



Water and Rivers Commission Annual Report 2006-07

Water and Rivers Commission Annual Report, no. 12

September 2007

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Recommended Reference

The recommended reference for this publication is: Water and Rivers Commission 2007, *Water and Rivers Commission 2006–07 Annual Report*, Water and Rivers Commission, Perth.

September 2007

ISSN 1329-9816 (pbk)

ISSN 1447-8099 (pdf)

ISBN 978-1-921094-59-0 (pbk)

ISBN 978-1-921094-60-6 (pdf)

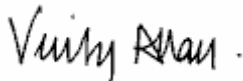
Letter to the Minister

Hon John Kobelke

Minister for Water Resources

On behalf of the Water and Rivers Commission Board and in accordance with Part 5, Division 2, Section 61 of the *Financial Management Act 2006*, I have pleasure in submitting for presentation to Parliament the Annual Report of the Water and Rivers Commission for the period 1 July 2006 to 30 June 2007.

This report has been prepared in accordance with provisions in the *Financial Management Act 2006*.



Verity Allan

Board Chairman

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Summary

Water is the State's most valuable resource, providing our communities with drinking water, food and recreation opportunities. It is also essential for Western Australia's continued economic development.

We need to give greater recognition to water's economic, social and environmental values and find ways to use it more efficiently and effectively for its 'highest and best use'. To achieve this, the Western Australian Government embarked on an important water reform program to improve water management which in the 2006–07 financial year is driven by the Water and Rivers Commission through the operating entity of the Department of Water.

The development of the State Water Plan has been a priority for the Government. The *State Water Plan 2007* outlines Government's commitment to strategically and effectively manage the State's limited water resources and describes the linkages with other important values such as health, lifestyle, land use planning, prosperous communities, a healthy environment, and regional and sustainable development.

The State Water Plan embraces many of the recommendations in *Western Australia's Implementation Plan for the National Water Initiative* and the *Government's Response to a Blueprint for Water Reform in Western Australia*. Together, the three documents set the path for the implementation of the Government's water reform agenda, which includes new legislation to replace laws that in some cases are over 100 years old. It is planned that the Water Services Bill and the Water Resources Management Bill will be introduced to parliament in the next financial year.

Funding from the Federal Government was secured to develop four plans that will form part of the NWI outcomes. Work has progressed on the Pilbara Regional Plan, South West Groundwater Area Management Plan, Collie Catchment Integrated Water Resource Management Plan and Gngangara Sustainability Strategy, with communities across the State having the opportunity to participate in the water reform process.

Four hundred meters have been installed on the Gngangara Mound as part of an investigation process to increase our knowledge of the water resource that provides 60 per cent of Perth's water and is the lifeblood of the Perth horticultural industry. The 15-year State Groundwater Investigation Program also continued, with drilling moving from the South West to the northern section of the Perth Basin near Gingin. The information gained from this program will help the Commission better manage and allocate groundwater resources.

Additionally, a greater understanding of wise water use was applauded at the inaugural Water Awards ceremony. The awards celebrated the efforts of schools, businesses and industry to conserve water and implement water saving behaviours.

Part A—Overview of agency

1 About the agency

The Water and Rivers Commission ensures the State's water resources are planned, managed and developed to meet the community's requirements now and in the future. The Commission's responsibilities include analysis of water resources information, issuing licences, regulating use, protecting water quality and preparing policies and plans critical to the State's future development. One of its operating entities is the Department of Water.

Using sound scientific evidence and information, the Commission also provides comprehensive information to industry and expert technical support and guidance to Government on the status of water, and the viability of new source development.

The Commission is run on the sustainability principle of finding the balance between social, environmental and economic values as it manages the State's most precious resource.

Formation of the Department of Water

As part of the State Government's commitment to water reform, the Department of Water was established as an operating entity of the Water and Rivers Commission. The new entity consolidated all water-related functions and activities under one agency. Creating a new department has ensured there is a central focus for all planning, evaluation and research decisions, and is recognition that water has become one of the priority policy areas for state and national governments.

Currently there are 11 Acts that relate to water management in Western Australia. The Department is in the process of a major reform of WA's water resource and water service legislation, and two bills are currently being developed to streamline the legal process. It is expected that next year, with the passage of the bills through Parliament, the Water and Rivers Commission will have been disbanded and the Water and Rivers Commission's status confirmed.

The Water and Rivers Commission Board

Board members

The backgrounds and experience of the Board's members are diverse. Its seven members are:

- Chairman
- Deputy Chairman
- Four members (including one vacancy)

- Chief Executive (appointed for the term of office).

The Chairman, Deputy Chairman and non-executive Board members are appointed by the Minister for Water Resources. They hold office for up to three years. Non-executive Board members are eligible for reappointment and their duties are not full-time. There is no limit on the time a Board member may serve on the Board. The Minister may remove a Board member from office at any time.

Changes to the Board

There were no changes to the Board during the 2006–07 reporting year. A vacancy from the previous year was not filled.

Accountability and independence

The Board operates within the guidelines of the *Water and Rivers Commission Act 1995*, and in accordance with the *Public Sector Management Act 1995* and the Commission's Code of Conduct. The Board has terms of reference for all committees of the Commission.

Performance monitoring and reporting

The Commission provides written monthly reports on its activities and financial statements to the Board. Additionally, performance is evaluated at 31 December and 30 June each year.

Board member profiles

Verity Allan—Chairman

Ms Allan has a strong background in urban planning and community relations. She runs a consultancy which specialises in sustainable development and assessment. Ms Allan is a member of the Western Australian Planning Commission's Statutory Planning Committee. She is also a member of the Land Corp Board and the Armadale Redevelopment Authority (ARA). Ms Allan has held senior positions with the Housing Industry Association (Western Australia/Asia Region), City of Fremantle, East Perth Redevelopment Project and Burswood Bridge and Road Committee. Ms Allan has also been a lecturer and unit controller with the School of Architecture and Planning, Curtin University.

Jos Chatfield—Deputy Chairman

Mrs Jos Chatfield operates a three million seedling Australian tree nursery and mechanical engineering business on her family farm at Tammin. Mrs Chatfield is Deputy Chairman of the Water and Rivers Commission, and has previously served in numerous executive positions with the Australian Heritage Commission and its Natural Environment, Forests, and Finance and Audit subcommittees, the State Water Reform Council, Greening WA, CSIRO, Advisory Council to the Environmental

Protection Authority, Lotteries Commission—as a Trustee for the Gordon Reid Foundation, the State Natural Heritage Trust Assessment Panel and State Salinity Council Executive. An energetic and practical conservationist, Mrs Chatfield chaired the Tammin Land Conservation District Committee and served on the Federal Soil Conservation Advisory Committee during the early development of the National Soil Conservation Program.

Mrs Chatfield's experience includes development of policy on conservation, bio-diversity and natural resource management, advising on projects linking rural and urban communities, and establishing networks between scientists and farmers aimed at encouraging land managers to become proactively involved in landcare.

Mrs Chatfield was awarded the Australian Centenary medal in 2001 for services to natural resource management, landcare and land conservation.

Rod Willox AM JP

Colonel Willox was appointed to the Board in 1999. He holds degrees in Medical Science (Curtin) and Pathology (UWA) as well as a Diploma in Occupational Health & Safety Management. He is also a Joint Services Staff College graduate and Life Member of the Australian Defence Colleges Association. Col Willox has extensive experience in Local Government and served for several years as Metropolitan Member of the Local Government Advisory Board. He is a member of numerous community organisations and is Chairman of Mindarie Regional Council, deputy Chairman of the Swan River Trust, the Murdoch University Organic Waste Research Centre, and is a Board member (former chairman) of the Australia Day Council. Col Willox was made a Member of the Order of Australia for his services to local government, the environment and the community, and was awarded the Centenary Medal for services to defence and the Australian Community. He is WA Chairman and a National Director of the Order of Australia Association.

Tony Allen

Dr Allen is a hydrogeologist, with 40 years experience in a wide range of groundwater areas, issues and administration. His major qualifications are an MSc (Victoria University of Wellington) which included regional geological mapping in Antarctica, and a PhD in hydrogeology (University College, London) on the hydrogeology of Merseyside (Liverpool region) while a recipient of a Maude Gledden Travelling Fellowship from the University of Western Australia. In his professional career from 1962-1995, Dr Allen worked as a hydrogeologist with the West Australian Geological Survey where he rose to Supervisor of the Hydrogeology Division, directing groundwater assessment and investigations throughout WA. During his career with the Geological Survey, Dr Allen wrote about 40 papers and over 200 reports on aspects of the State's hydrogeology. From 1996 until his retirement in 2006, Dr Allen worked as a consultant for Rockwater Pty Ltd. In this role he undertook a wide variety of work for Government agencies, the mining industry and private clients.

Peter Eggleston

Mr Eggleston has a background in education including various roles from school-based to statewide advisory, organisation development and policy setting positions. He also has 15 years experience in the mining industry including senior positions with Rio Tinto Ltd and Hamersley Iron Pty Ltd. In these positions, Mr Eggleston designed successful strategies to enhance government and community relations and employee communications and negotiated the landmark Yandi Land Use Agreement with three Aboriginal language groups and the innovative Eastern Guruma Agreement. As Group Co-ordinator for Sustainable Development, Mr Eggleston successfully integrated sustainable development policy into Rio Tinto's managed businesses. He has been a government-appointed member of the Aboriginal Economic Development Council, State Training Board and the Charitable Collections Advisory Committee. Mr Eggleston is currently the Corporate Affairs Director for GRD NL.

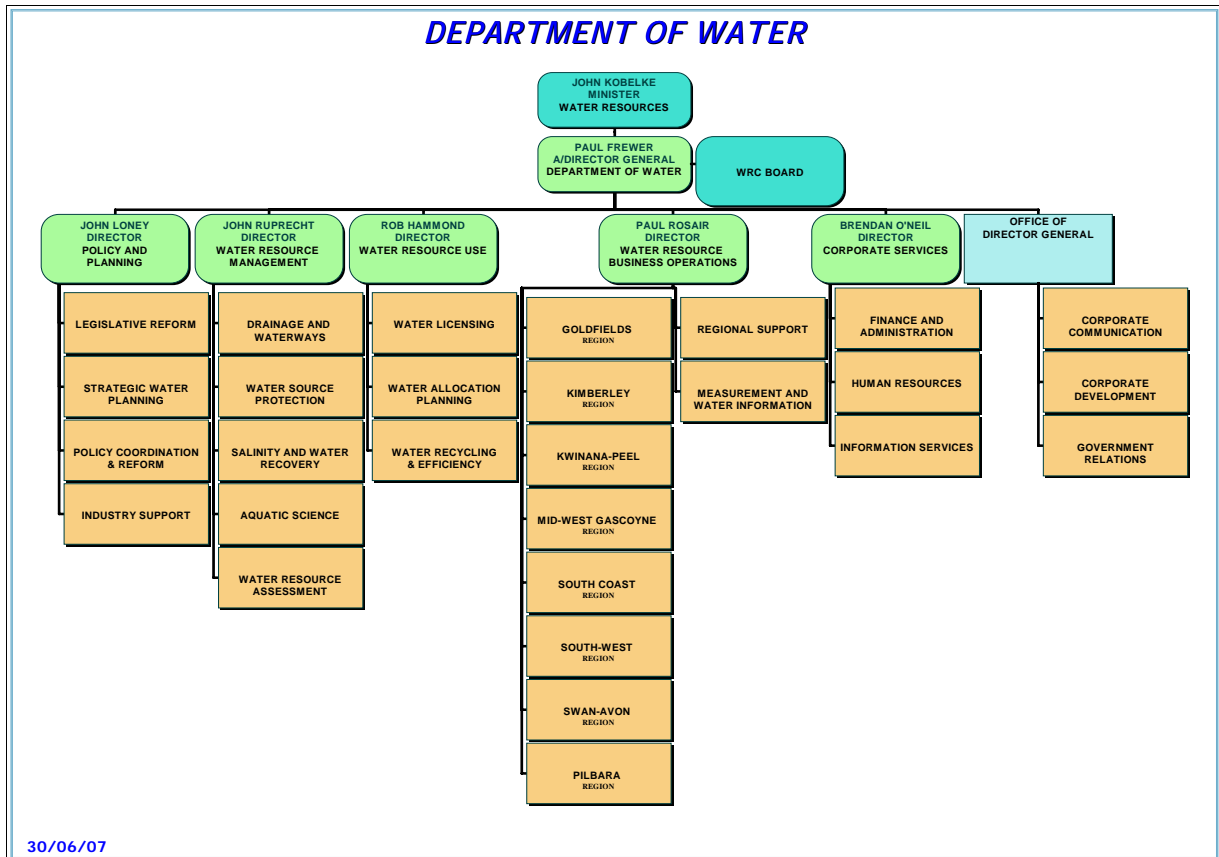
Paul Frewer—Acting Chief Executive

Mr Frewer is currently Acting Director General of the Department of Water and Chief Executive Officer of the Water and Rivers Commission in Western Australia. Previously, Mr Frewer was the deputy Director General in the Department for Planning and Infrastructure. He has over 25 years experience in Government and has worked in economic, regional and environmental policy and planning areas, and land development.

His current role includes establishing the new Department of Water, and a new suite of policy functions in the Department. He has led large multi-disciplinary groups across a wide range of planning and policy functions. Mr Frewer is currently a member of the Western Australian Planning Commission and State Water Council. He has chaired the National Planning Officials Group and is a member of other external boards.

2 Operational structure

Daily operations of the Water and Rivers Commission are undertaken by the Department of Water, which has a wide range of functions.



Part B—Significant issues and trends

Western Australia has experienced some extreme climate changes in recent years, with drier conditions than ever before in the south of the State and wetter conditions than ever before in the north. Rainfall in Perth is substantially less than it was 25 years ago and the trends are indicating these harsher conditions are likely to remain.

At a time when community awareness of climate change and a desire to learn better ways to use water wisely grows, the Water and Rivers Commission is leading the way in securing Western Australia's water future with sound scientific evidence and information.

This year the Commission worked closely with external scientific organisations such as the Indian Ocean Climate Initiative and CSIRO to address issues associated with climate change and find ways to make the most of the water we have available.

Re-using water has become a major focus, and the Commission is working on ways to increase the amount of water recycled in homes, industry, and elsewhere. It is with this backdrop of climate change that the Water and Rivers Commission is implementing its water reform program.

Three major documents to enable water reform were released this year; the *State Water Plan*, *Government's Response to the Blueprint for Water Reform in Western Australia* and *Western Australia's Implementation Plan for the National Water Initiative*. These documents set the strategic direction for water management in Western Australia. They will be combined with new services and management legislation to complete the water reform agenda.

Western Australia has long relied on groundwater for a majority of Perth's drinking water and a range of uses around the State. The Gngangara Mound is the most valuable fresh water resource in the Perth region, but its sustainability is under threat due to declining water levels. Groundwater has depleted more than 500 gigitalitres over the past 25 years, while recharge over this period decreased by almost 25 percent.

During the year the Commission continued its installation of monitoring bores on Gngangara and Jandakot mounds to determine the sustainability of shallow groundwater systems. The Commission also continued to conduct groundwater modelling to support water licensing, urban drainage planning and water allocation planning. The results of these projects will help improve understanding of aquifer distribution, groundwater flow and hydraulic connection between the Superficial, Leederville and Yarragadee aquifers, and support robust decision making in the future. Additionally, water allocation plans were also released for the Ord River and Esperance groundwater areas.

The Government is committed to a range of water sources to provide water for Western Australians. Four major source options investigated or progressed this year were the extraction of 45 gigitalitres from the South West Yarragadee, desalination, Wellington Dam and Managed Aquifer Recharge.

The Water Corporation proposed to extract 45 gigalitres from the South West Yarragadee near Nannup and pipe it 110 kilometres to join the Integrated Water Supply Scheme. Water would have been available to South West users and in Perth. The public strongly indicated that it was not in favour of the South West Yarragadee option and the Government decided to build a second desalination plant, proposed for Binningup, rather than proceed with the South West Yarragadee. The first desalination plant built by Water Corporation came on line this year and the Water and Rivers Commission will have a similar regulatory role with the proposed Binningup plant as it has with the original Kwinana plant. Despite the Government's decision to progress a second desalination plant ahead of the South West Yarragadee proposal, growing regional demand for groundwater will place similar pressures on the resource in the South West.

Salinity is a major issue in Western Australia, with rising water tables carrying salt to the surface of farming land and the quality of waterways declining as salt levels rise. Wellington Dam is the largest reservoir in the South West of Western Australia but at present the water quality is only good enough to use for irrigation in the local Collie area. The Government established a committee to investigate water source options for the Collie Wellington area, including improving water quality in the dam. The committee reported to Government that it would be possible to divert highly saline water from flowing into the Wellington reservoir so the salinity levels in the reservoir were reduced to potable levels. The Water Corporation and the Department of Industry and Resources are now working with the Water and Rivers Commission on a package of potential water resource initiatives that could result in sustainable irrigation, regional industrial water supply and water for the Integrated Water Supply Scheme.

