance as at 30 June 2013	2,350,463	2,350,463
Comprehensive result	1,938,005	1,938,005
Balance as at 30 June 2014	4,288,468	4,288,468

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash flow statement for the financial year ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts			
Receipts from government and other transfers		6,627,431	4,543,086
Interest received		123,972	48,198
Total receipts		6,751,403	4,591,284
Payments			
Payments of grants and other transfers		(873,825)	(382,855)
Payments to suppliers and employees		(3,659,956)	(2,487,544)
Total payments		(4,533,781)	(2,870,399)
Net cash provided from operating activities	12(b)	2,217,622	1,720,855
Net increase in cash and cash equivalents		2,217,622	1,720,885
Cash and cash equivalents at the beginning of the financial year		2,405,240	684,355
Cash and cash equivalents at the end of the financial year	12(a)	4,622,862	2,405,240

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

The cash flow statement should be read in conjunction with the notes to the financial statements.



SECTION FIVE

Notes to the financial statements

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Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Environmental Water Holder (the Water Holder) for the year ending 30 June 2014. The purpose of the report is to provide users with information about the entity's stewardship of resources entrusted to it.

(a) Statement of compliance

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

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

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

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

These annual financial statements were authorised for issue by the Victorian Environmental Water Holder on 6 October 2014.

Note 1. Summary of significant accounting policies (continued)

(b) Basis of accounting preparation and measurement

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

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

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

- superannuation expense (refer Note 1(g)); and
- future salary movements and future discount rates (refer to Note 1(k)).

Consistent with AASB 13 *Fair Value Measurement*, the Water Holder determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment and financial instruments and for non-recurring fair value measurements such as non-financial physical assets classified as held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

Generally, all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Water Holder has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

(c) Reporting entity

The financial statements cover the Victorian Environmental Water Holder as an individual reporting entity.

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

Its principal address is:

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

Note 1. Summary of significant accounting policies (continued)**Objectives of Victorian Environmental Water Holder**

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

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

(d) Scope and presentation of financial statements**Comprehensive operating statement**

The comprehensive operating statement comprises three components, being 'net result from transactions (or termed as 'net operating balance')' 'other economic flows included in net result', as well as 'other comprehensive income'. The sum of the former two, together with the net result from discounted operations, represents the net result.

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

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Refer to Note 17 Glossary for the definition of 'transactions included in net result', 'other economic flows included in net result' and 'other economic flows other comprehensive income'.

Balance sheet

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

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

Cash flow statement

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

Statement of changes in equity

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

(e) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for all fair value measurements. AASB 13 does not change when an agency is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted.

Note 1. Summary of significant accounting policies (continued)

However, AASB 13 has predominantly impacted the disclosures of the Water Holder. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures*.

The Water Holder has assessed the impact of AASB 13 and notes that these are minimal impacts on the financial statements.

AASB 119 Employee Benefits

In 2013-14, the Water Holder has applied AASB 119 *Employee benefits* (Sept 2011, as amended).

The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements, changes in defined benefit obligations and plan assets will have limited impact on the Water Holder.

The revised standard also changes the definition of short-term employee benefits. Short-term employee benefits are defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. This has resulted in measurement for the annual leave provision on a discounted basis.

As the Water Holder already measures employee benefits on a discounted basis, there has been no changes resulting from the AASB 119.

(f) Income from transactions

Grants

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

Sale of water allocation

Income from the sale of water allocations is recognised as income when the Victorian Environmental Water Holder no longer has ownership nor control of the water allocations.

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

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined.

Interest

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

Note 1. Summary of significant accounting policies (continued)**(g) Expenses from transactions**

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

Employee expenses

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

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

Superannuation

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

Grants (water delivery and management)

Grants to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants paid for the management and delivery of environmental water, subsidies, and other transfer payments to non-government entities. Refer to *Glossary of terms and style conventions* in Note 17 for an explanation of grants and other transfers.

Environmental water holdings and transaction expenses

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

Other operating expenses

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

Supplies and services

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

(h) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from

- the revaluation of the present value of long service leave liability due to changes in bond interest rates.

