

AUDITOR-GENERAL'S REPORT FINANCIAL AUDITS

Volume Seven 2010



The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Seven of my 2010 Report.

Peter Achterstraat
Auditor-General

Sydney
November 2010

Contents

Significant Items	iii
Recommendations	v
SECTION ONE - Overview	
Environment and Water Overviews	3
SECTION TWO - Commentary on Government Agencies	
Minister for Climate Change and the Environment	25
<i>Department of Environment, Climate Change and Water</i>	27
<i>Environment Protection Authority</i>	37
<i>Environmental Trust</i>	39
<i>Royal Botanic Gardens and Domain Trust</i>	42
<i>Taronga Conservation Society Australia</i>	45
Minister for Water	49
<i>Cobar Water Board</i>	51
<i>Hunter Water Corporation</i>	52
<i>State Water Corporation</i>	60
<i>Sydney Catchment Authority</i>	67
<i>Sydney Water Corporation</i>	76
<i>Wyong Water Supply Authority</i>	93
APPENDIX	
Appendix 1 - Agencies not reported elsewhere in this Volume	99
INDEX	101

Significant Items

	Page
Environment and Water Overviews	
In 2009-10, poor air quality days increased to 64 from 47 in 2008-09 and 23 in 2007-08 and is attributed to photochemical smog during the summer, dust storms and bushfires.	5
At 30 June 2009, there were 272 contaminated sites across New South Wales of which 114 have been successfully remediated.	5
The Department spent \$214 million of the Climate Change Fund to help households, businesses and government save energy and water and to reduce greenhouse gas emissions.	12
The New South Wales Home Saver Rebate Program, part of the Climate Change Fund, has paid more than 263,000 rebates to residents since its commencement. The Department estimates related savings of 310,000 tonnes of greenhouse gas and 3.6 billion litres of potable water each year.	13
In the period October 2007 to June 2010, the Department paid 118,848 rebates to residents for hot water systems. The related payments from the Climate Change Fund totalled \$64.6 million in 2009-10 (\$20.8 million).	13
The Department contributed \$25.0 million to the Australian Government's \$500 million National Clean Coal initiative. The New South Wales Government has committed \$100 million over four years to the Fund, which will be mainly used to fund research into, and development of, clean coal technologies.	13
In 2009-10, the NSW Office of Water finalised 246 compliance investigations under the <i>Water Act 1912 and Water Management Act 2000</i> resulting in two license suspensions and the issuance of 40 penalty notices.	15
The <i>Central Coast Water Corporation Act 2006</i> is expected to commence late 2010.	17
Water utilities contributed \$379 million to government during the year ended 30 June 2010.	18
Hunter Water Corporation reported average number of unplanned interruptions per 1,000 properties of 255.5.	19
The NSW Office of Water's information systems do not meet the information needs of the Independent Pricing and Regulatory Tribunal of New South Wales.	20
Department of Environment, Climate Change and Water	
The total number of prosecutions commenced during the year for environmental protection offences was the highest number since 2006. Of the 134 cases completed in 2009-10, 94 per cent resulted in successful prosecutions.	27
Surveyed unregulated water invoices for 2007 were issued in September 2010.	28
Purchases of water entitlements fell from 145,122 megalitres in 2008-09 to 40,122 megalitres in 2009-10. Purchases over the last four years totalled 252,694 megalitres.	28

Taronga Conservation Society Australia

Paid attendance at Taronga Zoo increased by 15 per cent in 2009-10. The months of July 2009 and April 2010 recorded higher than expected visitors following the successful birth of two Asian elephant calves. 46

Hunter Water Corporation

A final decision on the Tillegra Dam remains outstanding. 52

Hunter Water is planning to complete its major projects in line with original service delivery dates. 54

At 30 June 2010, 132 employees (20.9 per cent of all employees) had accrued more than 40 days of annual leave entitlements. Twenty two employees had more than 80 days accrued annual leave. 55

State Water Corporation

The volume of water sales during 2009-10 continued to remain at historically low levels. 60

The Corporation's performance against its Operating Licence declined slightly from 2007-08. 61

The Corporation spent \$58.0 million on the first phase of its dam safety compliance project during the year. 62