While there was a groundswell in the general community to save water and use it wisely, opinion appeared to be split regarding the possibility of drinking recycled water. However, fast-tracking the water cycle by managing the recharge of the Gnamptara Mound was met with a positive response. Trials to further our knowledge of Managed Aquifer Recharge were supported by the Federal Government and have been undertaken in partnership with Water Corporation and CSIRO.

Part C—Agency performance

3 Value from water

Water is an increasingly highly valued resource. The drying climate in the most populated areas of the State has diminished supplies from traditional sources and, together with current strong population growth, is increasing the demand for and the worth of water. These changing climate and demand scenarios are contributing to greater community uncertainty and the need to apply sound economic, social and environmental principles to risk management in water resource planning.

Coupled with the increasing economic significance of water is the development of economic indicators and performance measures in relation to water resource management. The Commission is committed to applying best practice economic analysis and principles to water management. The economic advice we provide covers more than the financial feasibility of projects and issues management; it sets out to measure direct and indirect economic impacts throughout the State on all stakeholders. The Commission's approach considers socio-economic and environmental issues and the impact of water planning and management on the economy, both in terms of least-cost efficiency and broader resource allocation.

Blueprint for water reform

The water reform program was initiated in December 2005 as part of the Government response to the Irrigation Review and to guide the Water and Rivers Commission's strategic response to ensure our water resources remain sustainable. A draft blueprint, prepared by the independent Water Reform Implementation Committee and released for comment in July 2006, examined a range of directions and options for water reform.

After extensive consultation with the Western Australian community, including 17 workshops conducted around the State and 72 public submissions received, the committee prepared *A Blueprint for Water Reform in Western Australia: Final Advice to the Western Australian Government*. The Government's response was released in February 2007.

The response outlined the Government's support for the committee's recommendations and how implementation would proceed. The report's recommendations addressed:

- statutory water management plans;
- water entitlements;
- metering;

- water licence administration fees;
- water trading;
- water use efficiency;
- integrated land;
- water planning; and
- self management.

These recommendations provide a reform package that will result in the State's water resources being better planned, shared, managed, used and monitored.

The Commission has drafted the legislative framework and has developed the new programs required to implement the recommendations.

State Water Plan

The *State Water Plan 2007*, released by Water Resources Minister John Kobelke in May, provides a strategic framework to plan and manage water resources in Western Australia. The plan reflects our knowledge of resources, their intrinsic value to the environment, local and Indigenous communities and the foundation for economic prosperity. The plan also recognises that reduced rainfall from climate change and a projected 40 per cent population increase by 2030 requires a concerted effort by Government and the community to ensure a sustainable water future.

The plan provides a framework for the community, water users and other stakeholders to understand engage and assess progress towards the strategic management of water in Western Australia. It outlines a whole-of-water cycle approach to the management of the State's limited and vital water resources, addresses areas where water resources are over-used and gives priority to restoring those resources through statutory water planning, providing legal security to water entitlements for the environment, and more metering and monitoring.

The *State Water Plan 2007* sets a goal of recycling 30 per cent of water use by 2030, a 10 per cent increase on the previous target. Regional water planning and various detailed water plans are outlined, along with an extensive list of achievements and priority actions for water planning and management. The first phase of regional water planning will focus on the South West, Pilbara and the Perth-Peel regions.

The plan is the culmination of several years' planning and consultation at all levels of the community to ensure stakeholders and water users throughout Western Australia are actively involved in securing the State's water future. The Water and Rivers Commission played a key role in assisting the Department of the Premier and Cabinet coordinate stakeholder input and the compilation of information that supported the plan.

Legislative reform

To underpin the recommendations of the *Blueprint for Water Reform in Western Australia* and the *State Water Plan 2007*, the Government has committed to substantial reform of water-related legislation. The proposed legislation will enable the Government to effectively implement its water reform program and meet the requirements of the National Water Initiative. It will also consolidate and modernise the various water resource management provisions in current Acts and by-laws, providing a comprehensive legislative mandate for the sustainable and integrated management of water resources.

Current legislation dealing with water services in Western Australia is found in 10 Acts, many of which contain duplicate provisions regarding the powers and functions of water service providers, and which are complex and costly in terms of compliance. Much of the legislation is outdated and has been complicated by amendments that have been made over time. This duplication and complexity of water legislation has in part resulted from a failure of legislative amendments to keep pace with the major institutional changes that has taken place over the past 15 to 20 years.

The water services legislation reforms will see the existing legislation consolidated into two Acts, with one addressing the powers and regulation of all water service providers, and the other dealing with the governance of the Government water service providers.

The first phase of the legislative reform program is the Water Resources Legislation Amendment Bill 2006, which was introduced into Parliament in May 2006. This legislation will abolish the Water and Rivers Commission by repealing the *Water and Rivers Commission Act 1995*. The statutory functions and powers of the Commission under various water-related acts will be transferred to the Minister for Water Resources and the Water and Rivers Commission.

Phase two of the legislative reform program consists of a major reform of water services and water resources legislation. Drafting of the Bills has commenced and they will be introduced into Parliament next financial year.

National Water Initiative

The National Water Initiative (NWI) is Australia's blueprint for national water reform. Its objective is to achieve a nationally compatible market, regulatory and planning-based system of managing surface and groundwater resources for rural and urban use that optimises economic, social and environmental outcomes.

Western Australia signed the NWI in April 2006, which enabled it to become eligible for Commonwealth funding from the Australian Government Water Fund.

Based in part on the advice from the Water Reform Implementation Committee, consultation with industry experts and the community, the Commission prepared a

draft of *Western Australia's Implementation Plan for the National Water Initiative*. The plan was released in March 2007 and outlines how the requirements of the NWI will be met with detailed actions and timelines and was accepted by the National Water Commission with minor changes. The Minister for Water Resources endorsed the final version of *Western Australia's Implementation Plan for the National Water Initiative* in April 2007.

The Commission also contributed to the first biennial report on progress of the NWI in May 2007.

Australian Government Water Fund

The Commission was awarded \$15,105,000 from the Australian Government Water Fund during 2006–07. This included \$14,940,000 from the Water Smart Australia Program to support statutory water management planning for the Pilbara, Gngara Mound, South West Groundwater Areas and Collie Catchment. A sum of \$165,000 received from the Raising National Water Standards Program was allocated towards the development of a low cost, low powered satellite telemetry interface for water data collection.

Indian Ocean Climate Initiative

The Indian Ocean Climate Initiative (IOCI) is a collaborative partnership between the State Government, CSIRO and the Bureau of Meteorology to undertake climate research and adaptation in Western Australia.

The *Indian Ocean Climate Initiative Stage 2: Report of Phase 2 Activity January 2005—June 2006* report was released in October 2006. The report concluded that the research the partnership had undertaken, coupled with the broader evidence of national and international science, had resulted in increased confidence in attributing the causes of climate change that has taken place in south-west Western Australia. Its key findings were:

- It is unlikely that observed warming is a result of natural fluctuations in the climate;
- It is likely that the natural fluctuations inherent in the climate system and changes in greenhouse gas concentrations have contributed to the observed rainfall decline in south-west Western Australia; and
- The role of land cover changes is unlikely to be a major factor in the reduction of the rainfall in south-west Western Australia, but must be recognised as a possible secondary contributor.

The work undertaken by IOCI has helped Government make decisions on major projects, such as commitment to water reforms and desalination. Stage Three of IOCI will start in 2007–08 under the Environment portfolio.

Private sector water services

The Commission coordinated and produced an inter-agency submission to the Department of the Prime Minister and Cabinet's discussion paper on the role of the private sector in the supply of water and wastewater services. The submission incorporated the views of the Western Australian departments of Treasury and Finance and the Premier and Cabinet. The submission explored the potential advantages and disadvantages of increased private sector involvement in the provision of water services in Western Australia.

Economic Regulation Authority inquiries

During the year the Commission provided submissions to the Economic Regulation Authority's inquiry into bulk water pricing for Harvey Water and is now helping prepare the Government's response to the final report.

Water industry services licensing

During the year the Commission drafted and negotiated the signing of a Memorandum of Understanding (MOU) between the Water and Rivers Commission and the Economic Regulation Authority. The MOU provides for consultation between the parties to integrate and coordinate regular activities which are relevant to the water services licensing function, and outlines the parties' cooperation on relevant water industry reform initiatives.

Customer complaints and resolutions for water service providers

One of the Commission's key aims is to improve levels of service to customers of water service providers. The Commission does this by acting as a mediator to assist customers resolve any dispute with their service provider. The mediation process relies on the cooperation of the customer and service provider to reach a mutually agreed solution.

The Commission undertakes a free and confidential investigation of complaints to negotiate an outcome that it considers is fair to the customer and service provider. Although the Commission cannot direct a service provider to take a specific course of action, it can, and does, make recommendations to service providers as to what it sees as a fair and reasonable outcome for the customer and provider.

A new Dispute Resolution brochure was distributed during the year to water service providers, consumer advocates, regulatory and consumer organisations, and other interested water services industry stakeholders. It is also available on the Commission's website.

Incoming complaints

Between 1 July 2006 and 30 June 2007, the Commission received 97 complaints from customers of water service providers. Numbers of complaints received by complaint type are summarised in the table below.

Table 1 Complaints from customers of water service providers

Complaint type	Number received
Consumption disputes	39
Leakage disputes	27
Service charges	8
Water restrictions	6
Billing policies	4
Water quality	3
Property damage	3
Access to services	2
Sewerage overflows	2
Pensioner rebates	1
Development charges	1
Debt management	1
Total	97

Of this total, 92 complaints came from Water Corporation customers and five from customers of Aqwest–Bunbury Water Board.

Complaints resolution outcomes

The following table summarises the outcomes of the Commission's complaints resolution process for the year.

Table 2 Complaints from customers of water service providers

Resolution outcome	Percentage %
Favourable to service provider	55
Favourable to customer	5
Explanatory information provided	18
Partially favourable to customer	22
Total	100

On average, it took 20 calendar days for an outcome to be reached in respect of each complaint and a total of \$15,089 was rebated to customers during the year. Since 1996, a total of \$301,779 has been rebated. As at 30 June 2007, only two customer complaints were awaiting resolution.

Complaints trends

Since the customer complaints resolution function was first introduced by the Commission's predecessor in 1996, after rising to a peak in 2001, there has been a downward trend in the number of complaints received and the average over time. Available complaints data for calendar years 1996 to 2006 and progressive annual averages are summarised in the table below.

Table 3 Complaints and progressive annual averages, 1996-2006

Year	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	Total
Number	89	102	165	133	212	232	226	216	161	76	5	1617
Average	147	153	158	158	161	153	137	115	81	41	—	

The following chart illustrates the strength of the downward trend observed since 2001 in the numbers of customer complaints received.

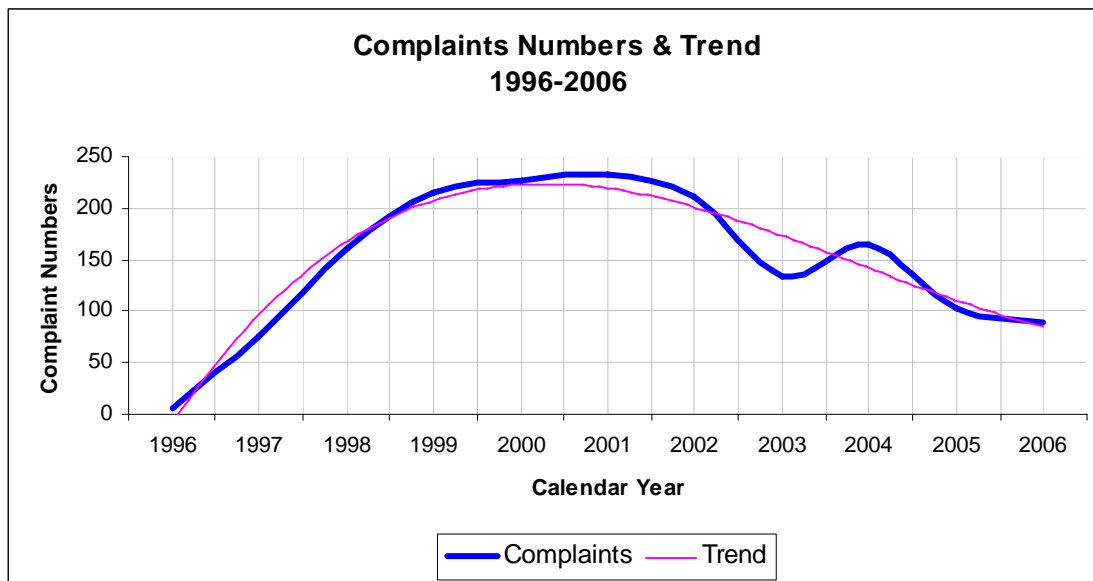


Figure 1 Complaint numbers and trends, 1996-2006

The Commission believes this continuing downward trend is partially attributable to increasing numbers of complainants accepting the complaint outcome they secure directly from their water service providers. However, the findings of the Commission's Customer Survey also suggests several other possible reasons for the decline over time in the number of customer complaints received by the Commission.

Customer survey

The Commission commissioned a customer survey to gauge water services provider customer perceptions of and satisfaction with the complaints resolution process. Key findings from the survey were:

- A majority of respondents were not aware of their providers' customer service standards and commitments in the complaints process;
- Just over two thirds of customers were not aware of their entitlements to redress;
- 63.9% of respondents were not aware that their water service provider had a complaints procedure;
- The survey confirmed what was identified during preliminary qualitative interviews to design the survey instrument—that most were dissatisfied with the service they received from their water service provider during the complaints process;
- There was a low awareness of the role that the Water and Rivers Commission plays in the complaints handling process; and
- Many respondents suggested how the service providers should improve their current complaint handling processes.

Most respondents were highly satisfied with the Commission's management of customer complaints and complimented individual Commission staff with whom they had interacted in relation to their complaints. The only disappointment expressed about the Commission's complaints resolution process was the inability of the Commission to make binding directions to water service providers as to the resolution of complaints.

Licence exemptions granted under the *Water Services Licensing Act 1995*

Under the *Water Services Licensing Act 1995*, the Governor on the advice of the Minister for Water Resources has the authority to exempt certain entities from the requirement to hold water services operating licences. The Commission evaluates and, if appropriate, recommends exemptions, on behalf of the Minister. During the year, the Commission successfully finalised exemptions for the following entities:

- Lionore (supply of wastewater for industrial purposes); and
- BP (supply of high grade industrial water from the Kwinana Water Recycling Plant).

The Commission also completed an evaluation of the Shire of Northampton's application for an exemption from the requirement to hold a water services licence to provide a non-potable water service to the township of Port Gregory.

Water for Indigenous communities

The Water and Rivers Commission has taken a lead role in the development of a model to facilitate access for Indigenous communities to water services, acting as policy advisor and coordinator of activities to improve the standard of water supply and wastewater services to all Indigenous communities in Western Australia. This work contributes to the State's policy objectives of normalisation and regularisation of services to remote communities, and to the outcomes required under the Bilateral Agreement on Indigenous Affairs 2006-2010.

During the year the Commission prepared and published the *Report for the Minister for Water Resources on Water Services in Discrete Indigenous Communities*. The report recommended that a whole-of-government action plan be developed to support the delivery of essential services to Indigenous communities and this has been developed by a State and Commonwealth Senior Officer Group working on the bilateral implementation. The Commission was recommended to take the lead in water, and other recommendations covered policy for these services, service improvements and water source planning, protection and monitoring. The Minister for Water Resources approved and supported the report and it has been endorsed by Cabinet.

The Commission has also been working with other Commonwealth and State Government agencies involved in policy development and supplying services to Indigenous communities through several committees, including the Sustainable Environmental Health and Infrastructure Senior Officers Group. The group is collecting data on the water supply and wastewater assets of over 300 communities and settlements to establish a baseline for improvement.

The Commission continued to provide input and advice into the protection of drinking water supplies for Aboriginal communities, working with the State agencies involved in providing drinking water and community planning through the Remote Area Essential Services Program.

Rural Water Planning Program

The Rural Water Planning Program coordinates and manages the implementation of the State Rural Water Plan, which incorporates several initiatives to provide quality, reliable farmland water supplies to dry land parts of rural Western Australia. These program initiatives include the Farm Water Grant Scheme, Pastoral Water Grants Scheme, Community Water Supply Program, Farm Water Supply Planning Program and Water Deficiency Arrangements. The Water and Rivers Commission is supported in the delivery of these initiatives by the Rural Water Advisory Committee.

The key objectives of the Rural Water Planning Program are to:

- Encourage self-sufficiency in on-property (farm) water supply;

- Improve the reliability, continuity and quality of on-property water supply; and
- Provide rural communities with reliable emergency water supply arrangements.