(i) Financial instruments

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

Note 1. Summary of significant accounting policies (continued)

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the difference interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Water Holder's contractual payables and deposits held at fair value through profit and loss.

(j) Financial assets

Cash and deposits

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

Receivables

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

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

Note 1. Summary of significant accounting policies (continued)**Investments**

Investments are classified in the following categories:

- financial assets at fair value through profit and loss;
- loans and receivables;
- held-to-maturity; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were required. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

(k) Liabilities**Payables**

Payables consist predominantly of creditors and other sundry liabilities.

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

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

Provisions

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

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

Employee benefits

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

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

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave are all recognised in the provision for employee benefits, as 'current liabilities', because the Water Holder does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- undiscounted value – if the Water Holder expects to wholly settle within 12 months; or
- present value – if the Water Holder does not expect to wholly settle within 12 months.

(ii) Long service leave

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

Note 1. Summary of significant accounting policies (continued)

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

The components of this current LSL liability are measured at:

- discounted value – if the entity expects to wholly settle within 12 months; and
- present value – if the entity does not expect to wholly settle within 12 months.

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

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

(iii) Termination benefits

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

On-costs

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from provision for employee benefits.

(l) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 9 *Commitments for expenditure*) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the liabilities are recognised in the balance sheet.

(m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 10 *Contingent assets and contingent liabilities*) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

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

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

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

The Department of Environment and Primary Industries manages the GST transactions on behalf of the Victorian Environmental Water Holder.

Note 1. Summary of significant accounting policies (continued)

Cash flows are presented on a net basis, exclusive of GST as it is managed by the Department of Primary Industries and Environment.

Commitments and contingent assets and liabilities are stated inclusive of GST (refer to Note 1(l) and Note 1(m)).

(o) Events after reporting date

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

(p) Comparative amounts

Where the presentation or classification of items in the financial statements changes, the comparative amounts are also reclassified unless it is impractical to do so. The nature, amount and reason for the classification affects an item on the balance sheet, a third statement of financial position is also presented.

The Water Holder has reviewed its financial statements and determined to reclassify the receipts and payments in the Trust Note to reflect the total receipts and total payments in the Cash Flow Statement.

(q) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2014 reporting period. Department of Treasury and Finance assess the impact of all these new standards and advises the entity of their applicability and early adoption where applicable.

As at 30 June 2014, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Note 1. Summary of significant accounting policies (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	1 Jan 2017	The Water Holder has no assets available for sale. As such the preliminary assessment has not identified any impact arising from AASB 9.
AASB 10 <i>Consolidated Financial Statements</i>	This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities. The AASB has issued an Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.	1 Jan 2014 (not-for-profit entities)	The Water Holder does not issue consolidated financial statements. As such the preliminary assessment has not identified any impact arising from AASB 10.
AASB 11 <i>Joint arrangements</i>	This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.	1 Jan 2014 (not-for-profit entities)	The Water Holder does not have any joint venture arrangements. As such the preliminary assessment has not identified any impact arising from AASB 11.

Note 1. Summary of significant accounting policies (continued)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 12 <i>Disclosure of Interests in Other Entities</i>	This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 <i>Separate Financial Statements</i> and AASB 131 <i>Interests in Joint Ventures</i> .	1 Jan 2014 (not-for-profit entities)	The Water Holder does not have any interests in other entities. As such the preliminary assessment has not identified any impact arising from AASB 12.
AASB 127 <i>Separate Financial Statements</i>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 Jan 2014 (not-for-profit entities)	The Water Holder does not have any separate financial statements, joint ventures and associates where separate financial statements are prepared. As such the preliminary assessment has not identified any impact arising from AASB 127.
AASB 128 <i>Investments in Associates and Joint Ventures</i>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 Jan 2014 (not-for-profit entities)	The Water Holder does not have any investments in associates or joint ventures. As such the preliminary assessment has not identified any impact arising from AASB 128.
AASB 1055 <i>Budgetary Reporting</i>	AASB 1055 extends the scope of budgetary reporting that is currently applicable for the whole of government and general government sector (GGS) to NFP entities within the GGS, provided that these entities present separate budget to the parliament.	1 July 2014	This standard is not applicable as the Water Holder does not present a separate budget to parliament.
AASB 1056 <i>Superannuation Entities</i>	AASB 1056 replaces AAS 25 <i>Financial Reporting by Superannuation Plans</i> . The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS.	1 July 2016	This standard is not applicable to the Water Holder as it is not a superannuation entity.