Sydney Catchment Authority

Over 31 per cent of the Authority's employees had leave balances in excess of 40 days. 72

The Authority has established a working group to address overtime costs of \$1.2 million, representing 5.7 per cent of total employees' base pay. 72

Sydney Water Corporation

The Minister for Water granted Sydney Desalination a network operating licence and a retail supplier's licence. 76

The cost of constructing the desalination plant was approximately \$90.0 million less than budget. 76

The Maximo project, an Information Technology solution to assist with asset management, has been delayed further at additional cost. 77

Water customers have retained water saving behaviours developed during the drought, keeping consumption in 2009-10 below the ceiling specified in the Corporation's Operating Licence. 78

Total recycled water from all sources was 35.8 gigalitres in 2009-10. 80

Water loss from breaks and leaks has nearly halved from 68,620 megalitres in 2002-03 to 35,323 megalitres in 2009-10. Water loss represented seven per cent of water supplied. 81

Some employees received overtime payments higher than their base salary. 87

Recommendations

	Page
Environment and Water Overviews	
I recommend:	
▪ DECCW finalise the implementation of the revised Funding Agreement for grant recipients.	14
▪ DECCW report on compliance with National Australian Built Environment Rating System ratings on its website and in its annual report.	15
▪ the NSW Office of Water establish systems to meet the information needs of the Independent Pricing and Regulatory Tribunal of New South Wales.	20
Department of Environment, Climate Change and Water	
I recommend the Department:	
▪ continue to implement its policy requiring all staff with excessive leave balances to have a leave management plan in place in order to further reduce leave balances within an acceptable timeframe.	30
▪ further review the roles and responsibilities of all contract employees to ensure:	
▫ reliance on contractors is not excessive	
▫ use of contract employees instead of permanent employees is appropriate	
▫ contractors do not become de facto employees by virtue of being employed for an extended period of time	
▫ the use of contract employees continues to represent value for money.	30
▪ ensure its systems are able to provide accurate data to enable it to prepare specific project based submissions to The Treasury which address its maintenance requirements.	31
Hunter Water Corporation	
I recommend the Corporation:	
▪ the Corporation prepare a sound and comprehensive business case before any decision is made to proceed with the Tillegra Dam.	52

Hunter Water Corporation (continued)

I recommend the Corporation:

- create and maintain a single register for contracted employees
- using this register, review the effectiveness of its existing policies for employment of contract employees to ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of contract employees continues to represent value for money. 56
- review the effectiveness of its existing policies for managing the use of overtime. 57

State Water Corporation

I recommend the Corporation:

- review the effectiveness of its existing policies for managing overtime work and analyse the underlying reasons for overtime payments that are significantly more than base pay. 62
- create and maintain a single record of all contractors engaged by it
- using this record, periodically review the roles and responsibilities of all its contractors to ensure:
 - its reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of a contractor continues to represent good value for money. 64

Sydney Catchment Authority

I recommend the Authority:

- create and maintain a single record of all contractors engaged by it
- using this record, periodically review the roles and responsibilities of all its contractors to help ensure:
 - its reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Authority for an extended period of time
 - use of a contractor continues to represent good value for money. 70
- continue its efforts to help ensure accumulated flex leave is taken rather than forfeited. 73

Sydney Water Corporation

I recommend the Corporation:

- review the effectiveness of its existing policies for managing overtime. 87
- continue to implement and monitor its existing Workforce Planning policies for managing its ageing workforce. 87
- create and maintain a single register for contracted employees
- using this register, review the effectiveness of its existing policies for employment of contract employees to ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of contract employees continues to represent value for money.

89

Section One



Environment and Water Overviews

Environment and Water Overviews

ENVIRONMENT OVERVIEW

The following Government entities provide environmental services.

Department

Department of Environment, Climate Change and Water (DECCW).

Statutory Bodies

- Environment Trust.
- Environment Protection Authority (EPA).
- Marine Parks Authority (MPA).
- Royal Botanic Gardens and Domain Trust.
- Lord Howe Island Board.
- Taronga Conservation Society Australia and its controlled entities.

The audits of the above-mentioned entities' financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Separate commentary on most of the above entities appears elsewhere in this Report.