During the year 327 farm water grants, totalling \$5.2 million, were approved under the Rural Water Planning Program, and nine pastoral water grants totalling \$123,000 were approved. The Commission also supported four community water supply projects with grants of \$194,500, and introduced an expanded technical support service to assist landholders and other key industry stakeholders

The Rural Water Plan was highly commended in the 2006 Premier's Awards in the regional development category, announced in November 2006.

Industry liaison

The highly successful Water Awards were held in October to promote water use efficiency in Western Australia. The awards acknowledged products, processes and organisations that contributed to the sustainability of Western Australia's water resources.

The Premier's Water Foundation is an important part of the Commission's strategy for increased water efficiency by supporting research into smarter ways to conserve and recycle water. Five projects (with total project costs of more than \$13 million) were awarded \$3.13 million by the foundation during the year.

The Commission also undertook research to investigate perceptions about the need for the Foundation and its performance. The research highlighted the need for change in three primary areas:

- To increase the amount of funding and have separate funding schemes targeting the needs of different groups and priority areas;
- To adopt a new governance structure to improve stakeholder confidence in relation to decision making; and
- To improve communication with stakeholders.

Responsibility for organising Water Forums for industry stakeholders was transferred from the Department of the Premier and Cabinet to the Water and Rivers Commission during the year.

The Commission continued to support successful industry projects such as the WA Water Campaign with local councils, co-funding of industry specialists such as an Industry Development Officer at the Irrigation Association of Australia (WA Branch) and a CSIRO Sustainability Specialist for the Northern Australia Irrigation Futures Framework. Other significant projects supported by the Commission included the Premier's Collaborative Research Program on Contaminants of Concern in Treated Wastewater, the Children's Groundwater Festival in Whiteman Park, the Town of

Cottesloe Stormwater Management and Aquifer Recharge project, the Waterwise on the Farm Program, and the development of an ecotoxicity toolbox to evaluate water quality for recycling.

4 Water availability

The Water and Rivers Commission aims to assess, protect and/or recover water and waterways to best meet social, economic and environmental needs. The Commission provides the science, understanding and knowledge of the State's water resources underpin best practical water resource management.

Investigation and assessment of resources to determine sustainable yields

The Water and Rivers Commission establishes the processes to be used in the determination of sustainable yields from surface water systems. With an increasing demand for available water there is a need to establish a defensible and rigorous methodology for estimating mean annual flow, and to determine the sustainable yield for the allocation of surface water.

A new support system is being developed to underpin abstraction entitlements and decision making in the south west of Western Australia, and sustainable diversion limits are being determined. These limits represent the maximum volume of diversions that can be licensed in a catchment, beyond which there is an unacceptable risk that additional extractions may cause a lasting and detectable negative ecological effect to the environment.

The investigation of the sustainability of shallow groundwater systems on Gnangara and Jandakot mounds started in April 2007, and groundwater monitoring bores have been installed. The results of the work will be incorporated into the Perth Metropolitan Statutory Management Plans.

Groundwater modelling to support water licensing, urban drainage planning and water allocation planning has been conducted throughout the year, while groundwater assessment projects focussed on the Perth metropolitan area, the South West (including Collie) and the Pilbara. A major review of Perth metropolitan water chemistry is underway with sampling and testing. The development, maintenance and use of state-of-the-art groundwater models, including the Perth Regional Aquifer Modelling System and South West Aquifer Modelling System, continued to support robust decision making.

State Groundwater Investigation Program

Groundwater investigation underpins the sustainable management of groundwater resources across the State. New monitoring bores have been installed at Gnangara North (20 kilometres west of Gingin) to improve understanding of aquifer distribution, groundwater flow and hydraulic connection between the Superficial, Leederville and

Yarragadee Aquifers. An assessment was finalised for investigations on the Scott Coastal Plain, which contributed to the Commission's evaluation of the proposal to extract 45 gigalitres from the South West Yarragadee. Groundwater dating and numerical modelling was undertaken to assess the groundwater resources of the Leederville Aquifer in the Cowaramup area. Work also started on the synthesis of the regional hydrogeological information for the Southern and Northern Perth Basin, which will be completed as major groundwater publications in 2009.

During the year, the Commission devoted substantial effort to preliminary studies and planning future investigations. An airborne geophysical survey was undertaken at Allanooka, near Geraldton, in January 2007 to define the extent of the Yarragadee Aquifer and assist in the selection of drilling sites for an investigation planned in 2009.

Drinking water source protection assessments, guidelines and codes of practice

Drinking Water Source Protection Assessments provide readily available information to help State and Local Government decision makers manage and protect our limited drinking water sources.

This information is used to develop Drinking Water Source Protection Plans with the community to establish the level of protection required in Public Drinking Water Source Areas. The plans:

- Identify the character of a source and current or future development pressures;
- Identify the vulnerability/risk of a water source to contamination threats;
- Establish protection areas and zones to avoid, minimise or manage water quality risks; and
- Recommend measures to protect the resource including development of implementation strategies.

The Commission also works with State planning agencies and local government authorities to incorporate water protection in the land planning process. Decisions on land use zoning and subdivision applications have a significant impact on the protection of drinking water sources. The Commission supports the amendment of Town Planning Schemes and related planning strategies that reflect land use and development compatible with the Commission's protection plans.

The Commission is responsible for the preparation of plans and guidelines to protect the quality of our water resources. During the year, 18 protection plans were completed for Arrowsmith, Augusta, Canning Dam, Churchman's Brook, Dathagnoorara, Denham, Dookanooka, Harris Dam, Laverton, Marbellup, Mundaring Dam, Northcliffe, Seaview Park, Serpentine Dam, Sovereign Hill, Tanjanerrup, Walpole, and Wungong Brook. For each plan, a summary brochure was prepared

and made available to local councils and key stakeholders to ensure community understanding of compatible land uses and activities in areas used for public drinking water supply, to ensure 'safe, good quality drinking water'. The Water Corporation prepared plans for Augusta and Donnybrook, with advice from the Water and Rivers Commission.

The Commission also recommends practices to protect the value of water resources through a program of environmental guidelines, water quality protection notes and water quality brochures. These are aligned with State water source protection statutes and the Council of Australian Government's National Water Quality Management Strategy series. After appropriate consultation, the documents are published on the Department of Water website.

The following Water Quality Protection Notes were completed in 2006–07:

- Infrastructure corridors near sensitive water resources;
- Rural abattoirs;
- Rural restaurants;
- Cafes and taverns near sensitive water environments;
- Outdoor events;
- Rural dam construction;
- Light industry near sensitive water environments; and
- Cooling tower wastewater management and disposal.

Geographic Data Register

An online Geographic Data Register—an interactive web mapping tool that allows the community, land owners/developers and State or local government agencies to view the location of drinking water sources in Western Australia—was launched in March 2007. The online register can be accessed through the Water and Rivers Commission website. The Commission's Water Quality Protection Note *Proclaimed Public Drinking Water Source Areas*, also available online, complements the information contained in the register.

Catchment, waterways and wetlands management plans

The Commission is responsible for the preparation and implementation, in partnership with local communities, of management plans for catchments, waterways, riparian systems, estuaries and wetlands. The focus of the plans is to support healthy ecosystem functioning on a sustainable basis, taking into account environmental, social and economic factors, management of floodplains and regulation of arterial drainage and native vegetation clearing.

A number of local management plans were completed including:

- Riparian vegetation report for Walpole and Nornalup inlet coastal rivers;
- Resource condition assessment and social survey for Stokes Inlet, Esperance;
- Mortlock River South Foreshore & Channel Assessment;
- Review of the Economic Viability of Sediment Extraction from the Avon River Pools; and
- Brunswick River Action Plan.

Wetlands management manual

A manual on how to manage and restore wetlands in Western Australia was completed during the year. The manual consolidates best practice wetland restoration and management techniques into a comprehensive, accessible and practical format for use by a wide audience. An important tool to encourage and enable best practice restoration and management of wetlands in WA, the guide was coordinated by the Department of Environment and Conservation, under the guidance of a Steering Committee of government and non-government organisations.

Algal Management

The Commission coordinates algal management issues in fresh and estuarine waters and in water storages throughout the State. Algal blooms, particularly of noxious species, are common in disturbed catchments and are mainly due to excess nutrients in runoff. These are especially prevalent in areas of artificial drainage in the South West, the Swan, Peel Harvey, Vasse Wonnerup and Torbay catchments. In Peel Harvey, persistent algal growth led to a whole-of-ecosystem collapse and ultimately, the construction of the Dawesville Channel. Management and action plans have been developed over the past decade for these areas, focusing on reduction of nutrient imports from the catchment. A draft State-wide algal management strategy has been developed to focus and coordinate this activity across the State and when implemented will include water storages.

Key projects undertaken this year have been Algal Watch, which provides micro algal (phytoplankton) surveillance at known hotspots throughout the State, and weekly and monthly reports outlining algal occurrence, risk and toxicity advice and recommended management response. Health alerts are communicated when ecological or human health is identified.

Mapping, classification and evaluation of wetlands

A draft *Framework for Mapping, Classification and Evaluation of Wetlands in Western Australia* to outline a Statewide process was prepared during the year to provide guidance to Natural Resource Management groups, local and State government agencies, non-government organisations and consultants. Wetland mapping, classification and evaluation work undertaken in accordance with the framework will

benefit from this coordinated, consistent approach, the use of valid methodologies and improved project planning.

Supporting regional Natural Resource Management groups

The Commission is a member of all regional Natural Resource Management (NRM) groups and partners the groups to help deliver the outcomes identified in their investment plans. Next financial year, the State Government will start bilateral negotiations with the Commonwealth over the funding and delivery of NRM in Western Australia.

Technical support provided to the groups ranges from identifying broad priorities in water management through to technical advice on specific projects such as monitoring projects for assessing river health.

The Commission completed its role as Secretariat of the Working Group for Indigenous Reconciliation in Natural Resource Management and Primary Industries in November 2006, and was commended by the two Ministerial Councils for the quality of the work undertaken. The culmination of the role was the submission of two documents developed as part of the new reporting framework. The first identified key issues and programs that had made significant changes to the Advancing Reconciliation agenda. These issues and programs were compiled for the periods 2004–05 and 2005–06.

The second document identified two issues that needed further consideration and possibly a national approach—the reliability and long-term sustainability of water supplies for business ventures (such as irrigated agriculture or aquaculture), and the need to develop more sustainable, long-term economic ventures and employment opportunities in many remote and regional areas, particularly where there are few long-term jobs for Indigenous people.

The National Working Group, now under South Australian guidance, is developing actions and approaches to addressing these two key issues. The Commission is contributing by preparing, in conjunction with other jurisdictions, a consultancy brief to look at actions to improve access to water for remote Indigenous communities.

Salinity Investment Framework

The Salinity Investment Framework (SIF) Phase Two report was released in December 2006. The SIF is a tool to help identify investment and funding targets for State and local governments and the community. It helps governments and other natural resource managers bring together scientific, economic and social information in an integrated way to address salinity in a cost-effective manner, consistent with an agreed set of principles.

An important feature of the SIF is its focus on the actions needed to protect particular key assets, rather than maximising the spread of available funds. The results presented indicate that, if underlying trends in the development of salinity established in the last few decades (1975–2000) are maintained, the cost of protecting the 48 natural resource assets identified in Salinity Investment Framework Phase One as 'high value and at high risk' from salinity will be significant.

Salinity management

The Commission continued to focus on identifying and protecting high value natural resource assets as part of its role in partnership with local communities to prepare and implement salinity abatement plans (including application of land use and engineering measures), to recover and maintain water catchments from salinity.

In October 2006, the Minister for Water Resources set up an independent committee to investigate water source options for the Collie Wellington basin, supported by the Water and Rivers Commission. A number of complex options were assessed. The release of the report *Water Source Options in the Collie-Wellington Basin* in June 2007 supported the Commission's focus on diverting highly saline water from flowing into the Wellington reservoir and presented options for delivering water into the Integrated Water Supply Scheme. The Water Corporation and the Department of Industry and Resources are now working with the Water and Rivers Commission on a package of potential water resource initiatives that could result in sustainable irrigation, regional industrial water supply and water for the Integrated Water Supply Scheme.

Water Resource Recovery Catchments

The Water and Rivers Commission plays a crucial role in the recovery catchment plans for a number of important water catchment areas. During the year significant progress was made in the reduction of salinity levels in some catchments, but others will require many more years of sustained work before recovery can be achieved.

Denmark

The Denmark Recovery Catchment continued to demonstrate the positive innovations being developed as part of the water resource recovery catchment program. The reversal of salinity in the Denmark River maintains a strong downward trend as a consequence of continued commercial interest in plantations. It is estimated that establishing a further 900–1400 hectares of revegetation would lower salinity in the river to drinkable levels.

Kent

The *Salinity Situation Statement for the Kent River* will be released in the second half of 2007. Land use change, such as blue gum plantations and on-ground works, have

greatly slowed the rate of rising salinity, but even at maximum effect, mean annual salinity will still be nearly twice the 500 mg/L target. The recovery of the Kent River remains a long-term prospect and, although the initial implementation phase has ended, many decades of work remain to be done before recovery can be achieved.

Collie

The *Collie River Salinity Recovery Plan* was initiated in 2005 with the diversion of water from the East Collie region, which was delivering 60 per cent of the salt to Wellington Dam. The operating procedure of the diversion maximises the amount of salt diverted while allowing sufficient environmental flows to continue down the Collie East River. The diversion began in 30 May 2006 and concluded on 18 October 2006 with 2.1 GL of brackish water pumped into the Chicken Creek coal mine void, removing 13,330 tonnes of salt. This resulted in a 185 mg/L drop in the average salinity of water in the Wellington reservoir. Plans for a larger, permanent diversion are underway, and investigations into ways of using the diverted water.

Warren

The *Warren River Salinity Situation Statement* was launched by the Minister for Water Resources in July 2006. The Commission has completed risk assessments of the Tone River and the Perup River sub-catchments, which together produce approximately 65 per cent of the salt load of the Warren River. An evaluation of the social, economic, environmental and hydrologic impacts of proposed management options was undertaken during the year. Building on recommendations from the salinity situation statement, the Commission has begun implementation of the Warren Perennials Project, funded by the National Action Plan for Salinity and Water Quality through the Warren Catchment Council and the South West Catchments Council. With a potential yield of 245 GL, this river may be important to future generations if salinity can be brought under control. Recent investigations predict that with no further action, salinity levels will stabilise at 700 mg/L.

Helena

The *Helena River Salinity Situation Statement* has been completed and is due for release later in 2007. The catchment is very sensitive to any further clearing because while only three per cent of the catchment is cleared, less than half of this cleared area contributes most of the salt. Because of this, the catchment needs additional salinity management. The Helena River contributes 63 per cent of Mundaring Reservoir's salt load and only 30 per cent of the inflow, including substantial discharge from recently-recognised palaeochannel sediments.

Inflow to the Mundaring Reservoir exceeded the desired potable limit of 500 mg/L in seven of the 10 years up to 2002. It's expected that reduction of inflow salinity to potable levels can be achieved through replacement of up to half of the current pasture with commercial trees or deep-rooted perennial pastures, pumping to

intercept groundwater seepage and diverting saline flow out of the Helena River. There are also options to enhance the 17.1 GL/yr inflow to the reservoir (1992–2000) from the higher rainfall western portion of the catchment by forest management—controlling the density of regrowth forest and thinning pine plantations.

Implementation of on-ground works

The Commission is working with the community in the Warren, Denmark and Kent catchments to trial salinity management options. Revegetation of 3 hectares of salt land and 2.6 kilometres of drains was undertaken during the year in the Denmark and Kent catchments, with a further 947 hectares of perennial pastures to be established under written agreements with landholders in the Warren catchment. Tree plantation management continues in the Collie catchment. The 5500 hectares of eucalypt plantations established by the Water and Rivers Commission and its predecessors in the east Collie catchment since the 1970s has been a significant contributor to reducing salt in Wellington Dam.

Engineering Evaluation Initiative

The \$4 million Engineering Evaluation Initiative (EEI) is a priority project in the bilateral framework of the National Action Plan for Salinity and Water Quality. The EEI's major focus is to evaluate specific engineering options at eight sites, and develop options for safe disposal, soil remediation and regional-scale drainage.

The projects, from Morawa to Esperance, include evaluation of the salinity engineering options of deep drains, evaporation basins, groundwater pumping, and raised seedbeds. This information is used to determine the benefits and costs, potential downstream impacts of drained and pumped water, and whether soils rendered unproductive by saline conditions can be restored. Monitoring at six of the sites was almost complete by June, and will continue at the other two sites until December 2007.

A regional drainage evaluation for the Avon River basin was completed as a joint project between EEI and CSIRO Healthy Country, and a similar project for the Blackwood River basin is still in progress.

Stakeholder involvement has included newsletters, brochures, progress reports and on-farm field days and attendance at regional field days in various Wheatbelt centres. EEI outcomes will be presented to stakeholders in the second half of 2007, with individual project reports published later in 2007 and 2008.