Note 1. Summary of significant accounting policies (continued)

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2013-14 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2013-14 reporting period and is considered to have insignificant impacts on public sector reporting.

- *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*
- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.*
- *2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements.*
- *2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*
- *2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.*
- *2013-5 Amendments to Australian Accounting Standards – Investment Entities*
- *2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements*
- *2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policy holders*
- *2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB Interpretation 21 Levies.*

Note 2. Income from transactions

	2014 \$	2013 \$
(a) Grants:		
Commonwealth grants	1,233,000	1,131,521
State government grants	5,502,668	2,682,669
Total grants	6,735,668	3,814,190
(b) Fair value of services received free of charge or for nominal consideration:		
Services (including rent, office equipment and IT services)	30,465	23,695
Total fair value of services received free of charge or for nominal consideration	30,465	23,695
(c) Sale from water allocation:		
Sale of water allocation	0	552,605
Total sale of water allocation	0	552,605
(d) Other Income:		
Refund	100	0
Total Other Income	100	0

Note 3. Expenses from transactions

	2014 \$	2013 \$
(a) Employee expenses		
Salary and wages	(609,865)	(501,569)
Superannuation	(58,723)	(44,985)
Leave expenses	(85,285)	(67,004)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(49,643)	(40,175)
Total employee expenses	(803,516)	(653,733)
(b) Grants (water delivery and management)		
Grants to Water corporations	(163,360)	(171,126)
Grants to Catchment management authorities	(1,017,505)	(211,729)
Grants to External Organisations	(25,000)	0
Total grants (water delivery and management)	(1,205,865)	(382,855)
(c) Environmental water holdings and transaction expenses		
Water storage fees	(2,160,262)	(1,467,182)
Water Purchases	(46,137)	0
General delivery expenses (including statutory fees)	(4,527)	(4,418)
Total environment water holdings and transaction expenses	(2,210,926)	(1,471,600)

Note 3. Expenses from transactions (continued)

	2014 \$	2013 \$
(d) Other operating expenses		
Supplies and services:		
Contract and professional services	(477,167)	(124,099)
Insurance	(55,979)	0
Travel	(63,064)	(43,477)
General expenses	(24,050)	(52,699)
Learning and Development Costs	(3,579)	(8,817)
Payments for Shared Services	(30,465)	(24,271)
Office and accommodation	(69,676)	(69,388)
Total supplies and services	(723,980)	(322,751)
Subtotal	(723,980)	(322,751)
Ex-gratia payment	0	0
Total other operating expenses	(723,980)	(322,751)

Note 4. Other economic flows included in net result

	2014 \$	2013 \$
<i>Other (losses) arising from revaluation of employee benefits</i>		
Net (loss) arising from revaluation of employee benefits ⁽ⁱ⁾	(3,805)	(1,924)
Total other (losses) from economic flows	(3,805)	(1,924)

(i) Revaluation (loss) due to change in band rates

Note 5. Receivables

	2014 \$	2013 \$
<i>Contractual</i>		
Trade receivables	60,516	4,109
Total contractual receivables	60,516	4,109
<i>Statutory</i>		
Amounts owing from the Department of Environment and Primary Industries	146,231	98,996
Total statutory receivables	146,231	98,996
Total receivables	206,747	103,105

(a) Maturity analysis of contractual receivables

Refer to Table 11.2 in Note 11 for the maturity analysis of contractual receivables.