KEY ISSUES

The New South Wales Government has committed over \$1.9 billion for the environment in its 2010-11 budget. DECCW administers a number of funding programs and initiatives as well as being the recipient of funding for specific projects.

NSW State Plan

The New South Wales State Plan 2010 is the Government's plan to deliver to the community promised results over the medium to long term across seven broad areas of activity:

- better transport and liveable cities
- supporting business and jobs
- clever State
- healthy communities
- Green State
- stronger communities
- keeping people safe.

DECCW is the lead agency for the following five State Plan priorities under the Green State theme:

- tackle climate change
- secure sustainable supplies of water and use our water more wisely
- protect our native vegetation, biodiversity, land, rivers and coastal waterways
- improve air quality
- reduce waste.

In addition, DECCW is also a significant partner agency for a further three priorities:

- develop a clean energy future (Green State)
- strengthen Aboriginal communities (stronger communities)
- increase the number of people using parks (stronger communities).

DECCW also contributes to 13 other priorities across a diverse range of initiatives.

State of the Environment Report

The *Protection of the Environment Administration Act 1991* requires DECCW to prepare a State of the Environment Report (SoE) for New South Wales every three years. The seventh and most recent SoE was issued in December 2009. DECCW prepares the SoE, with guidance from the State of the Environment Advisory Council, from material provided by a wide range of government agencies, other organisations and independent scientific experts. It also aligns the issues with relevant measures and targets in the New South Wales Government's State Plan 2006 where appropriate.

The SoE 2009 is structured around the following seven major themes:

- People and the Environment
- Climate Change
- Human Settlement
- Atmosphere
- Land
- Water
- Biodiversity.

Some of the major findings and extracts contained in the SoE 2009 are detailed below. A copy of the SoE 2009 is available at: www.environment.nsw.gov.au/soe/soe2009/.

People and the Environment

While the New South Wales Government has developed a range of programs to reduce water and energy consumption, overall per capita consumption in New South Wales has continued to increase. In view of a projected increase in the resident population from 7.0 million at June 2008 to 9.1 million by 2036, the SoE concluded that because of 'the added effect of population growth, the total consumption of the population of New South Wales is increasing at a rate that may no longer be sustainable in the future'.

The ecological footprint, which estimates sustainability in New South Wales (i.e. the land that would be needed to sustain a State's population indefinitely), has increased from 6.35 hectares per person in 1998-99 to 7.02 hectares per person in 2003-04, while the footprint for Australia was 6.90 hectares per person. Growth in the ecological footprint in New South Wales relating to aggregate consumption continues to put pressure on resources.

Climate Change

The SoE 2009 concludes that it is more than 90 per cent certain that observed increases in global temperatures are caused by greenhouse gases resulting from human induced activities. The average temperature in New South Wales has been increasing at an accelerating rate since the mid-1990s. The average annual temperature rise was around 0.1°C per decade during 1950-80 and since 1990 it has been around 0.5°C per decade, a five-fold increase.

The sea level benchmarks adopted by the State Government to guide planning decisions, predict a rise of 0.4 metres by 2050 and 0.9 m by 2100, relative to 1990 levels. Climate change will have further impacts on New South Wales, including increased coastal erosion and inundation, a decline in water resources, and impacts on health, biodiversity and agriculture.

Human Settlement

While there have been improvements in reducing demand for water, energy use has continued to increase with energy from both fossil fuels and renewable sources maintaining their share of supply. Fossil fuels currently meet 97 per cent of New South Wales' energy demands with one quarter of the total production being used to generate energy. Demand for electricity has continued to rise with an increase in the number of households. Also, while the waste disposal rate per person in the Sydney Metropolitan Area has been stable over the five years to 2007-08, in regional areas it has increased since 2000 by nearly 20 per cent.

Atmosphere

Air quality in New South Wales meets four out of six national air quality standards, with the standards for ground level ozone and particles exceeding the standard. DECCW provides hourly updates of air quality on its website from 24 monitoring sites throughout New South Wales. The Department and New South Wales Health operate a Health Alert system for the Sydney Region for the benefit of asthmatics and other sensitive members of the community.