Wheatbelt drainage evaluation

There is a growing demand from farmers for larger scale engineering works to recover or protect land from salinity. Historically, such proposals have had limited planning, design or costing information. To examine larger-scale or regional drainage

an additional Engineering Evaluation Initiative program was established in 2005 as part of the National Action Plan for Salinity and Water Quality.

The Wheatbelt Drainage Council was established in February 2007 to provide a policy framework and principles for deep drainage in the Wheatbelt. As a result of this work, the *Wheatbelt Drainage Evaluation—a Framework for Implementation* report has been progressed and is due for completion in June 2008.

So far the evaluation team has:

- Completed water and salinity management evaluations for the Yenyening and Yarra Yarra catchments;
- Completed a Benefit Cost Analysis for two drainage projects in the Yarra Yarra catchment;
- Commenced a review of Wheatbelt drainage governance and management;
- Assisted local governments with the establishment of drainage governance arrangements at Dumbleyung, Mt Marshall and Yarra Yarra;
- Started studies into acidic groundwater risk in the Blackwood, Yarra Yarra and South Coast catchments;
- Commenced a study funded by the Avon Catchment Council of practical options for the treatment of acidic groundwater discharge;
- Supported drain planning in the Yilgarn, Dumbleyung, Yarra Yarra and Narembeen catchments; and
- Commenced a project to classify Wheatbelt Wetlands in terms of their biodiversity value and risk from rising groundwater levels.

Salinity investigations

Investigation of the salinity situation in the Murray, Hotham and Williams catchments and two Blackwood sub-catchments began during year at the instigation of the Peel Harvey Catchment Council and South West Catchments Council. Both of these projects will provide the community with a preliminary assessment of where salt is coming from in the landscape, providing a foundation for future direction in funding salinity management options.

Drainage and floodplain management

There was considerable focus on drainage and flood plain management during the year as a result of the Government funding a new resource proposal for drainage and associated functions.

Strategic drainage and water management planning exercises were completed for the North-East Corridor of Perth and Busselton. These plans provided information to feed into regional land planning processes.

Investigations continued for Jandakot and Southern River and new initiatives started for Byford, Baldivis to Mandurah, and North Mandurah to Pinjarra. The results of these investigations will facilitate urban development, in particular in a manner consistent with sustainable urban water management.

State-wide coordination of research and development was also initiated during the year. Additionally the Commission entered into a partnership with the Department of Planning and Infrastructure, Water Corporation and the Western Australian Local Government Association through a program called New Water Ways. New Water Ways will promote excellence in urban water management in WA through both State and local Government and the land development industry.

Drainage governance

Investigations into drainage governance and operational matters in coastal drainage districts started during the year. As a result, further targeted governance investigations will begin next year, including a trial governance framework in the Great Southern.

A review of governance arrangements for existing schemes in the north east and south west corridors of the metropolitan area started, and the findings of these investigations will further inform the development of governance frameworks.

Stormwater management

A *Stormwater Management Manual for Western Australia* was completed during the year. The manual is a comprehensive approach to the management of stormwater, based on the principle that stormwater is a resource with social, environmental and economic opportunities, rather than a waste product. Stormwater management aims to build on the traditional objective of local flood protection by having multiple outcomes, including improved water quality management, valuing stormwater as a resource, protecting ecosystems and providing liveable and attractive communities.

The manual also provides a coordinated guide to developers, environmental consultants, community groups, industry, local government, water service providers and State government departments on the latest management principles and practices relevant to stormwater management.

Next year the Commission will work with local government and industry to implement the manual.

Floodplain management

Western Australia has an average annual flood damage bill of \$25 million. The cost of recovery and response activities associated with these flood events is immense. The most effective strategy for reducing the long-term impact of natural hazards, such as flooding, is to promote mitigation activities.

A draft WA Floodplain Management Strategy developed during the year sets out State-wide policy guidelines and clearly identifies the roles and responsibilities of key stakeholders. Implementation of the strategy should ensure that people working and living on floodplains are not exposed to unacceptably high levels of risk to life, health or safety from flooding; nor should there be an unacceptable risk of damage to goods, property infrastructure or the environment.

New funding of \$289,000 per year was allocated for the implementation of the strategy's 10 programs. This work includes progressing the development of a Floodplain Management Manual, the Exmouth Floodplain Management Study and planning for upgrading the Swan/Avon flood warning network.

Hydrological modelling

A new water, nutrient and sediment balance model called SQUARE (Stream Quality Affecting Rivers and Estuaries) has been implemented by the Commission. The culmination of 10 years of development, the model allows surface water and groundwater to be connected with a special emphasis on the surficial groundwater. Specifically, it allows assessments of the impact of land use and land management practices on water quality.

For each catchment, the model computes the nutrient losses on a sub-catchment basis by land use and calculates the nutrient load reductions required to meet a stream water quality target. Through scenario testing the model also describes the optimum mix of land management practices needed to achieve the required nutrient reductions. Thus this modelling tool allows integrated water and landuse planning in both urban and rural catchments and provides support for investment decision making. Already the model is generating considerable local and national interest.

The model is being implemented in the Peel Harvey, Leschenault, Vasse Wonnerup and Scott coastal plain catchments with the support of the South West Catchment Council. The Coast to Catchment initiative of the Natural Heritage Trust previously supported model development for the Peel Harvey and currently in partnership with the Swan River Trust And GeoCatch supports implementation in the Swan Canning catchment and Vasse Geographe catchments. Collaboration with the Department of Agriculture and Food has been critical in understanding land use practices and fertiliser behaviour and in incorporating best management practices for agriculture into the model.

The implemented models will provide investment guidance for catchment management of waterways and a base planning tool for drainage management. The effectiveness of Water Sensitive Urban Design measures can also be assessed with this approach.

Land use planning

Land supply

Considerable work was completed during the year to assist the Minister for Planning and Infrastructure's Land Supply Coordinator. Streamlining internal systems and implementing new procedures have resulted in process improvements and quicker turnaround times.

A number of forums aimed at better integrating land and water planning were supported or initiated to ensure that water planning is considered at more strategic stages and embedded in the land planning process. This should result in improved governance and more certainty in the development sector.

Referral numbers

Statewide, 2139 referrals were received with an average processing time across the state of 23 days. Of these, 1490 referrals were received from Western Australian Planning Commission (WAPC) with an average processing time statewide of 22 days. These responses are well under the statutory timeframe of 42 days and the 28 day timeframe agreed between the Commission and Department of Planning and Infrastructure (DPI).

Types of proposals

The types of proposals commented on included major infrastructure proposals (eg. *Perth-Darwin National Highway*), significant strategic planning proposals (eg *South Metropolitan and Peel Region draft Growth Strategy*, *East Wanneroo Land Use and Water Management Strategy*), regional town planning schemes and amendments and large local town planning scheme amendments (eg *Alkimos urban development*, *Maddington Kenwick Strategic Employment Area* and significant developments proposals (eg *Champions Lake*, *Armadale*).

Committees

The land use planning program provided ongoing support and water resource management input into the WAPC and its various sub-committees, including the Environment and Natural Resources Committee, the Sustainability Committee and the Infrastructure Coordinating Committee. The program also represented the Commission on other inter-department coordinating groups including the Wungong Steering Committee and the DPI's Water Group.

Stakeholder relationships

The Commission completed the *Draft Report of the Joint Working Group for implementation of the Environmental Approvals Process Review (UDIA 2005)*. The

recommendations of this report take into consideration improvements by the Governments land supply coordinator relating to statutory planning approvals, changes to organisational structures since the UDIA's initial review and new initiatives being implemented through the governments drainage reform initiative (2006).

The Commission commented on matters relating to its water related business. It did not address matters related to the *Environmental Protection Act 1986*, wetland management and evaluation, threatened ecological communities and acid sulphate soils which are now the responsibility of the Department of Environment and Conservation.

The main outcome of the report was for the Commission to maintain regular and open communication with UDIA on land use planning and development issues as they arise.

5 Water allocation

The Water and Rivers Commission manages surface and groundwater resources by sustainably allocating available water and licensing water users. The Commission conducts extensive social, environmental and economic investigations to better understand the demands on available water resources. Access to water is licensed in proclaimed areas.

Implementation of the Gngangara Metering Project

The Gngangara Mound is Perth's most significant fresh water source. The mound supports a range of social, economic and ecological values including horticulture and industry, domestic bores, public water supply, pine plantations, parks and gardens and environmental features such as wetlands, cave systems and native vegetation. Since the mid-1990s the cumulative impacts of reduced rainfall, increased abstraction for private and public use and changes in land use have led to declining groundwater levels across the mound.

Current public and private licensed abstraction for Gngangara groundwater is estimated to be 312 GL (data extracted 14 May 2007). This includes 179 GL (57 per cent) from the Superficial aquifer, 7.2 GL (2 per cent) from the Mirrabooka aquifer, 62 GL (20 per cent) from the Leederville aquifer and 61 GL (19 per cent) from the Yarragadee aquifer. It is estimated that a further 67 GL from the superficial aquifer is abstracted by unlicensed domestic bores.

Water restrictions and careful use of water have helped reduce the total draw from the Gngangara aquifers, but the record low rainfall experienced in Perth for the 2006 winter has meant that water levels over summer were lower than the long term averages. Even wetlands that normally dry over summer are more stressed than usual.

The Commission arranged for the Water Corporation to reduce or cease abstraction from bores in areas where ecological values are at risk to minimise the impacts of water level decline on ecological values. The Commission has also prevented new abstraction by private water users to limit impacts on environmentally sensitive areas.

A Water Management Plan for the Gngangara Groundwater Areas is scheduled for release for public comment in the next financial year. This plan will outline management arrangements to help meet Perth's water needs while maintaining groundwater dependent ecosystems.

Water trading and entitlements

The policy position for water trading and entitlements has been established to guide the development of the proposed new water resources legislation, and to meet the

obligations outlined in the various water reform initiatives. This includes a new licensing regime that provides the opportunity for water trading in some areas.

During the year, the initial phase of the trade agreement for Harvey Water and Water Corporation was successfully negotiated and the respective licences amended. This has the benefit of introducing water savings into the Harvey irrigation district through the implementation of a piping scheme to replace open irrigation channels, with water savings to be traded to the Water Corporation as potable water.

Catchment dialogue

The Water and Rivers Commission is currently assessing a proposal by Harvey Water to trade 17.1 GL of water to the Water Corporation for the Integrated Water Supply Scheme (IWSS).

The IWSS delivers drinking water to 1.65 million people throughout the Perth metropolitan area, the South West, and towns and farmlands in the central Wheatbelt. The service area extends 600km east-west to Kalgoorlie-Boulder and 200km south-north.

The proposal includes sourcing 5.3GL/yr from Logue Brook Dam. Logue Brook Dam is currently used for irrigation and recreation and if approved, the use of the dam could change from 'irrigation and recreation' to 'irrigation and drinking water'.

To assess community views on the proposal, the Water and Rivers Commission arranged an historic 'catchment dialogue', conducted in Harvey in July 2006. This comprehensive community consultation process was designed to receive community reaction to planning for the future of South West water catchments, and in particular the future use of Logue Brook Dam.

More than 200 community members from Perth and the South West participated in the dialogue.

Strategic measurement and water information plan

A draft strategic measurement and water information plan was developed during the year to guide the Commission's future water measurement and information activities.

The draft plan addresses the measurement and information challenges that emerge from the *State Water Plan 2007*, the *Government Response to the Blueprint for Water Reform in Western Australia*, *Western Australia's Implementation Plan for the National Water Initiative*, and other initiatives such as proposed legislative reform.

The draft plan was constructed following a scan of staff views in the Commission, which identified information gaps at the individual, group and external information user levels. Further enhancement of the draft plan was provided by a team of experienced water professionals from all parts of the Commission.

The draft plan will be further refined and is expected to be completed by the end of 2007.

Water management (allocation) planning

The *State Water Plan 2007, Government Response to the Blueprint for Water Reform in Western Australia*, and *Western Australia's Implementation Plan for the National Water Initiative*, have set a directive for statutory water management plans to guide the allocation of water across the State. To date, much of the water use in Western Australia has been managed through individual water licences. The plans will allow for better local scale application of water management policy. Water resource management (allocation) plans developed before the new water resources legislation is introduced will be reviewed to become statutory post legislation.

In 2006, the Commission started a review of water management (allocation) planning processes and set a new timetable for completing plans. During 2006–07, two plans were completed—the Ord River Water Management Plan and the Esperance Groundwater Area Water Management Plan. Plans for Cockburn, Rockingham, the Carnarvon Artesian Basin, Murray and Kemerton are being finalised and will be produced by the end of 2007.

Four priority plans are currently in preparation—groundwater management plans for the South West and Gnamptara, a surface and groundwater plan for the Upper Collyer catchment, and a plan for the surface waters of the Whicher area in the South West. In each of these areas, water available for consumptive use, management rules for wise use of water and measures to protect the environment will be established through the planning process.

South West groundwater

The Water and Rivers Commission is undertaking water allocation planning in the South West region and by early 2008 will produce a groundwater management plan for the Bunbury, Busselton-Capel and Blackwood groundwater areas. Investigations to support planning began when the Water Corporation applied for a groundwater licence for 45 GL/yr from the South West Yarragadee aquifer in 2003. Substantial groundwater investigation and drilling culminated in the development of a numerical groundwater model for the South West region, and a local numerical model for the eastern Scott Coastal Plain. These models enable different water allocation scenarios to be run and potential future impacts on the groundwater resource predicted.

Social, economic and environmental studies to support planning have enabled the Commission to understand the likely implications and risks associated with several allocation scenarios and to develop a preferred scenario for the groundwater allocation management plan. The management plan will set groundwater allocation limits for each of the aquifers and management areas to support sustainable levels of

groundwater use across the region. The management plan will also set licensing policies and rules for use. Measures against environmental and water use objectives will prevent unacceptable impacts to groundwater-dependent ecosystems, water quality and other users.

The Government decision to progress a second desalination plant ahead of the proposal to abstract water from the South West Yarragadee for the Integrated Water Supply Scheme does not make the groundwater management plan any less imperative, as growing regional demand for groundwater will place similar pressures on the resource. An effective groundwater management plan becomes even more important because it must allow for management of multiple, smaller users rather than a large user in a single location.

Ord River Water Management Plan

The Commission released the Ord River Water Management Plan in December 2006. The plan shares the waters of the Ord River between the competing needs of the environment, power generation and irrigation by:

- protecting the riverine environment and social values of the lower Ord River that have evolved since the Ord River Dam was constructed;
- ensuring diversions of water from the Ord River below Lake Argyle are sustainable in the long term;
- protecting existing commitments to irrigation and hydro-power generation while providing for growth; and
- promoting continuous improvement of irrigation practises to minimise risks to the lower Ord River.

The key features of the plan are:

- An environmental flow of 45/40 m³/sec to be maintained in the lower Ord River in 95 per cent of years;
- An allocation of 350 GL/yr for diversion and use in existing Stage 1 areas, that includes provisions for growth;
- An initial allocation of 400 GL/yr for new diversions, principally from Lake Kununurra to supply the Western Australian portion of the new M2 Supply Area; and
- A 115 GL/yr allocation for diversion downstream of House Roof Hill, intended to be used to supply new developments in the Mantinea Flats and Carlton Plain areas.

The plan also acknowledges that new water release rules for the hydro-power station at the Ord River Dam can be developed to provide for the other allocations of the plan and enable additional hydro-electricity to be generated above the 210 GW hrs/yr originally approved when the power station was established.

Water licensing systems

The Commission protects the State's water resources and promotes the sustainable and efficient use of water by issuing licences and permits. New licences are only issued where the allocation limit has not been reached, to ensure the interests of existing users and the environment are protected.

A policy is available that outlines the trading and transfer arrangements for water entitlements under the current legislation. A register of licensees has been established to facilitate trading opportunities. These arrangements have been reconsidered to enable greater trading opportunities under the water reform objectives currently being drafted under the Water Resource Management Bill.

The Commission has also developed an innovative whole-of-systems plan to identify the business and information needs within the organisation so it can implement water reforms as well as deliver customer service improvements and efficiencies.

The Commission is now able to implement e-commerce with the introduction of licence administration fees, and plans to introduce on-line licence and permit applications by December 2007.

Water efficiency and metering program

The Commission has recognised the need for an increased focus on achieving water use efficiency across all industries and sectors. In addition, the concept of 'metering and measurement' is one of the National Water Initiative requirements.

The Commission continues to support research and development that challenges boundaries and investigates innovative new ways of conserving water and maximising reuse of wastewater.

A major achievement for 2006–07 was the installation of 200 water meters on the Gngangara Mound to measure water abstraction licences, bringing the total number of meters installed to 400.

Other achievements included:

- Legislation for Western Australia's participation in the Water Efficiency Labelling and Standards scheme, which received Royal Assent in December 2006;
- Setting out a plan for the establishment of a Water Recycling and Efficiency Branch;
- Providing advice to urban development industry on water recycling options;
- Producing a draft discussion paper on the development of a State water recycling strategy;
- Leading the 'Development of an eco-toxicity toolbox to evaluate water quality for recycling, Phase 1—Beenyup Wastewater Treatment Plant' project;

- Designing, managing and implementing the meter replacement and radio frequency telemetry for remote reading of 186 meters in Carnarvon; and
- Developing and publishing a metering section on the Commission's website.