Note 6. Payables

	2014 \$	2013 \$
Contractual		
Trade creditors ⁽ⁱ⁾	106,409	1,989
Accrued expenses	40,358	64,485
Accrued grants	254,768	0
Total contractual payables	401,535	66,474
Statutory		
Amounts owing to the Department of Environment and Primary Industries	236	58
Total statutory payables	236	58
Total payables	401,772	66,532

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

(a) Maturity analysis of contractual receivables

Refer to Table 11.3 in Note 11 for the maturity analysis of contractual payables.

Note 7. Provisions

	2014 \$	2013 \$
Current provisions		
Employee benefits ⁽ⁱ⁾ – annual leave [Note 7(a)]		
Unconditional and expected to be paid within 12 months	42,555	27,691
Unconditional and expected to be paid after 12 months ⁽ⁱⁱ⁾	852	0
Employee benefits ⁽ⁱ⁾ – long service leave [Note 7(a)]		
Unconditional and expected to be paid after 12 months ⁽ⁱⁱ⁾	42,420	28,918
	85,827	56,609
Provisions for on costs:		
Unconditional and expected to be paid within 12 months	8,106	4,480
Unconditional and expected to be paid after 12 months ⁽ⁱⁱ⁾	8,242	6,888
	16,348	11,368
Total current provisions	102,175	67,977
Non-current provisions		
Employee benefits ⁽ⁱ⁾⁽ⁱⁱⁱ⁾ [Note 7(a)]	31,243	19,464
Provisions for on costs ⁽ⁱⁱⁱ⁾	5,951	3,909
Total non-current provisions	37,194	23,373
Total provisions	139,369	91,350

Note 7. Provisions (continued)

	2014 \$	2013 \$
(a) Employee benefits and related on-costs		
Current employee benefits⁽ⁱ⁾		
Annual leave entitlements	43,407	27,691
Long service leave entitlements	42,420	28,918
Total current employee benefits	85,827	56,609
Non current employee benefits⁽ⁱ⁾		
Long service leave entitlements ⁽ⁱⁱ⁾	31,243	19,464
Total non-current employee benefits	31,243	19,464
Total employee benefits	117,070	76,073
Current on-costs	16,348	11,368
Non current on-costs ⁽ⁱⁱ⁾	5,951	3,909
Total on-costs	22,299	15,277
Total employee benefits and related on-costs	139,369	91,350

Notes:

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

	On costs 2014 \$	Total 2014 \$
(b) Movement in provisions		
Opening balance	15,277	15,277
Additional provisions recognised	13,525	13,525
Reductions arising from payments	(6,503)	(6,503)
Closing balance	22,299	22,299
Current	16,348	16,348
Non current	5,951	5,951
	22,299	22,299

Note 8. Superannuation**Government Employees' Superannuation Fund**

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

Superannuation contributions paid or payable for the reporting period are included as employee expenses in the comprehensive operating statement of the entity.

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

Fund	Paid contribution for the year 2014 \$	Paid contribution for the year 2013 \$	Contribution outstanding at year end 2014 \$	Contribution outstanding at year end 2013 \$
Defined contribution plans:				
Victorian Superannuation Fund				
– Vic Super Scheme	32,949	32,551	228	54
Various other	25,774	12,434	179	43
	58,723	44,985	407	97

The bases for contributions are determined by the various schemes.

All employees of the entity are entitled to varying levels of benefits on retirement, disability or death. Contributions by the entity of a minimum of 9.25% of employee's wages and salaries are legally enforceable on the entity.

The above amounts were measured as at 30 June 2014 or in the case of employer contributions they relate to the year ended 30 June 2014.

Note 9. Commitments for expenditure

There are no commitments for expenditure (2013: Nil).

Note 10. Contingent assets and contingent liabilities

There are no known contingent assets or contingent liabilities (2013: Nil).

Note 11. Financial instruments**(a) Financial risk management objectives and policies**

The entity's principal financial instruments comprise of:

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

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

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

Note 11. Financial instruments (continued)

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

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

The carrying amounts of the entity's contractual financial assets and financial liabilities by category are disclosed in Table 11.1 below.