DECCW's 2010 annual report noted that the regional air quality index (RAQI) calculated 64 poor air quality days compared to 47 in 2008-09 and 23 in 2007-08. The increase in 2009-10 was driven by a combination of photochemical smog during the summer, dust storms and bushfires. The RAQI is reported for three regions in Sydney (central east, north-west and south-west), the Illawarra and the lower Hunter. A day is counted as poor if one or more of the regions exceed the index.

Land

New South Wales soil continues to be under pressure from changes in land use compounded by years of drought. While degradation is continuing, improved land management practices over the years have helped slow this decline. However, the situation varies across the State and with different degradation issues. The SoE 2009 states that of the soils investigated, about one quarter were assessed as being managed sustainably. Half are managed in a manner that poses some risk of degradation to one or two specific soil functions. The remaining quarter of the States' soils investigated have been assessed as being at risk of degradation for multiple soil functions.

At 30 June 2009 there were 272 contaminated sites regulated under the *Contaminated Land Management Act 1997* and *Environmentally Hazardous Chemicals Act 1985*. At 30 June 2009, 114 sites had been successfully remediated. The number of sites being listed has reduced from 34 additional sites in 2002-03 to 12 in 2008-09.

Water

Drought has significantly affected all water users as well as the environment. Water storage dropped to historic lows and, coupled with limited flows in most inland rivers, this required temporary suspension of some water sharing plans in New South Wales. Only limited releases of water have been possible during this time, but additional water entitlement for the environment has been obtained over the last few years through water saving efficiencies and the purchase of water licences.

While coastal rivers are in a better health overall, most inland river systems and wetlands are presently in poor ecosystem health due to the historic impacts of water extraction, flow regulation and catchment disturbances, as well as the effects of drought.

Biodiversity

The diversity and richness of native species remains under threat, particularly vertebrate fauna that are vulnerable to invasive species and habitat loss. Over half of all listed key threatening processes relate to invasive species, and pests and weeds have been identified as a threat to over 70 per cent of all threatened species in New South Wales. Fire is a significant and ongoing threat to human settlement and ecosystem integrity.

Environmental Indicators

The SoE 2009 identifies 30 environmental issues within the seven key themes discussed above. Of the 30 issues, 21 have environmental indicators that assist in assessing environmental conditions. The nine environmental issues which do not have indicators are:

- the physical environment of New South Wales
- population and settlement patterns
- sustainability and consumption
- economics and the environment
- social trends
- climate change impacts and adaptation in New South Wales
- noise
- indoor air quality, and
- fire.

For those issues without indicators, the Department advises that in a number of cases it is not considered appropriate to evaluate the issue from an environmental perspective, but it is still important to describe their contribution to environmental outcomes. For example, while 'the physical environment of New South Wales' is described in the SoE 2009, there is no reason or basis to assess the natural features and processes with which New South Wales is endowed.

For other environmental issues, appropriate indicators have not yet been identified. For example, 'indoor air quality' standards are being developed nationally. Indicators for 'climate change impacts and adaptation in New South Wales' are still being developed. An important consideration is the practicality and cost efficiency of a long term commitment to monitoring such indicators.

After each SoE cycle in New South Wales the indicators are progressively refined and the current SoE review is examining whether the indicators serve a useful function. Some data is collated on a continuous basis, but some natural resource data is sampled less frequently for reasons of practicality and cost efficiency and only compiled every three years for SoE reporting.

The SoE 2009 assesses each environmental indicator in terms of three classifications: its status; trend since the SoE 2006; and the availability of information used to make an assessment against the indicator. For SoE purposes, it is considered critical to provide an assessment of data quality and/or availability as an indication of the reliability or confidence in the assessment of the data.

The following tables summarise the 76 indicators contained in the SoE 2009 across each criteria within the three classifications:

Indicator Status

The 'Indicator Status' criteria, in the SoE 2009 report, shows the environmental condition of the indicator.

Indicator rating	Status of indicator	Number of indicators with this rating	Percentage of indicators with this rating
Green	Data shows a generally positive or healthy environmental condition	16	21.1
Yellow	Data demonstrates a moderate overall status, and that the environmental condition is neither positive nor negative	39	51.3
Red	Data shows that there is a generally poor environmental condition or that the condition is under significant stress	18	23.7
Grey	There is insufficient information to make an assessment	3	3.9
Total		76	100.0

Source: SoE 2009 report (unaudited).