Data backlog

A significant project to capture hydro-geological reports supplied in paper form to the Commission over many years was undertaken during 2006–07. These reports contain hydrogeological and bore log information provided by consultants, mining companies and drillers as a condition of the granting of a water abstraction licence.

The project was completed by 30 June 2007, with 3500 reports scanned and geo-referenced and a web delivery tool constructed. A web application is being tested in the Commission before being made available on its website for public access in the near future. The web application allows reports to be selected by either a map interface or text search. Once the report required is located, the online user downloads it in PDF format.

Part D—Disclosures and legal compliance

The Commission invests significant resources in corporate support infrastructure and internal services to support the business operations. During 2006–07, essential financial, human resource and information management services were provided. During the year, the Commission continued the separation of the water functions from the Department of Environment in our business systems and processes.

Legislation administered by the Water and Rivers Commission as at 30 June 2006:

- *Country Areas Water Supply Act 1947*
- *Country Towns Sewerage Act 1948*
- *Land Drainage (Validation) Act 1996*
- *Land Drainage Act 1925*
- *Metropolitan Water Supply, Sewerage, and Drainage Act 1909*
- *Metropolitan Water Authority Act 1982*
- *Rights in Water and Irrigation Act 1914*
- *Water Agencies (Powers) Act 1984*
- *Water and Rivers Commission Act 1995*
- *Water Boards Act 1904*
- *Water Services Licensing Act 1995*
- *Water Supply, Sewerage, and Drainage Act 1912*
- *Waterways Conservation Act 1976*

Independent audit opinion



AUDITOR GENERAL

INDEPENDENT AUDIT OPINION To the Parliament of Western Australia

WATER AND RIVERS COMMISSION FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2007

I have audited the accounts, financial statements, controls and key performance indicators of the Water and Rivers Commission.

The financial statements comprise the Balance Sheet as at 30 June 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement of the Commission for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

Commission's Responsibility for the Financial Statements and Key Performance Indicators

The Commission is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

Summary of my Role

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

Water and Rivers Commission Financial Statements and Key Performance Indicators for the year ended 30 June 2007

Audit Opinion

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Water and Rivers Commission at 30 June 2007 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Commission provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Commission are relevant and appropriate to help users assess the Commission's performance and fairly represent the indicated performance for the year ended 30 June 2007.



JOHN DOYLE
ACTING AUDITOR GENERAL
21 September 2007

6 Financial statements

Certification of financial statements for the year ended 30 June 2007

The accompanying financial statements of the Water and Rivers Commission have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2007 and the financial position as at 30 June 2007.

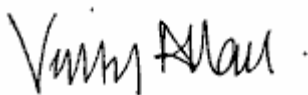
At the date of signing, we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Brendan O'Neil

CHIEF FINANCE OFFICER

3 August 2007



Verity Allan

BOARD CHAIRPERSON

3 August 2007



Paul Frewer

CHIEF EXECUTIVE OFFICER

BOARD MEMBER

3 August 2007

Income statement

Table 4 Water and Rivers Commission income statement for the year ended 30 June 2007

	Note	2007 \$'000	2006\$ '000
COST OF SERVICES			
Expenses			
Employee benefits expense	5	38,559	29,825
Supplies and services	6	27,954	20,975
Depreciation expense	7	3,599	1,464
Finance costs	8	36	50
Accommodation expenses	9	3,701	3,362
Grants and subsidies	10	7,034	3,131
Capital user charge	11	12,774	12,829
Loss on disposal of non-current assets	16	9	11
Other expenses	12	408	2,431
Total cost of services		94,074	74,078
Income			
Revenue			
User charges and fees	13	103	69
Commonwealth grants	14	475	1,990
Other revenue	15	16,222	20,002
Total revenue		16,800	22,061
Total income other than income from State Government		16,800	22,061
NET COST OF SERVICES		77,274	52,017
INCOME FROM STATE GOVERNMENT			
Service appropriation	17	76,971	61,524
Liabilities assumed by the Treasurer	17	185	111
Initial recognition of assets	17	609	93
Resources received free of charge	17	405	480
Total income from State Government		78,170	62,208
SURPLUS FOR THE PERIOD		896	10,191

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

Balance sheet

Table 5 Water and Rivers Commission balance sheet as at
30 June 2007

	Note	2007 \$'000	2006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	28	25,846	22,979
	18,		
Restricted cash and cash equivalents	28	106	106
Receivables	19	7,910	3,536
Amounts receivable for services	20	2,880	1,400
Total current assets		36,742	28,021
Non-current assets			
	18,		
Restricted cash and cash equivalents	28	251	—
Amounts receivable for services	20	5,912	5,994
	21,		
Property, plant and equipment	22	178,612	155,511
Total non-current assets		184,775	161,505
TOTAL ASSETS		221,517	189,526
LIABILITIES			
Current liabilities			
Payables	23	15	14
Borrowings	24	436	307
Provisions	25	7,242	6,033
Other current liabilities	26	2,614	1,576
Total current liabilities		10,307	7,930
Non-current liabilities			
Borrowings	24	—	329
Provisions	25	2,550	2,162
Other non-current liabilities	26	106	106
Total non-current liabilities		2,656	2,597
Total liabilities		12,963	10,527
NET ASSETS		208,554	178,999
EQUITY			
	27		
Contributed equity		87,601	81,468
Reserves		112,198	89,672
Accumulated surplus		8,755	7,859
TOTAL EQUITY		208,554	178,999

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

Statement of changes in equity

Table 6 Water and Rivers Commission statement of changes in equity for the year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
Balance of equity at start of period	40	178,999	147,224
CONTRIBUTED EQUITY	27		
Balance at start of period		81,468	78,358
Capital contribution		6,133	2,680
Other contributions by owners		—	430
Balance at end of period		87,601	81,468
RESERVES			
Asset revaluation reserve	27		
Balance at start of period		89,672	71,198
Gains from asset revaluation		22,526	18,474
Balance at end of period		112,198	89,672
ACCUMULATED SURPLUS (RETAINED EARNINGS)	27		
Balance at start of period		7,859	(2,332)
Surplus for the period		896	10,191
Balance at end of period		8,755	7,859
Balance of equity at end of period		208,554	178,999
Total income and expense for the period^a		23,422	28,665

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

Cash flow statement

Table 7 Water and Rivers Commission cash flow statement for the year ended 30 June 2007

	Note	2007 Inflows (Outflows) \$'000	2006 Inflows (Outflows) \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		74,173	59,028
Capital contribution		6,203	3,110
Holding account drawdowns		1,400	1,446
Net cash provided by State Government		81,776	63,584
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(37,067)	(28,749)
Supplies and services		(26,046)	(22,055)
Finance costs		(36)	(50)
Capital User Charge		(12,774)	(12,829)
Accommodation		(3,679)	(2,945)
Grants and subsidies		(12,099)	(4,200)
GST payments on purchases		(4,930)	(3,189)
Other payments		(396)	(1,869)
Receipts			
User charges and fees		103	69
Commonwealth grants		475	1,990
GST receipts on sales		1,707	1,784
GST receipts from ATO		3,147	1,332
Other Receipts		16,877	18,629
Net cash (used in) operating activities	28	(74,718)	(52,082)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		—	22
Purchase of non-current physical assets		(3,740)	(1,846)
Net cash (used in) investing activities		(3,740)	(1,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(200)	(200)
Net cash (used in) financing activities		(200)	(200)
Net increase in cash and cash equivalents		3,118	9,478
Cash and cash equivalents at the beginning of period		23,085	13,607
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	28	26,203	23,085

Notes to the financial statements for the year ended 30 June 2007

Note 1 Australian equivalents to international financial reporting standards

The Commission's financial statements for the year ended 30 June 2007 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Commission has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the Australian Accounting Standards Board (AASB) and formerly by the Urgent Issues Group (UIG).

Early adoption of standards

The Commission cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No Standards and Interpretations that have been issued or amended but are not yet effective have been early adopted by the Commission for the annual reporting period ended 30 June 2007.

Note 2 Summary of significant accounting policies

(a) General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, modified by the revaluation of land, buildings and infrastructure which have been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars rounded to the nearest thousand dollars (\$'000).

The judgements that have been made in the process of applying the Commission's accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed at Note 3 'Judgements Made by Management in Applying Accounting Policies'.

(c) Reporting entity

The reporting entity comprises the Commission and entities listed and Note 39 'Related and Affiliated Bodies'.

(d) Contributed equity

UIG Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' requires transfers in the nature of equity contributions to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital contributions (appropriations) have been designated as contributions by owners by TI 955 'Contributions by Owners Made to Wholly Owned Public Sector Entities' and have been credited directly to Contributed Equity.

Transfer of net assets to/from other agencies are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See Note 27 'Equity'.

(e) Income

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Rendering of services

Revenue is recognised on delivery of the service to the client or by reference to the stage of completion of the transaction.

Interest

Revenue is recognised when the interest accrues.

Service appropriations

Service Appropriations are recognised as revenues at nominal value in the period in which the Commission gains control of the appropriated funds. The Commission gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the holding account held at the Department of Treasury (See Note 17 'Income from State Government').

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Commission obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

Gains

Gains may be realised or unrealised and are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Borrowing costs

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

(g) *Property, plant and equipment*

Capitalisation/Expensing of assets

Items of property, plant and equipment costing over \$5,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Income Statement (other than when they form part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

After recognition as an asset, the revaluation model is used for the measurement of land, buildings and measurement sites and the cost model for all other property, plant and equipment. Land, buildings and measurement sites are carried at fair value less accumulated depreciation on buildings and measurement sites and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market evidence is available, the fair value of land and buildings is determined on the basis of current market buying values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Where market evidence is not available, the fair value of land and buildings is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, ie the depreciated replacement cost. Where the fair value of buildings is dependant on using the depreciated replacement cost, the gross carrying amount and the accumulated depreciation are restated proportionately.

Independent valuations of land and buildings are provided annually by Landgate and recognised with sufficient regularity to ensure that the carrying amount does not materially differ from the asset's fair value at the balance sheet date.

Fair value for measurement sites has been determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset. This depreciated replacement cost method is used as the measurement sites are

specialised and no market based evidence of value is available. The gross carrying amount and the accumulated depreciation have been restated proportionately.

When the measurement sites are revalued, the accumulated depreciation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The most significant assumptions in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Refer to Note 21 'Property, plant and equipment' for further information on revaluations.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated. Depreciation on other assets is calculated on the straight line basis, using rates which are reviewed annually. Expected useful lives for each class of depreciable asset are:

Buildings	20 years
Infrastructure	20 years
Plant and equipment	5–20 years
Computer equipment (software and hardware)	3–5 years
Furniture and fittings	7–10 years
Measurement sites	20–40 years

(h) Impairment of assets

Property, plant and equipment are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and it is written down to the recoverable amount and an impairment loss is recognised. As the Commission is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at each reporting date.

Refer to Note 22 'Impairment of assets' for the outcome of impairment reviews and testing.

(i) Financial instruments

The Commission has two categories of financial instrument:

- Loans and receivables (cash and cash equivalents, receivables); and
- Non-trading financial liabilities (payables).

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or fair value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is immaterial.

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(k) Accrued salaries

The accrued salaries suspense account (see Note 18 'Restricted cash and cash equivalents') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each eleventh year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

Accrued salaries (see Note 26 'Other liabilities') represent the amount due to staff but unpaid at the end of the financial year, as the pay date for the last pay period for that financial year does not coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Commission considers the carrying amount of accrued salaries to be equivalent to its net fair value.

(l) Amounts receivable for services (holding account)

The Commission receives funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account Receivable) that is accessible on the emergence of the cash funding requirement to cover items such as leave entitlements and asset replacement.

See also Note 17 'Income from State Government' and Note 20 'Amounts Receivable for Services'.

(m) Receivables

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amounts (doubtful debts) is raised when there is no objective evidence that the Commission will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See Note 34 'Financial Instruments' and Note 19 'Receivables'.

(n) Payables

Payables are recognised at the amounts payable when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are generally settled within 30 days. See Note 34 'Financial Instruments' and Note 23 'Payables'.

(o) Borrowings

All loans are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method. See Note 34 'Financial Instruments' and Note 24 'Borrowings'.

(p) Amounts due to the Treasurer

Borrowings from WA Treasury Corporation predominantly represent debt assigned to the Commission on its separation from the Water Authority. Borrowings are recorded at an amount equal to the net proceeds received. Borrowing costs expense is recognised on an accrual basis. See Note 34 'Financial Instruments' and Note 24 'Borrowings'.

(q) *Provisions*

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each balance date.

Employee benefits

Annual leave and long service leave

The liability for annual and long service leave expected to be settled within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual and long service leave expected to be settled more than 12 months after the end of the reporting date is measured at the present value of amounts expected to be paid when the liabilities are settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments consideration is given to expected future wage and salary levels including non salary components such as employer superannuation contributions. In addition, the long service leave liability also considers the experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

All annual leave and unconditional long service leave provisions are classified as current liabilities as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

A liability for long service leave is recognised after an employee has completed four years of service. An actuarial assessment of long service leave undertaken by PriceWaterhouseCoopers Actuaries in 2007 determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments.

Sick leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick

leave is non vesting, an expense is recognised in the income statement for this leave as it is taken.

(r) Superannuation expense

The following elements are included in calculating the superannuation expense in the Income Statement:

(a) Defined benefit plans—change in the unfunded employer's liability (i.e. current service cost and actuarial gains and losses) assumed by the Treasurer in respect of current employees who are members of the Pension Scheme and current employees who accrued a benefit on transfer from that Scheme to the Gold State Superannuation Scheme (GSS); and

(b) Defined contribution plans—Employer contributions paid to the GSS and the West State Superannuation Scheme (WSS).

Defined benefit plans—in order to reflect the true cost of services, the movements (i.e. current service cost and actuarial gains and losses) in the liabilities in respect of the Pension Scheme and the GSS transfer benefits are recognised as expenses. As these liabilities are assumed by the Treasurer, a revenue titled 'Liabilities assumed by the Treasurer' equivalent to the expense is recognised under Income from State Government in the Income Statement. See Note 17 'Income from State Government'.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided in the current year.

The GSS Scheme is a defined benefit scheme for the purposes of employees and whole of government reporting. However, apart from the transfer benefit, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the agency to GESB extinguishes the agency's obligations to the related superannuation liability.

(s) Resources received free of charge or for nominal consideration

Resources received free of charge or for nominal value that can be reliably measured are recognised as revenues and as assets or expenses as appropriate, at fair value.

(t) Comparative figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented in the current financial year.

Comparative figures have been restated on the AIFRS basis except for financial instruments, which have been prepared under the previous AGAAP Australian Accounting Standard AAS 33 'Presentation and Disclosure of Financial Instruments'. The transition date to AIFRS for financial instruments is 1 July 2005 in accordance

with the exemption allowed under AASB1, paragraph 36A and Treasurer's Instruction 1101.

Note 3 Judgements made by management in applying accounting policies

The judgements that have been made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements pertain to the revaluation of measurement sites. The Commission revalued its measurement sites assets on the gross basis of revaluation as per AASB 116 'Property, plant and equipment'.

Note 4 Disclosure of changes in accounting policy and estimates

The Commission has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

- 1 AASB 2005-9 'Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]' (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an "insurance contract" under AASB 4 'Insurance Contracts' or as a "Financial Guarantee Contract" under AASB 139 'Financial Instruments: Recognition and Measurement'. The Commission does not currently undertake these types of transactions, resulting in no financial impact in applying the Standard.
- 2 UIG Interpretation 4 'Determining whether an Arrangement Contains a Lease' as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117 'Leases'. At balance sheet date, the Commission has not entered into any arrangements as specified in the Interpretation, resulting in no impact in applying the Interpretation.
- 3 UIG Interpretation 9 'Reassessment of Embedded Derivatives'. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. At balance sheet date, the Commission has not entered into any contracts as specified in the Interpretation resulting in no impact in applying the Interpretation.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they have no impact or do not apply to not-for-profit entities:

Table 8 Australian accounting standards and interpretations not applicable to the Water and Rivers Commission

2005-1	'Amendments to Australian Accounting Standard' (AASB 139—Cash flow hedge accounting of forecast intragroup transactions)
2005-5	'Amendments to Australian Accounting Standards [AASB 1 & AASB 139]'
2006-1	'Amendments to Australian Accounting Standards [AASB 121]'
2006-3	'Amendments to Australian Accounting Standards [AASB 1045]'
2006-4	'Amendments to Australian Accounting Standards [AASB 134]'
2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]—paragraph 9
UIG 5	'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
UIG 6	'Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment'
UIG 7	'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'
UIG 8	'Scope of AASB 2'

^a The aggregate net amount attributable to each category of equity is: surplus of \$896 plus gains from asset revaluation of \$22,526 (2006: surplus of \$10,191 plus gains from asset revaluation of \$18,474).