Table 11.1: Categorisation of financial instruments

	2014			2013		
	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
	\$	\$	\$	\$	\$	\$
Contractual financial assets						
Cash and deposits	4,622,862	0	4,622,862	2,405,240	0	2,405,240
Receivables ⁽ⁱ⁾						
Trade receivables	60,516	0	60,516	4,109	0	4,109
Total contractual financial assets	4,683,378	0	4,683,378	2,409,349	0	2,409,349
Contractual financial liabilities						
Payables ⁽ⁱⁱ⁾						
Trade creditors	0	106,409	106,409	0	1,989	1,989
Accrued expenses	0	40,358	40,358	0	64,485	64,485
Accrued grants	0	254,768	254,768	0	0	0
Total contractual financial liabilities	0	401,535	401,535	0	66,474	66,474

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5 – Receivables.

(ii) The amount of payables disclosed excludes statutory payables (i.e. taxes payable) – Refer Note 6 – Payables.

(b) Credit risk

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

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

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

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

Note 11. Financial instruments (continued)

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

Contractual financial assets that are either past due or impaired

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

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

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

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

Table 11.2: Ageing analysis of contractual financial assets

			Past due but not impaired			
	Carrying amount \$	Not past due and not impaired \$	Less than 1 Month \$	1 month – 3 months \$	3 months – 1 year \$	1-5 years \$
2014						
Cash and deposits	4,622,862	4,622,862				
Receivables						
Trade receivables	60,516	60,516	0	0	0	0
Total	4,683,378	4,683,378	0	0	0	0
2013						
Cash and deposits	2,405,240	2,405,240				
Receivables						
Trade receivables	4,109	4,109	0	0	0	0
Total	2,409,349	2,409,349	0	0	0	0

(c) Liquidity risk

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

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

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

Note 11. Financial instruments (continued)*Table 11.3: Maturity analysis of contractual financial liabilities*

				Maturity dates			
	Carrying amount \$	Nominal amount \$	Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2014							
Payables: ⁽ⁱ⁾							
Trade creditors	106,409	106,409	15,745	89,856	808	0	0
Accrued expenses	40,358	40,358	40,358	0	0	0	0
Accrued grants	254,768	254,768	254,768	0	0	0	0
Total	401,535	401,535	310,871	89,856	808	0	0
2013							
Payables: ⁽ⁱ⁾							
Trade creditors	1,989	1,989	1,989	0	0	0	0
Accrued expenses	64,485	64,485	64,485	0	0	0	0
Total	66,474	66,474	66,474	0	0	0	0

(i) The amount of payables disclosed exclude statutory payables (i.e. taxes payable) – Refer Note 6 – Payables.

(d) Market risk

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

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The entity does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

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

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

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

Note 11. Financial instruments (continued)

Table 11.4: Interest rate exposure of financial instruments

			Interest rate exposure		
	Weighted average interest rate %	Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
2014					
Financial assets					
Cash and deposits					
Term deposit	2.45	4,622,862	2,000,000	540,000	2,082,862
Receivables					
Trade receivables		60,516	0	0	60,516
Total		4,683,378	2,000,000	540,000	2,143,378
2013					
Financial assets					
Cash and deposits					
Term deposits	2.79	2,405,240	1,400,000	1,005,240	0
Receivables					
Trade receivables		4,109	0	0	4,109
Total		2,409,349	1,400,000	1,005,240	4,109

Sensitivity disclosure analysis and assumptions

The Water Holder's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period, with all variables other than the primary risk variable held constant. The Water Holder's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down (+1.0% and -1.0%) in market interest (AUD);

Table 11.5 shows the impact on the Water Holder's net result and equity for each category of financial instrument held by the Water Holder at the end of the reporting period as presented to key management personnel, if the above movements were to occur.

Table 11.5: Interest rate risk sensitivity

		Interest rate	
		-100 basis points	+100 basis points
	Carrying amount \$	Net Result \$	Net result \$
2014			
Contractual financial assets			
Cash and deposits	4,622,862	(25,400)	25,400
Receivables	60,516	0	0
Total	4,683,378	(25,400)	25,400

Note 11. Financial instruments (continued)*Table 11.5: Interest rate risk sensitivity (continued)*

		Interest rate	
		-50 basis points	+50 basis points
	Carrying amount \$	Net Result \$	Net result \$
2013			
Contractual financial assets			
Cash and deposits	2,405,240	(12,626)	12,626
Receivables	4,109	0	0
Total	2,409,349	(12,626)	12,626

(e) Fair value

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

Note 12. Cash flow information

	2014 \$	2013 \$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust - cash	2,622,862	203,240
Funds held in trust – short term deposits	2,000,000	2,202,000
Total cash and cash equivalents	4,622,862	2,405,240
Balance per cash flow statement	4,622,862	2,405,240
(b) Reconciliation of net result for the period		
Comprehensive result	1,938,005	1,607,295
Net losses arising from reduction of employee benefits	3,805	1,924
Movements in assets and liabilities		
Decrease/(increase) in receivables	(103,642)	174,403
(Decrease)/increase in payables	335,240	(36,343)
(Decrease)/increase in provisions	44,214	(26,394)
Net cash inflow from operating activities	2,217,622	1,720,885

Note 13. Trust account balances

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

	2014 \$				2013 \$			
	Opening balance as at 1 July 2013	Total receipts	Total payments	Closing Total balance as at 30 June 2014	Opening balance as at 1 July 2012	Total receipts	Total payments	Closing Total balance as at 30 June 2013
VEWH Trust Fund	2,405,240	6,751,403	(4,533,781)	4,622,862	684,355	4,591,284	(2,870,399)	2,405,240
Total trusts	2,405,240	6,751,403	(4,533,781)	4,622,862	684,355	4,591,284	(2,870,399)	2,405,240

Section 33DO of the Water Amendment (Victorian Environmental Water Holder) Act 2010 to support the operations of the Victorian Environmental Water Holder in undertaking its functions and achieving its objectives, for the purpose of maintaining the environmental water reserve and improving the environmental values and health of water ecosystems.

Third party funds under management

No third party funds were held under management for either 2012-13 or 2013-14.

Note 14. Responsible persons

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

(a) Names

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

Minister for Environment
and Climate Change The Hon. Ryan Smith MP . . . 1 July 2013 to 30 June 2014

The persons who held the position of commissioner and forming the board of management of the entity were as follows:

Chairperson Denis Flett 1 July 2013 to 30 June 2014

Deputy Chairperson Geoff Hocking 1 July 2013 to 30 June 2014

Commissioner Ian Penrose 1 July 2013 to 30 June 2014

Acting arrangements

Geoff Hocking acted as Chairperson for the period 1 July 2013 to 7 August 2013.

Note 14. Responsible persons (continued)**(b) Remuneration**

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

	2014 No.	2013 No.
Income band		
\$20,000 - \$29,999	1	2
\$30,000 - \$39,999	1	0
\$90,000 - \$99,999	1	1
Total numbers	3	3
Total amount	\$154,788	\$146,874

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

The persons who held the position of accountable officer of the entity was Denis Flett. His salary band is disclosed above.

(c) Other transactions

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

Note 15. Remuneration of auditors

	2014 \$	2013 \$
Victorian Auditor General's Office		
Audit or review of the financial statements	5,500	5,200
	5,500	5,200

Note 16. Subsequent events

The entity is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2014 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

Note 17. Glossary of terms and style conventions**Commissioner**

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

Commitments

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Note 17. Glossary of terms and style conventions (continued)**Effective interest method**

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Employee benefits expenses

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

Financial asset

A financial asset is any asset that is:

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

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Financial statements

A complete set of financial statements comprises:

- (a) A statement of financial position as at the end of the period;
- (b) A statement of profit or loss and other comprehensive income for the period;

Note 17. Glossary of terms and style conventions (continued)

- (c) A statement of changes in equity for the period;
- (d) A statement of cash flows for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement in accordance with paragraphs 41 of AASB 101.

Grants and other transfers

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

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

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

Interest income

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

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Net result from transactions/net operating balance

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

Net worth

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

Other economic flows included in net result

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural asset; and depletion of natural assets (non-produced) from their use or removal.