Future impact of Australian accounting standards not yet operative

The Commission cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Commission has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued but are not yet effective. These will be applied from their application date:

- 1 AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Commission's exposure to risks, enhanced disclosure regarding components of the Commission's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. The Commission does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- 2 AASB 2005-10 'Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038)'. The amendments are as a result of the issue of AASB 7 'Financial Instruments: Disclosures', which amends the financial

instrument disclosure requirements in these standards. The Commission does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

- 3 AASB 101 'Presentation of Financial Statements'. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1 'Presentation of Financial Statements' (as issued by the IASB) in respect of for-profit entities. The Commission is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.
- 4 AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)'. This Standard introduces policy options and modifies disclosures. These amendments arise as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment. The Department of Treasury and Finance has indicated that it will mandate to remove the policy options added by this amending Standard. This will result in no impact as a consequence of application of the Standard. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- 5 AASB 2007-5 'Amendment to Australian Accounting Standard—Inventories Held for Distribution by Not-for-Profit Entities (AASB 102)'. This amendment changes AASB 102 'Inventories' so that inventories held for distribution by not-for-profit entities are measured at cost, adjusted when applicable for any loss of service potential. The Commission does not have any inventories held for distribution so does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 July 2007.
- 6 AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be applied at the same time as AASB 123 Borrowing Costs. This standard principally removes the references to expensing borrowing costs on qualifying assets and is not expected to affect the commission's financial report.
- 7 AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 2007-4 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-

Based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB Cash Flow Statements and AASB 128 Investments in Associates. AASB 2007-7 is applicable for annual reporting periods beginning on or after 1 July 2007. This standard is only expected to impact disclosures contained within the financial report.

- 8 AASB Interpretation 4 'Determining whether an Arrangement Contains a Lease [revised]'. This Interpretation was revised and issued in February 2007 to specify that if a public-to-private service concession arrangement meets the scope requirements of AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007, it would not be within the scope of Interpretation 4. At balance sheet date, the Commission has not entered into any arrangements as specified in the Interpretation or within the scope of Interpretation 12, resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
- 9 AASB Interpretation 12 'Service Concession Arrangements'. This Interpretation was issued in February 2007 and gives guidance on the accounting by operators (usually a private sector entity) for public-to-private service concession arrangements. It does not address the accounting by grantors (usually a public sector entity). It is currently unclear as to the application of the Interpretation to the Commission if and when public-to-private service concession arrangements are entered into in the future. At balance sheet date, the Commission has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.
- 10 AASB Interpretation 129 'Service Concession Arrangements: Disclosures [revised]'. This Interpretation was revised and issued in February 2007 to be consistent with the requirements in AASB Interpretation 12 'Service Concession Arrangements' as issued in February 2007. Specific disclosures about service concession arrangements entered into are required in the notes accompanying the financial statements, whether as a grantor or an operator. At balance sheet date, the Commission has not entered into any public-to-private service concession arrangements resulting in no impact when the Interpretation is first applied. The Interpretation is required to be applied to annual reporting periods beginning on or after 1 January 2008.

The following Australian Accounting Standards and Interpretations are not applicable to the Commission as they will have no impact or do not apply to not-for-profit entities:

Table 9 Australian accounting standards and interpretations not applicable to the Water and Rivers Commission

AASB 8	'Operating Segments'
AASB 1049	'Financial Reporting of General Government Sectors by Governments'
AASB 2007-1	'Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]'
AASB 2007-2	'Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]'—paragraphs 1 to 8
AASB 2007-3	'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]'
Interpretation 10	'Interim Financial Reporting and Impairment'
Interpretation 11	'AASB 2—Group and Treasury Share Transactions'

Note 5 Employee benefits expense

	2007	2006
	\$000	\$000
Wages and Salaries ^a	32,884	26,406
Superannuation—defined contribution plans ^b	2,186	2,743
Superannuation—defined benefits plans ^{cd}	1,037	111
Annual leave ^e	1,091	21
Long service leave	717	216
Other	644	328
Total employee benefits expense	38,559	29,825

^a Includes the value of the fringe benefit to the employee plus the fringe benefits tax component

^b Defined contribution plans include WestState and Gold State Schemes (contributions paid)

^c Defined benefit plans are the Pension Scheme and Gold State Scheme (pre-transfer benefit)

^d An equivalent notional income is also recognised (see Note 17 'Income from State Government')

^e Includes a superannuation contribution component.

Employment on-costs such as workers compensation insurance are included at Note 13 'Other expenses'. The employment on-costs liability is included at Note 26 'Provisions'.

Note 6 Supplies and services

	2007	2006
	\$000	\$000
Communications	2,005	1,503
Consultants and contractors	14,116	10,364
Consumables	2,317	2,162
Recoups to other departments	76	177
Materials	297	251
Vehicle lease and hire	1,681	1,622
Minor plant, machinery and equipment	2,167	1,383
Plant, machinery and equipment lease	373	311
Chemical analysis expense	1,390	971
Other staff related expenses	1,289	726
Travel	1,143	818
Other	1,100	687
Total supplies and services	27,954	20,975

Note 7 Depreciation

	2007	2006
	\$000	\$000
Furniture and fittings	8	6
Buildings	721	242
Infrastructure	13	12
Plant and equipment	113	83
Computing equipment	418	266
Measurement sites	2,326	855
Total depreciation	3,599	1,464

Note 8 Finance costs

	2007	2006
	\$000	\$000
Interest paid to WA Treasury Corporation	36	50

Note 9 Accommodation expenses

	2007	2006
	\$000	\$000
Lease rentals	2,233	2,624
Repairs and maintenance	276	218
Power and water consumption	638	264
Security	29	17
Furniture and fittings	145	32
Rates and taxes	242	103
Cleaning	138	104
Total accommodation expense	3,701	3,362

Note 10 Grants and subsidies

	2007	2006
	\$000	\$000
Recurrent	7,034	3,131

Note 11 Capital user charge

	2007	2006
	\$000	\$000
Capital user charge	12,774	12,829

The charge was a levy applied by Government for the use of its capital. In 2007, the final year in which the charge was levied, a single payment was made equal to the appropriation for 2007 less any adjustment relating to 2006.

Note 12 Other expenses

	2007	2006
	\$000	\$000
Employment on-costs ^{ab}	225	1,843
Doubtful debts expense	13	26
Equipment repairs and maintenance	57	274
Other	113	288
Total other expenses	408	2,431

^a Includes workers' compensation insurance and other employment on-costs.

^b In 2006 the Commission paid \$1,742 in payroll tax. The Commission received an exemption from the payment of payroll tax in 2007

Note 13 User charges and fees

	2007	2006
	\$000	\$000
User charges	103	69

Note 14 Commonwealth grants and contributions

	2007	2006
	\$000	\$000
Natural Heritage Trust	—	538
Department of the Environment and Heritage	—	120
CSIRO	149	—
Department of Transport and Regional Services	308	1,310
Department of Agriculture, Fisheries and Forestry	18	—
Australian Greenhouse	—	22
Total Commonwealth grants and contributions	475	1,990

Note 15 Other revenue

	2007	2006
	\$000	\$000
ALCOA	171	210
Other grants	8,072	7,564
Recoups from other state government agencies	3,853	7,628
State Grants	1,000	—
Recoup from Swan River Trust	2,385	3,140
Recoups from other private/commercial agencies	112	273
Lease of commercial land and buildings	228	146
Other miscellaneous revenues	401	1,041
Total other revenue	16,222	20,002

Note 16 Net loss on disposal of non-current assets

	2007	2006
	\$000	\$000
Costs of disposal of non-current assets		
Plant and equipment	9	32
Proceeds from disposal of non-current assets		
Plant and equipment	—	(21)
Net loss	9	11

See also Note 21 'Property, plant and equipment'.

Note 17 Income from State Government

	2007	2006
	\$000	\$000
Appropriation received during the year		
Service appropriation ^a	76,971	61,524
The following liabilities have been assumed by the Treasurer during the financial year		
Superannuation ^b	185	111
Total liabilities assumed by the Treasurer	185	111
Initial recognition of assets not previously recognised^c		
Infrastructure assets	609	—
Land	—	93

	2007	2006
	\$000	\$000
	609	93
Resources received free of charge^d		
Determined on the basis of the following estimates provided by agencies:		
State Solicitors Office	125	120
Department of Education and Training	78	35
Department of Planning and Infrastructure	2	—
Department of Housing and Works	—	9
Department of Treasury and Finance	150	—
Landgate	50	316
Total resources received free of charge	405	480
Total revenues from Government	78,170	62,208

^a Service appropriations are accrual amounts reflecting the net cost of services delivered. The appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

^b The assumption of the superannuation liability by the Treasurer is a notional income to match the notional superannuation expense reported in respect of current employees who are members of the Pension Scheme and current employees who have a transfer benefit entitlement under the Gold State Superannuation Scheme (the notional superannuation expense is disclosed at Note 5 'Employee benefits expense').

^c Infrastructure assets not previously recognised in prior year financial statements and which the Commission had control of during the reporting periods is taken up as revenue in 2007. Land not previously recognised in prior year financial statements and which the Commission had control of during the reporting periods was taken up as revenue in 2006.

^d Where assets or services have been received free of charge or for nominal cost, the Commission recognises revenues (except where the contribution of assets or services are in the nature of contributions by owners in which case the Commission shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.

Note 18 Restricted cash and cash equivalents

	2007	2006
	\$000	\$000
Current		
Developer bonds ^a	106	106
Non-current		
Accrued salaries suspense account ^b	251	—

^a The cash held in this account is to be used in repaying bond monies.

^b Amount held in the suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 19 **Receivables**

	2007	2006
	\$000	\$000
Current receivables	1,104	1,759
Allowance for impairment of receivables	(45)	(33)
GST receivable	383	438
Total receivables before prepayments	1,442	2,164
Prepayments	6,468	1,372
Total current receivables^a	7,910	3,536

^a See also Note 2(m) 'Receivables'.

Represents the non-cash component of service appropriations—see Note 2(l) 'Amounts receivable for services (holding account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Note 20 **Amounts receivable for services**

	2007	2006
	\$000	\$000
Current	2,880	1,400
Non-current	5,912	5,994
Total amounts receivable for services	8,792	7,394

Represents the non-cash component of service appropriations—see Note 2(l) 'Amounts receivable for services (holding account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Note 21 Property, plant and equipment

	2007 \$000	2006 \$000
Freehold land at fair value	125,840	104,357
	125,840	104,357
Buildings at fair value	4,394	4,758
Accumulated depreciation	(296)	(189)
	4,098	4,569
Infrastructure at cost	243	243
Accumulated depreciation	(120)	(107)
	123	136
Computing equipment at cost	1,295	1,412
Accumulated depreciation	(382)	(667)
	913	745
Furniture and fittings at cost	34	59
Accumulated depreciation	(8)	(24)
	26	35
Measurement sites at fair value/cost	110,305	107,201
Accumulated depreciation	(65,605)	(62,070)
	44,700	45,131
Plant and equipment at cost	933	739
Accumulated depreciation	(280)	(201)
	653	538
Capital projects in progress	2,259	—
	2,259	—
Total property, plant and equipment^a	178,612	155,511

^a Freehold land and buildings were revalued during the year ended 30 June 2007 by Landgate. The effective date of the valuation is 1 July 2006.

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out below:

2007	Capital works in progress \$000	Furniture and fittings \$000	Computer equipment \$000	Plant and equipment \$000	Buildings \$000	Measurement sites \$000	Infrastructure \$000	Freehold land \$000	Total \$000
Carrying amount at start of year	—	35	745	538	4,569	45,131	136	104,357	155,511
Additions	2,678	—	610	228	—	683	—	—	4,199
Disposals	—	(1)	(24)	—	—	—	—	—	(25)
Reclassification	—	—	—	—	—	—	—	—	—
Transfers in/(out)	—	—	—	—	—	419	—	—	—
Revaluation increments/(de crements)	—	—	—	—	250	793	—	21,483	22,526
Depreciation	—	(8)	(418)	(113)	(721)	(2,326)	(13)	—	(3,599)
Carrying amount at end of year	2,259	26	913	653	4,098	44,700	123	125,840	178,612
2006	Capital works in progress \$000	Furniture and fittings \$000	Computer equipment \$000	Plant and equipment \$000	Buildings \$000	Measurement sites \$000	Infrastructure \$000	Freehold land \$000	Total \$000
Carrying amount at start of year	—	7	450	382	2,961	16,684	148	115,962	136,594
Additions	—	34	716	261	93	—	—	959	2,063
Disposals	—	—	—	(27)	—	—	—	(2)	(29)
Reclassification	—	—	—	5	(5)	—	—	—	—
Transfers in/(out)	—	—	(155)	—	28	—	—	—	(127)
Revaluation increments/(de crements)	—	—	—	—	1,734	29,302	—	(12,562)	18,474
Depreciation	—	—	(266)	(83)	(242)	(855)	(12)	—	1,464
Carrying amount at end of year	—	35	745	583	4,569	45,131	136	104,357	155,511

Note 22 Impairment of assets

There were no indications of impairment of property, plant and equipment as at 30 June 2007.

The Commission held no goodwill or intangible assets with an indefinite useful life during the reporting period and at reporting date there were no intangible assets not yet available for use.

All surplus assets at 30 June 2007 have either been classified as assets held for sale or written off.

Note 23 Payables

	2007	2006
	\$000	\$000
Current	15	14
Trade payables	15	14

Note 24 Borrowings

	2007	2006
	\$000	\$000
Current		
Borrowings from WA Treasury Corporation	436	307
Non-current		
Borrowings from WA Treasury Corporation	—	329
Total borrowings	436	636

The from loan WA Treasury Corporation will be fully repaid in 2008.

Note 25 Provisions

	2007	2006
	\$000	\$000
Current		
Annual leave	3,997	2,990
Long service leave	3,245	3,045
Total current provisions	7,242	6,035
Non-current		
Long service leave	2,550	2,162
Total non-current provisions	2,550	2,162

Note 26 Other liabilities

	2007 \$000	2006 \$000
Current		
Accrued expense	2,419	880
Accrued salaries	145	614
Accrued fringe benefit tax	48	—
Stale cheque holding account	2	82
Total current other liabilities	2,614	1,576
Non-current		
Developer bonds	106	106
Total non-current other liabilities	106	106

Note 27 Equity

Equity represents the residual interest in the net assets of the Commission. The Government holds the equity interest in the Commission on behalf of the community. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.

	2007 \$000	2006 \$000
Contributed equity		
Balance at start of year	81,468	78,358
Contributions by owners		
Capital contribution	6,133	2,680
Transfer of net assets from other agencies		
Cash transferred from Department of Environment ^a	—	430
Total contributions by owners	6,133	3,110
Balance at end of year	87,601	81,468

^a Residual funds of \$430,000 were transferred from the Department of Environment during the previous year. \$68,000 of these funds were transferred to Administered Funds in 2007.

	2007 \$000	2006 \$000
Asset revaluation reserve		
Balance at start of year	89,672	71,198
Net revaluation increments/(decrements)		
Buildings	2	1,734
Land	21,731	(12,562)
Measurement sites	793	29,302
Balance at end of year	112,198	89,672
Accumulated surplus		
Balance at start of year	7,859	(2,332)
Result for the period	896	10,191
Balance at end of year	8,755	7,859
Total equity	208,554	178,999

Note 28 Notes to the cash flow statement

Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	2007	2006
	\$000	\$000
Cash and cash equivalents	25,846	22,979
Restricted cash and cash equivalents ^a	357	106
	<u>26,203</u>	<u>23,085</u>

^a Refer to note 18 'Restricted cash and cash equivalents'

Reconciliation of net cost of services to net cash flows provided by operating activities

	2007	2006
	\$000	\$000
Net cost of services	(77,274)	(51,949)
Non-cash items		
Depreciation expense	3,599	1,464
Doubtful debts expense	12	(33)
Net loss on disposal of non-current assets	9	11
Resources received free of charge	405	480
Superannuation expense assumed by the Treasurer	185	111
(Increase)/decrease in assets		
Current receivables	655	(1,409)
Other current assets	(5,000)	(1,128)
Increase/(decrease) in liabilities		
Current payables	1	(359)
Current provisions	1,209	468
Other current liabilities	1,038	537
Non-current provisions	388	(230)
Other non-current liabilities	—	—
Net GST receipts/(payments)	(76)	(74)
Change in GST in (receivables)/payables	131	29
Net cash used in operating activities	(74,718)	(52,082)

Non-cash financing and investing activities

During the financial year, there were no assets/liabilities transferred/assumed from other government agencies not reflected in the cash flow statement.

At the reporting date, the Commission had fully drawn on all financing facilities, details of which are disclosed in the financial statements.

Note 29 Resources provided free of charge

During the year the following resources were provided to other agencies free of charge for functions outside the normal operations of the Commission.