Note 17. Glossary of terms and style conventions (continued)**Other economic flows – other comprehensive income**

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) Changes in physical asset revaluation surplus;
- (b) Share of net movement in revaluation surplus of associates and joint ventures ; and
- (c) Gains and losses remeasuring available-for-sale financial assets.

Receivables

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

Supplies and services

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

Transactions

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

Accountable Officer's and Chief Finance and Accounting Officer's declaration

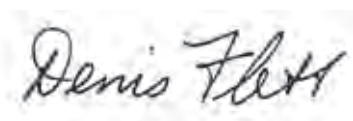
The attached financial statements for the Victorian Environmental Water Holder have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2014 and financial position of the entity at 30 June 2014.

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

We authorise the attached financial report for issue on 6 October 2014

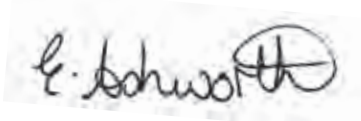
Denis Flett



Chairperson
Victorian Environmental Water Holder

Melbourne
6 October 2014

Elizabeth Ashworth



Executive Officer
Victorian Environmental Water Holder

Melbourne
6 October 2014

SECTION FIVE

Auditor-General's Report

VAGO

Victorian Auditor-General's Office

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Email comments@audit.vic.gov.au
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INDEPENDENT AUDITOR'S REPORT

To the Commissioners, Victorian Environmental Water Holder

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the Victorian Environmental Water Holder which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Commissioners' Responsibility for the Financial Report

The Commissioners of the Victorian Environmental Water Holder are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Auditor-General's Report

Independence

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


Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Environmental Water Holder as at 30 June 2014 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 Victorian Environmental Water Holder for the year ended 30 June 2014 included both in the Victorian Environmental Water Holder's annual report and on the website. The Commissioners of the Victorian Environmental Water Holder are responsible for the integrity of the Victorian Environmental Water Holder's website. I have not been engaged to report on the integrity of the Victorian Environmental Water Holder's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
8 October 2014

for 
John Doyle
Auditor-General

Appendices

Appendix 1 - Disclosure index

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

Ministerial Directions		
Legislation	Requirement	Page number
Report of operations – FRD Guidance		
FRD 10	Disclosure index	70
FRD 12A	Disclosure of major contracts	31
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FRD 22E	Manner of establishment and the relevant Ministers	3, 6
FRD 22E	Nature and range of services provided	3
FRD 22E	Objectives, functions, powers and duties	8
FRD 22E	Organisational structure	7
FRD 22E, SD 4.2K	Operational and budgetary objectives and performance against objectives	20
FRD 22E, SD 4.2 K	Summary of the financial results for the year	21
FRD 22E	Significant changes in financial position during the year	22
FRD 22E	Major changes or factors affecting performance	22
FRD 22E	Subsequent events	22
FRD 22E	Employment and conduct principles	29
FRD 22E	Occupational health and safety policy	29
FRD 22E	Details of consultancies over \$10 000	31
FRD 22E	Details of consultancies under \$10 000	31
FRD 22E	Application and operation of Freedom of Information Act 1982	32
FRD 22E	Application and operation of the Protected Disclosure Act 2012	32
FRD 22E	Statement of availability of other information	34
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SD 4.2(j)	Sign off requirements	2, 9, 67
SD 4.5.5	Risk management compliance attestation	9
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	9

Financial Report		
Legislation	Requirement	Page number
Financial statements required under Part 7 of the FMA		
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SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	40
SD4.2(c)	Compliance with Ministerial Directions	6
SD4.2(c)	Accountable officer's declaration	67
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FRD 11	Disclosure of ex gratia payments	53
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	62
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FRD 110	Cash flow statements	61
FRD 112C	Defined benefit superannuation obligations	56
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Protected Disclosure Act 2001		
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Water Act 1989		

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Acknowledgment of Country

The Victorian Environmental Water Holder acknowledges Aboriginal Traditional Owners within Victoria, their rich culture and their spiritual connection to Country. The contribution and interests of Aboriginal People and organisations in the management of land and natural resources is also recognised and acknowledged.

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