	2007	2006
	\$000	\$000
Department of Housing and Works	15	—
Department of Indigenous Affairs	15	—
Department of Environment and Conservation	2	—
WA Planning Commission—committee membership	4	4
Emergency Fire Rescue & Police—committee membership	—	6
Southwest Regional Planning Commission—committee membership	—	7
Carnarvon—Ningaloo Sustainable Development Committee	—	7
Spatial Data Exchange	—	11
Department of Fisheries—sample analysis	—	1
	36	36

Note 30 Commitments

	2007	2006
	\$000	\$000
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, are payable as follows:		
Within 1 year	3,671	3,474
Later than 1 year and not later than 5 years	10,232	9,463
Later than 5 years	13,293	18,438
	27,196	31,375
Representing		
Cancellable operating leases	—	—
Non-cancellable operating leases	27,196	31,375
	27,196	31,375

These commitments are all inclusive of GST.

Note 31 Contingent liabilities and contingent assets*Contingent liabilities*

In addition to the liabilities incorporated in the financial statements, the Commission has the following contingent liability:

Litigation in progress

Claim for compensation in relation to taking by consent of portion of Lot 187 and 188 Yunderup for purpose of public recreation and drainage—Section 248 *Land Administration Act 1997*.

The financial effect of this claim is estimated to be \$615,000.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Commission is required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of risk to human health, the environment and environmental values. Where sites are classified as contaminated—remediation required or possibly contaminated—investigation required, the Commission may have a liability in respect of investigation or remediation expenses.

During the year the Commission reported two suspected contaminated sites to DEC. These have yet to be classified. The Commission is unable to access the likely outcome of the classification process, and accordingly, it is not practicable to estimate the financial effect or to identify the uncertainties relating to the amount or timing of any of the outflows. Whilst there is no possibility of reimbursement of any future expenses that may be incurred in the remediation of these sites, the Commission may apply for funding from the Contaminated Sites Management Account to undertake further investigative work or to meet remediation costs that may be required.

Contingent assets

The Commission has no contingent assets at 30 June 2007.

Note 32 **Events occurring after reporting date**

No events have occurred after reporting date which materially impact on the financial statements.

It is anticipated that draft legislation currently before the Western Australian Parliament formally abolishing the Commission and replacing it with a new government department, the Department of Water, will be enacted in the 2008 year.

Note 33 **Explanatory statements**

Significant variances between actual results for 2006 and 2007

Details and reasons for significant variations between actual results 2006 and 2007 are detailed below. Significant variations are considered to be those greater than 10% and \$500,000.

Cost of services	2007 actual \$000	2006 actual \$000	Variance \$000	Variance %
Employee benefits expense ^(a)	38,559	29,825	8,734	29
Supplies and services ^(a)	27,954	20,975	6,979	33
Grants and subsidies ^(b)	7,034	3,131	3,903	125
Other expenses ^(c)	408	2,431	(2,023)	(83)

Significant variations between estimates and actual results for the financial year

Details and reasons for significant variations between actual results with corresponding items of the preceding year are detailed below. Significant variations are considered to be those greater than 10% and \$500,000.

Cost of services	2007 actual \$000	2006 actual \$000	Variance \$000	Variance %
Supplies and services ^(d)	27,954	44,990	(17,036)	(38)
Accommodation expenses ^(e)	3,701	2,941	760	26
Grants and subsidies ^(b)	7,034	14,992	(7,958)	(53)

Explanation of variances

- (a) Actual expenses are higher in most categories due to increased appropriations for new initiatives in 2007. The Office of Water Strategy was transferred from the Department of the Premier and Cabinet in 2006, and an additional \$7m funding was provided for operations. An additional \$4m was provided for irrigation reform, an additional \$2m for drainage and associated functions and an additional \$2m for improved water resource management.
- (b) Additional grants and subsidies recognised as expense for the year include \$1.6m for the Carnarvon Floodplain, \$0.9m for the Carnarvon Irrigation Scheme, \$2.2m for rural water planning and \$2.1m for work on the Ord River. The estimate for 2007 is lower because \$6m of funds paid to Main Roads WA for work on the Carnarvon Floodplain relate to work to be done in 2008 and will be recognised as expense in that year.
- (c) Other expenses for 2007 were less than both the estimate and that spent in the previous year. The Commission received an exemption from paying payroll tax in 2007, expenditure was \$1.7m in 2006.
- (d) There was an under-spend on supplies and services.
- (e) Accommodation costs were higher than estimated because of the need to take on additional accommodation during the year.

Note 34 Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Commission are cash and cash equivalents, loans, finance leases, Treasurer's advances and receivables and payables. The Commission has limited exposure to financial risks. The Commission's overall risk management program focuses on managing the risks identified below.

Credit risk

The Commission trades only with recognised, creditworthy third parties. The Commission has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis resulting in the Commission's minimal exposure to bad debts. There are no significant concentrations of credit risk.

Liquidity risk

The Commission has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Cash flow interest rate risk

The Commission's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Commission's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Otherwise, the Commission is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing) and finance leases (fixed interest rate).

(b) Financial instrument disclosures

Interest rate risk exposure

The following table details the Commission's exposure to interest rate risk as at the reporting date:

2007	Weighted average effective interest rate %	Variable interest rate \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000
Financial assets							
Cash assets	—	—	—	—	—	28,846	25,846
Restricted cash assets	—	—	—	—	—	357	357
Receivables	—	—	—	—	—	1,442	1,442
	—	—	—	—	—	27,645	27,645

2007	Weighted average effective interest rate %	Variable interest rate \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000
Financial liabilities							
WATC loan	5.96	436	—	—	—	—	436
Payables	—	—	—	—	—	15	15
Developer bonds	—	—	—	—	—	106	106
Other liabilities	—	—	—	—	—	2,614	2,614
	—	436	—	—	—	2,735	3,171

2006	Weighted average effective interest rate %	Variable interest rate \$000	Less than 1 year \$000	1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000	Total \$000
Financial assets							
Cash assets	—	—	—	—	—	22,979	22,979
Restricted cash assets	—	—	—	—	—	106	106
Receivables	—	—	—	—	—	2,164	2,164
	—	—	—	—	—	25,249	25,249
Financial liabilities							
WATC loan	5.88	—	307	329	—	—	636
Payables	—	—	—	—	—	14	14
Developer bonds	—	—	—	—	—	106	106
Other liabilities	—	—	—	—	—	1,576	1,576
	—	—	307	329	—	1,696	2,332

The following is an analysis of amounts owing within the categories of government and private sector:

	2007 \$000	2006 \$000
Western Australian Government agencies	342	512
Government agencies of other jurisdictions	—	8
Private sector	731	307
Commonwealth Government	49	799
Commonwealth Government—ATO (GST)	384	438
	1,506	2,064

Fair values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements are not materially different from their net fair values.

Note 35 Remuneration of members of the accountable authority and senior officers

Remuneration of members of the accountable authority

The number of members of the Commission, whose total of fees, salaries, superannuation, non-monetary and other benefits for the financial year, fall within the following bands are:

Salary band \$	2007	2006
0 – 10,000	1	1
10,001 – 20,000	3	4
30,001 – 40,000	1	1
110,001 – 120,000	—	1
150,001 – 160,000	1	—
190,001 – 200,000	—	1
Total remuneration	235	325

The superannuation included here represents the superannuation expense incurred by the Commission in respect of members of the Commission.

No members of the Commission are members of the Pension Scheme.

Remuneration of senior officers

The number of senior officers, other than senior officers reported as members of the Commission, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year, fall within the following bands are:

Salary band \$	2007	2006
40,001 – 50,000	—	1
110,001 – 120,000	1	—
120,001 – 130,000	4	1
130,001 – 140,000	—	2
140,001 – 150,000	—	1

	2007 \$000	2006 \$000
Total remuneration of senior officers	607	584

The total remuneration includes the superannuation expense incurred by the Commission in respect of senior officers other than senior officers reported as members of the Commission.

No senior officers are members of the Pension Scheme.

Note 36 Administered expenses and revenues

	2007 \$000	2006 \$000
Expenses		
Grants and Subsidies	3,022	2,786
Revenues		
Administered funds	2,942	2,866

Note 37 Administered assets

	2007 \$000	2006 \$000
Cash assets	—	80

Note 38 Remuneration of Auditor

Remuneration to the Auditor General for the financial year is as follows:

	2007 \$000	2006 \$000
Auditing the accounts, financial statements and performance indicators	55	58

Note 39 Related and affiliated bodies

The Water and Rivers Commission currently does not provide any assistance to other agencies which would deem them to be regarded as related or affiliated bodies under the definitions included in Treasurer's Instruction 951 'Related and Affiliated Bodies'.

Note 40 Supplementary financial information

Write offs

Public property written-off by the Minister during the financial year

Losses through theft, defaults and other causes

The Commission had no losses through theft, defaults and other causes during the financial year.

Gifts of public property

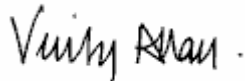
The Commission had no gifts of public property during the financial year.

7 Key performance indicators

Certification of performance indicators for the year ended 30 June 2007

Financial Management Act 2006

We hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Water and Rivers Commission's performance, and fairly represent the performance of the Water and Rivers Commission for the financial year ended 30 June 2007.



Verity Allan
BOARD CHAIRMAN
13 August 2007



Paul Frewer
CHIEF EXECUTIVE OFFICER
13 August 2007

Performance framework

The performance framework below shows the relationships between government goals, agency level government desired outcomes and the agency's services.

Government Goal: Protecting and enhancing the unique Western Australian lifestyle and ensuring sustainable management of the environment.

The agency delivers two desired outcomes on behalf of government:

KPI 1 Development of water resources to support State development relates to a series of activities that together enable the Commission to provide the following services:

- Develop water resource plans and policies;
- Investigate and assess water resources to determine sustainable yields;
- Licence and regulate water resources.

The key relationships between our performance indicators and these functions are:

Effectiveness

- Number of water resources with licensed allocation within assessed sustainable yields;

Efficiency

- Average cost per allocation plan or policy developed;
- Average cost per water resource assessment;
- Average cost per gigalitre of water licensed.

KPI 2 Protection of water resources within sustainable limits relates to a series of activities that together enable the Commission to provide the following services:

- Develop water resource protection plans and guidelines;
- Develop policies and strategies for drainage, floodplain, salinity and catchment management.

The key relationships between our performance indicators and these functions are:

Effectiveness

- Number of contamination occurrences exceeding drinking water standards in public drinking water source areas;
- The number of catchments conforming with designated targets.

Efficiency

- Average cost per protection plan developed;
- Average cost per km² of designated catchments where management measures are implemented;
- Average cost per km of river managed in designated catchments.

Summary of key performance indicators

Desired outcome: Development of water resources to support State development

Table 10 Effectiveness indicators for the development of water resources to support state development

	Note	Unit	Actual 05-06	Actual 06-07	Target 06-07
Number of water resources with licensed allocation within assessed sustainable yields	A		627 (89.6%)	499 (88.5%)	630 (90%)

Table 11 Efficiency indicators for the development of water resources to support State development

	Note	Unit	Actual 05-06	Actual 06-07	Target 06-07
Average cost per allocation plan or policy developed	B	\$	286 623	\$1 535 351	1 678 556
Average cost per water resource assessment	C	\$	160 040	157 798	139 967
Average cost per gigalitre of water licensed	D	\$	9 979	7 012	6 340

Desired outcome: Protection of water resources within sustainable limits

Table 12 Effectiveness indicators for the protection of water resources within sustainable limits

	Note	Unit	Actual 05-06	Actual 06-07	Target 06-07
Number of contamination occurrences exceeding drinking water standards in public drinking water source areas	E		0	0	0
The number of catchments conforming with designated targets	F		7	7	12

Table 13 Efficiency indicators for the protection of water resources within sustainable limits

	Note	Unit	Actual 05–06	Actual 06–07	Target 06–07
Average cost per protection plan developed	G	\$	2 691 841	702 316	1 303 667
Average cost per km ² of designated catchments where management measures are implemented	H	\$	575	613	3 925
Average cost per km of river managed in designated catchments	I	\$	31	40	28

Notes to the performance indicators for the year ended 30 June 2007

Desired outcome: Development of water resources to support State development

Note A Number of water resources with licensed allocation within assessed sustainable yields

Relevance to desired outcome

The Commission is responsible for ensuring orderly, equitable and efficient use of water resources and to ensure that water resources are not used in a way that results in unacceptable environmental impacts. Having set sustainable limits for environmental, social and economic demand in plans, the Commission aims to license and regulate water usage, such that it does not exceed these limits.

The effectiveness of the management of the resource is reflected in whether the resource is being used in excess of management objectives, based on assessed available resources. Performance may be assessed by viewing increases in areas that over-use the source, indicating a need for improved resource management in those areas.

The indicator is relevant to the outcome because it shows how the Commission is managing water resources so as to ensure the long term availability of this scarce resource. The indicator has been derived by determining the number of groundwater resources (of which there are 564 sedimentary groundwater resources in the State) that have a licensed use greater than the management objectives.

Effectiveness measure

The number of sedimentary resources has been reduced from 700 to 564. During 2006–07 the Commission undertook data cleansing activities, including a review of groundwater management areas. This reduced the total number of areas.

The reduction in the total number of sedimentary resources consequently indicates a lower number of allocations within assessed sustainable yields, which at face value would imply that performance has declined. A percentage report would show that in 2005–06, a score of 627 (out of a total 700) represents 89.6% of groundwater resources (sedimentary) as licensed within the sustainable limit. In 2006–07, a score of 499 (out of a total 564) represents 88.5% of groundwater resources (sedimentary) as licensed within the sustainable limit. This represents only 1.1% variation in performance.

Note B Average cost per allocation plan or policy developed

Relevance to desired outcome

The Commission manages and regulates Western Australia’s water resources and produces management plans to achieve sustainable water allocation and development for current and future users and the protection of groundwater dependent ecosystems.

The plans provide objectives, policies, principles and strategies that will be used to manage the resources to ensure their sustainable use for the benefit of the local community.

The plans are intended to improve certainty for existing and potential water users by aiming to protect the environment, while fostering a sound economy and social well-being for the people of the region.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per allocation plan or policy developed	4	\$6 141 405	\$1 535 351

The unit cost is calculated by dividing the total cost of service for policy and planning by the number of allocation plans or policies developed.

There is a significant variation between the current year actual and the previous year actual, which is primarily due to increased funding going into the policy and planning function to reflect the Commission’s focus on enhancing this capability.

Note C Average cost per water resource assessment

Relevance to desired outcome

Assessment of the State’s water resources is a key component of the Commission’s water resource management function. This is necessary so as to ensure that adequate water resources are available to meet the State development needs and to ensure that resources are not used in a way that results in unacceptable environmental impacts. This is done through a program of coordinating measurement and investigation activities, analysing information, carrying out modelling, and

providing information in terms of maps and information products including Geographical Information Systems.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per water resource assessment	128	\$20 198 199	\$157 798

The indicator is derived by dividing the total cost of service for investigation and assessment of water resources to determine sustainable water management regimes divided by the total number of water resource assessments completed. The cost per assessment reflects the comprehensiveness of the assessments.

The unit cost is slightly higher than the target cost due to the fact that additional funding was transferred into the investigation and assessment function that was originally within the target cost for plans and policies.

Note D Average cost per gigalitre of water licensed

Relevance to desired outcome

The Commission's internal objective is to adequately manage the State's water resources at a minimum long-term cost. This indicator illustrates the cost of administering a water allocation licence—a key instrument in allocating water to users. As demand for water grows and the volume of licences increase, the Commission aims to maintain, or reduce, the average cost of administering a licence.

The licensing of water resources is a key component in ensuring that the State's water resources are sustainably managed. As part of the licensing activities the Commission undertakes assessment activities, compliance and enforcement activities aimed at ensuring licence conditions are being met. This indicator shows the efficiency with which the Commission administers water allocation licences.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per gigalitre of water licensed	2 662	\$18 665 354	\$7 012

The indicator is derived by dividing the total cost of service for water resource management plans and the regulation of water use by the total volume of water licensed.

The variation between the current year actual and the previous year actual is due the previous year being calculated using only groundwater as a unit of measurement rather than surface and groundwater.

Desired outcome: Protection of water resources within sustainable limits

Note E Number of contamination occurrences exceeding drinking water standards in public drinking water source areas

Relevance to desired outcome

A key objective of the Commission is to prepare drinking water source protection plans for all public drinking water sources throughout Western Australia, in order to ensure safe, good quality water supplies that need minimal treatment to meet the Australian Drinking Water Guidelines and public expectations.

The task of protecting water quality is met by a number of initiatives such as the development of drinking water source protection plans; environmental guidance documents; and regulatory controls over land uses. The measurement of water quality is ultimately assessed against health criteria (based on the Australian Drinking Water Guidelines) endorsed by the Department of Health.

Western Australia relies heavily on groundwater for water supply and the generally sandy soils make the underlying groundwater highly vulnerable to groundwater contamination in this State. In addition, there is a high demand to access our surface water reservoirs and their catchments. The resultant activities can create a high contamination risk, especially from micro-organisms.

Effectiveness measure

This indicator is derived by recording the number of contamination occurrences that exceeded drinking water health requirements at the consumers tap, leading to closure of that drinking water supply. The aim of the indicator is to ensure that drinking water is protected to minimise risks to public health.

This indicator is determined from Department of Health public advisories for drinking water related to major/catastrophic contamination incidents. The continued achievement of this target reflects the Commission's strong commitment to protecting the State's drinking water sources.

Note F The number of catchments conforming with designated targets

Relevance to desired outcome

A key objective of the Commission is to provide adequate protection of the State's waterways and catchments, undertaking research, planning, and undertaking on the ground works such as salinity management measures. Additionally, the Commission develops policy so as to protect waterways and catchments.

The measurement of concentrations of total nitrogen and total phosphorous in tributaries of the Swan Canning Catchment against target levels ensures that our key waterways and catchments are effectively managed.

Effectiveness measure

The management of water catchments is a complex science with a number of resource condition targets set, to assist the Commission in assessing its effectiveness in adequately protecting the State's waterways and catchments. This indicator measures concentrations of total nitrogen and total phosphorous in 15 tributaries of the Swan Canning against target levels. Both short and long term targets have been developed so as to recognise the long timeframes required for catchment management initiatives to affect nutrient levels within the catchment tributaries.

Over the course of the next few years, resource condition targets will progressively be developed for regional waterways in line with the National Action Plan (NAP) and Natural Heritage Trust (NHT) guidance.

The number of catchments meeting the nitrogen and phosphorous target levels has remained unchanged. The variation between the target and the actual is due to the target being based upon an incorrect measure.

Note G Average cost per protection plan developed

Relevance to desired outcome

The development of protection plans is a key component of the Commission's strategy in managing the State's drinking water resources. The development of protection plans is necessary to ensure that drinking water source areas are offered maximum protection so as to ensure safe, good quality water supplies that will require minimal treatment in order to meet the Australian Drinking Water Guidelines and public health expectations.

The indicator is relevant to the desired outcome because it provides a measure of cost efficiency of the development of protection plans. The primary impact on the quality of our water resources result from the activities and land uses carried out in surface water catchments and over groundwater resources. In some areas of the State these land uses are incompatible with protection objectives and the resource itself is at risk.

Dealing with these incompatible land uses and influencing State and local government planning processes are the primary means of achieving good outcomes for the State. Western Australia's heavy reliance on groundwater for water supply together with its generally sandy soils makes the underlying groundwater vulnerable to contamination. At 30 June 2007, there were 139 protection plans listed for completion within the State of which 75 were completed. These plans are an essential tool for guiding land use, and in turn adequate levels of protection of drinking water sources. New plans may be added to the list as required, and dependent on circumstances, some plans may not be required or may be combined with other plans and prioritised for completion.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per protection plan developed	18	\$12 641 685	\$702 316

The indicator is derived by taking the total cost of service for plans and guidelines to protect the quality of water resources divided by the number of protection plans developed.

The variation between the unit cost and the target is due to a higher number of protection plans being completed and the carryover of funds into 2007–08. There is a significant reduction in the unit cost from 2005–06 to 2006–07, which is due to efficiencies in the process of developing protection plans that has enabled an acceleration in the production of protection plans.

Note H Average cost per km² of designated catchments where management measures are implemented

Relevance to desired outcome

Salinity is a widespread problem in the State. The preparation and implementation, in partnership with local communities, of salinity abatement plans, including application of land use and engineering measures, to recover and maintain water catchments from salinity is a vital tool in the management of WA's catchments and waterways.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per km ² of designated catchments where management measures are implemented	11 215 km ²	\$6 878 462	\$613

The unit cost is calculated by dividing the total cost of service for evaluation and implementation in designated catchments of salinity management measures divided by the total area in which recovery catchments and engineering initiatives are in place.

The unit cost for the current year is comparable to the previous year. The significant variation between the budget target and the actual unit cost is due to the budget target containing a provision of \$8.6 million for the Collie River Diversion project, which was not received in the current year. In addition, the variation is also affected by the budget target being calculated using a different unit measure.

*Note 1 Average cost per km of river managed in designated catchments***Relevance to desired outcome**

The indicator is relevant to the desired outcome because it provides a measure of cost effectiveness of the management of our waterways and catchments. The objective of this indicator is to maintain the current level of improvement in catchment and water resource standards at minimal cost.

Efficiency measure

	Quantity	Expenditure	Unit Cost
Average cost per km of river managed in designated catchment	567 750 km	\$22 515 515	\$40

The indicator is derived by calculating the total cost of service for implementation of catchment, waterways and wetlands management plans divided by the total area of waterways under management.

The variation between the actual unit cost and the target unit cost is due to the total cost of service being lower than estimated. This is mainly due to the budgeted cost including external funds associated with flood mitigation and the Natural Heritage Trust that were not expensed being carried over into 2007–08.

8 Other financial disclosures

There were no disclosures on pricing policies, as the Water and Rivers Commission generally does not charge for its services. There were also no disclosures for major capital infrastructure projects.

9 Governance disclosures

The Commission continues to strive for effective and efficient use of resources to achieve our agreed outcomes. A governance framework supported by ethical behaviours is central to good management. In 2006–07, we continued to review our business processes and performance management systems which support decision making. Corporate planning and reporting processes continued to embrace risk management principles. In June 2007, we commenced a review of our disaster recovery capabilities.

We have continued to refine roles and responsibilities and statutory delegations. Education remains a key strategy to ensure directors, senior managers and all staff are aware of their responsibilities and that they are appropriately administered.

10 Other legal requirements

Advertising

In compliance with section 175ZE of the *Electoral Act 1907*, the Water and Rivers Commission is required to report on expenditure incurred during the financial year in relation to advertising agencies, market research organisation, polling organisations, direct mail organisations and media advertising organisations.

The report is as follows:

Table 14 Report on expenditure, as required under section 175E of the Electoral Act 1907

Class of expenditure	Expenditure 2005-06 (\$)	Expenditure 2006-07 (\$)	Agency	Purpose	Amount (\$)
Advertising agencies	—	12,435	Linc Integrated	General artwork and proofing	12,435
Media advertising organisations	155,862	124,016	Marketforce Productions	Employment and tender advertisements	71,454
			Media Decisions WA	Employment and tender advertisements	11,248
			Verossity Pty Ltd	Employment and tender advertisements	41,315
					124,016
Market research organisations	—	—			—
Direct mail organisations	—	—			—
Polling organisations	—	—			—
Grand total	155,862	136,451			136,451

Note: Expenses under 'advertising agencies' and 'media advertising organisations' include the printing of information leaflets and brochures, production of internet information, public display material, information signage and posters, and instructional manuals. It also includes job vacancy advertising, the calling of tenders and the preparation and communications of public information.

Disability access and inclusion plan outcomes

Access issues for people with disabilities continue to be addressed by the Commission. Changes to our city and regional accommodation in accordance with access principles and protocols were implemented. Ongoing upgrades to buildings to meet the required standard are included in the capital works program.

The web content team improved access to our internet and intranet websites as part of the continual upgrade program. Currently the text size can easily be enlarged without compromising the integrity of the site and both sites are style-sheet independent. Staff involved in web content design have undertaken training to understand the needs of and potential access barriers to, people with disabilities. This has resulted in accessibility issues being identified and the implementation of strategies to meet these requirements.

The Commission continually reviews public written information to eliminate any potential impediments for people with disabilities. This includes providing the ability for individuals to request information in alternative formats or request information where they have specific accessibility needs. Where requested, we provide information in other languages or in alternative formats.

The Commission has reviewed its 2003-06 plan and will implement a Disability Services Plan for beyond 2007 as an interim, while a Disability Access and Inclusion Plan is developed. It is anticipated this will be available during 2007 and apply to a five year program.

Equal employment opportunity outcomes

The Commission's Equity and Diversity Plan ceased in June 2006, and a new Equity and Diversity Plan was developed for 2006-07.

Many projects were completed this year in meeting our Equity and Diversity Plan objectives. The recruitment and selection policies and guidelines have been reviewed and accurately reflect our commitment to equity and diversity and ensuring all potential applicants have equitable access to employment opportunities. This includes people with disabilities. Internally, the Commission remains committed to improving outcomes in relation to women in management through the provision of leadership development programs. The Commission also is reviewing workplace initiatives dealing with balancing work / life pressures that are of interest to working mothers.

An Indigenous Affairs Coordinator coordinates the Commission's implementation of initiatives in the Council of Australian Governments' Reconciliation Action Plan.

The Commission has recently advertised, and is currently filling four Indigenous traineeships which will focus on water resource and natural resource management. Aboriginal Cross Cultural Awareness training commenced, covering topics including

beliefs and values of Aboriginal people, communication and relating across cultures, Native title/Section 18 of the *Aboriginal Heritage Act 1972*, Aboriginal engagement in natural resource management and how to consult with Aboriginal people, Aboriginal employment and other issues affecting the Aboriginal community and Culture and traditional practices.

The Commission committed to initiatives to meet our Youth Employment Objectives. Through the use of partnerships with universities we have targeted recruitment of students during vacation periods to provide them with work experience in their chosen fields. The Commission recognises the importance of youths and graduates given the current labour market. Strategies have focussed on developing appropriate career and development structures to enable the Commission to recruit younger people in our business. The Commission continues to work with the Australian Water Association and other bodies on developing strategies to encourage and support graduates and young people within the water and environment industry.

The Commission continues to maintain a Grievance Contact Officer Network which provides local workplace officers to assist staff deal with equity issues in the organisation, including harassment and bullying.

With respect to the demographics of the organisation, the following tables show the need for improvement in a number of areas, which has been identified as part of the current and future plans. The comparative analysis of the Commission's statistics is against the Government's performance objectives for 2005.

Table 15 Equal employment opportunity outcomes

	Actual representation %	Equity index	2007 objective set by Commission %	Above or below objective %
Women in management tiers 2 and 3	21.2	60	17.4	3.8
People from culturally diverse backgrounds	7.1	91	9.5	-2.4
Indigenous Australians	0.6	—	1.6	-0.9
People with disabilities	1.3	—	1.7	-0.4
Youth	7.3	—	8.6	-1.3

Workers' compensation

There was one Workers' Compensation claim in the period 1 July 2006 to 30 June 2007. This claim was a 'no lost time injury' relating to the inhalation of fumes at Westralia Square in December 2006 and is now finalised.

Priority tasks

In order to progress health, safety and wellness within the Commission we have focussed on proactive initiatives and risk mitigation strategies to enable the Commission to deliver a safe and healthy workplace. Key initiatives include:

- The continued development of the **Safety Management System (SMS)** with tasks prioritised according to compliance requirements and high risk areas. The SMS provides guidance for managing accidents, near misses and hazards, together with initiatives aimed at improving staff knowledge and commitment to safe and healthy work practices.
- **Safety and health representatives:** Workplace committees continue to meet on a regular basis.
- **Health programs** which include staff health assessments, health awareness seminars and brochures on improving personal health and well being. There is also focus on diet and reducing health issues associated with diabetes, cholesterol, smoking and obesity.
- **Wellness** activities aimed at improving personal health and fitness including lunchtime sessions focussing on yoga, aerobic exercise and pilates.

Recordkeeping plans

The Commission relies significantly on good information to deliver quality outcomes. Furthermore, information technology is essential for the effective and efficient collection and communication of information.

Information governance

In 2006–07, the establishment of the Water and Rivers Commission continued, along with putting in place frameworks and systems to further improve planning management and use of information to meet business needs and stakeholder demands. Key achievements included:

- the development of a Strategic Information Plan for the Water and Rivers Commission (this plan provides a framework for information investments required to support delivery of water reform initiatives);
- the establishment of policies and procedures relating to information within the Water and Rivers Commission; and

- the establishment of an Information and Communications Technology (ICT) governance model for the Commission.

Records and information management

Implementation activities associated with compliance with the *State Records Act 2000* include the development of a Recordkeeping Plan.

- The Recordkeeping Plan and Retention and Disposal Schedule for the Water and Rivers Commission have been approved by the State Records Office. Compliance with Principle 6 of the Plan is being addressed through the introduction of an on-line Recordkeeping Awareness Training course. An initial rollout of this course has achieved a 61 per cent (completed or in progress) response rate to date. The course will be delivered to new staff on an on-going basis.
- A comprehensive package of in-house material has been developed to assist staff in the use of the Commission's records management system and augment existing training programs.
- Introduction of an on-going recordkeeping awareness training program to assist compliance with the *State Records Act 2000*.

Information systems

The Commission continues to enhance its business systems and work with other government agencies to provide accurate and timely information to the community. The Commission achieved this through:

- day-to-day management of the Commission's GIS infrastructure;
- delivery of centralised GIS services and support to users of GIS software and stakeholders of spatial information across the Commission;
- contribution to the whole-of-government Shared Land Information Platform (SLIP) initiative;
- implemented WRL License fees;
- developed and organisation structure portlet (and integrated with dependant systems);
- prepared business planning/project management systems for the 2007–08 financial year; and
- developed internet water information reports website.

Information and communication technology

The Commission continued to develop and maintain a secure and reliable network and server administration services to provide a robust IT infrastructure. In 2006–07, this included:

- completion of a centralised backup regime for all regional servers and ensured the Commission's information remains secure;
- completion of the Voice Over Internet Protocol (VOIP) rollout to the Swan Avon and South West regional offices;
- support for the establishment of the Department of Water and the associated separation from the Department of Environment and Conservation; and
- undertaking a technical infrastructure review for the Water and Rivers Commission.

The Commission will continue to work towards excellence in the delivery of tools and services which support its information requirements. The major focus of activities will centre on the completion of the establishment of the Water and Rivers Commission and providing support and tools for the implementation of the water reform program.

Freedom of information

With the establishment of the Water and Rivers Commission there was a requirement under the *Freedom of Information Act 1992* to produce and publish an Information Statement. A statement was produced and provided to the Information Commissioner in December 2006 and published on the Commission's website. During the year the Water and Rivers Commission received 108 Freedom of Information Applications, all of which were non-personal applications. No applications were fully transferred to other agencies and no application requests were withdrawn.

The average time taken to process each application was 55 days. Although the requirement to process Freedom of Information Applications commenced on 3 July 2006, the availability and application of skilled resources to undertake this role was not available until early 2007. One application was made for internal review of the Commission's decision and one application went for external review. The most used exemption was for the 'deletion of personal information'.

The major areas of interest were property enquiries, and water and discharge licences.

11 Government policy requirements

Corruption prevention

During 2006–07, the Commission continued to develop and implement initiatives aimed at improving staff awareness and understanding of good governance and ethics. The Commission reviewed and updated its Code of Conduct to incorporate information on corruption prevention and on issues such as conflicts of interest, pecuniary interests and fraud prevention.

Staff awareness sessions were conducted and will continue throughout 2007–08 to ensure all staff are aware of their obligations and understanding of ethics. Reviews of committees and relationships with external partnering groups were undertaken as part of establishing the new Water and Rivers Commission and winding up the Water and Rivers Commission. Awareness sessions have been run with external groups and regional staff to improve decision making and governance arrangements.

The Commission also developed a new complaints handling process which defines the internal processes for managing general complaints through to potential corruption concerns.

Substantive equality

The Government has introduced a new client focused initiative on substantive equality for the provision of services to the diverse multicultural communities of Western Australia.

The objective of the *Policy Framework for Substantive Equality* is to assist the public sector to move from formal equality, to achieving substantive equality for all Western Australians with a focus on meeting the needs of different Indigenous and ethnic groups. The Commission has completed its policy and governance framework and identified key pilot projects from which substantive equality principles and practices can be established.

Sustainability

Sustainable use and disposal of resources

The Commission continues to communicate the importance in reducing our impact on the environment by promoting our ecological footprint to all staff. This is achieved through the setting of specific targets in high ecological footprint areas such as stationery energy consumption, the purchase of goods and services and road transport in an attempt to reduce our footprint over time.

The Commission is also committed to reducing energy consumption and costs and strives for improvement through the monitoring and reporting energy use in

accordance with targets set by the Sustainable Energy Development Office (SEDO). Additionally, the Commission continued to support environmentally, economically and socially sustainable transport systems by purchasing LPG vehicles or hybrid electric cars and/or 4 cylinder vehicles where this met its requirements.

Sustainable procurement

The Commission acknowledges the contribution the purchase of environmentally friendly goods and services across the Commission by encouraging purchasing officers to make 'green purchases'. The Commission continued to enhance its guidelines and evaluation criteria for purchasing officers to use when procuring goods or services. Its evaluation criteria considers the relevance of the product or service to sustainability, a whole-of-life-cycle analysis, such as the energy used in purchasing, manufacturing, using, transporting, re-use or recycling potential and disposal, accessibility of the item and cost.