The 'Red' indicators showing that for 18 indicators there is a generally poor environmental condition or that the condition is under significant stress, are further discussed later in this report.

The Department advised that its Monitoring Evaluation and Reporting (MER) strategy, used to develop the SoE reports, identifies the indicators used to assess the condition of natural resource assets. As shown in the table above (Grey rating), for three of the indicators there was insufficient data or knowledge to enable a confident assessment to be made. It is expected that the MER Strategy will, over time, ensure that sufficient data is collected to enable more confident assessments.

Indicator Trend

The 'Indicator Trend' in the SoE 2009 report shows the direction of change in the environmental condition since the SoE 2006 report.

Indicator rating	Trend of indicator	Number of indicators with same ratings	Percentage of indicators with same ratings
Improving	The trend in the condition of the indicator is good and getting better	14	18.4
No change	There has been no significant change in the condition of the indicator	25	32.9
Stabilising	A declining trend in the condition of the indicator is poor or fair, but improving	5	6.6
Recovering	The condition of the indicator is poor or fair, but improving	3	3.9
Deteriorating	The condition of the indicator is getting worse from its current status	12	15.8
Unknown	There is not enough information to show a trend for the indicator	17	22.4
Total		76	100.0

Source: SoE 2009 report (unaudited).

The Department has advised that for some indicators, it is difficult and expensive to collect data, and historically there have been many gaps and considerable variability in data quality. The continuing MER Strategy will ensure that following future assessments, trends in resource condition will be determined. Some assets will react rapidly to management intervention and trends will become apparent quickly. In many cases, however, changes to resource condition are slow and may only reveal robust trends after several decades.

Trend information is based on a consideration of change over time. This is even more challenging than assessing status, especially in natural resource data. Firstly there are areas where data has not been compiled consistently across the whole State for an extended period of time. Secondly, the effect of a disturbance is less than the normal natural variability in the system and its effects can only be discerned after they have been sustained over an extended period of time.

Information Availability

The 'Information Availability' in the SoE 2009 report describes the State-wide extent, condition and fitness of the data used.

Indicator rating	Availability of information to assess the indicator	Number of indicators with same ratings	Percentage of indicators with same ratings
Good	There is sufficient data and information on a State-wide basis and is of a high standard	28	36.8
Reasonable	There is some data and information on a State-wide basis of a reasonable standard	29	38.2
Limited	There is little data or information on a State-wide basis	19	25.0
Total		76	100.0

Source: SoE 2009 report (unaudited).

The MER Strategy has made significant progress in establishing baselines for the natural resource assets for which targets exist in the State Plan; it has addressed a number of data gaps over the past three years. SoE 2009 is the first comprehensive report of this baseline assessment and provides data and information on resource condition that has not previously been available.

As most natural resources only change over longer timeframes, many of the MER monitoring programs are adapted to reflect natural cycles and for cost effectiveness. For example, most water ecology sampling is staggered over two to five year cycles as appropriate, depending on the indicator, so that northern rivers are monitored one year, central rivers the next and then southern rivers. Much of this data is only assembled once every three years for SoE and State of Catchment reporting purposes. It would impose additional workloads and costs to compile this data more frequently, without a clear requirement or stated purpose. However, an effort is being made to make the source data publicly available as it is collected by the programs that produce this data.

Poor Environmental Condition

The following table provides details of the Indicator Status, Indicator Trend and the Information Availability for the 18 indicators where the environmental condition of the indicator is described as poor or coded red, indicating a generally poor environmental condition:

Theme	Indicator	Trend	Information Availability
Climate Change	Annual mean temperature	Deteriorating	Good
	Sea level rise	Deteriorating	Good
	Atmospheric concentrations of greenhouse gases	Deteriorating	Good
	Annual per capita greenhouse gas emissions	Improving	Good
Human Settlement	Energy supply by source	Stabilising	Good
	Energy use	Deteriorating	Good
	Transport energy consumption (total)	Deteriorating	Limited
	Vehicle kilometres travelled (total and per person)	Recovering	Reasonable
Water	Available water supply (in storage)	No change	Good
	Waterbird abundance and diversity	No change	Good
	Fish assemblages	Deteriorating	Reasonable
	Wetland condition	Deteriorating	Limited
	Sustainable Rivers Audit (SRA) overall health index of Murray Darling Basin rivers	Unknown	Reasonable
	Phosphorus	Stabilising	Reasonable
Biodiversity	Distribution of birds: sustainability	Deteriorating	Limited
	Threatened species: historical loss of distribution	Unknown	Limited
	Threatened species: sustainability	Unknown	Limited
	Widespread invasive species	Unknown	Limited

Source: SoE 2009 report (unaudited).

The code red indicators in the above table that are deteriorating are of particular concern, however, in some cases they relate to broader issues than State-wide issues.

The data collected by MER thus far is the result of scientific monitoring processes and describes overall resource condition outcomes, which often reflect inputs and management from a wide variety of agencies and levels of government. For the next cycle of MER, a performance MER program is being developed that will provide natural resource managers, government and investors with information on short to medium term outputs and outcomes of natural resource management that are understood to contribute to overall environmental outcomes. This program will be developed and implemented in a staged manner over the life of the new MER Strategy, being 2010-2015.

New South Wales Climate Change Fund

The Climate Change Fund (the Fund) was established on 1 July 2007 under the *Energy and Utilities Administration Act 1987* and raises contributions from electricity distributors and water utilities.

DECCW administers the Fund to help households, businesses and government save energy and water and to reduce greenhouse gas emissions. Current programs include:

- \$170 million New South Wales Home Saver Rebates provides rebates for hot water systems, hot water circulators, rainwater tanks, dual flush toilets and the removal of inefficient fridges
- \$150 million Energy Efficiency Strategy aimed at reducing greenhouse gas emissions through measures that lower energy consumption, reduce the impacts of rising energy prices and reduce the need for additional energy generation and distribution infrastructure
- \$30.0 million Public Facilities program provides funding of up to \$40,000 for not-for-profit community organisations to undertake simple low cost water and energy upgrades in the facilities they use
- \$20.0 million School Energy Efficiency program which is aimed at reducing greenhouse gas emissions in high schools with measures such as energy efficient lighting
- \$20.0 million Rainwater Tanks in Schools program.

Under the legislation, the Minister for Climate Change and the Environment is required to produce an annual report detailing fund allocation, programs and anticipated benefits. This annual report is required to be tabled in both Houses of Parliament by the end of December each year. The 2008-09 annual report was tabled in March 2010 and is available at:

www.environment.nsw.gov.au/grants/ccfannualreport.htm

The following is a summary of the revenue and expenditure of the Fund over the last three years.

Year ended 30 June	2010 \$'000	2009 \$'000	2008 \$'000
Revenue			
Sydney Water	33,593	36,025	30,000
Energy Australia	67,354	18,866	18,814
Integral Energy	42,385	11,875	12,232
Country Energy	32,989	9,259	8,954
Interest	4,732	5,963	6,789
Other	3,076	6,913	5,798
Total Revenue	184,129	88,901	82,587
Expenditure			
Home Saver Rebate Program	90,439	40,038	12,694
Next Generation Coal Technology	25,000	--	--
Sydney Water Demand Management Program	16,196	18,051	15,029
Water and Energy Savings Funds	10,323	12,146	17,181
Green Business Program	4,629	2,320	--
Public Facilities Program	13,099	2,550	278
School Energy Efficiency Program	5,205	2,336	588
Metropolitan Water Education Program	2,000	2,000	2,000
Central Coast Water Savings Fund	1,476	1,953	1,402
Energy Efficiency Strategy	14,082	4,086	--
Australian Energy Market Commission	5,516	4,218	5,466
Housing Program	6,485	5,475	--
Administration	6,998	2,830	2,463
Other	12,397	537	1
Total Expenditure	213,845	98,540	57,103

Source: DECCW unaudited

The Fund is projected to collect and spend approximately \$700 million by 2012, based on forward estimates, which indicates an escalation in revenue and expenditure during 2010-11 and a significant decline to 2012.

In 2009-10, four providers contributed 96 per cent of total revenue to the Fund. Total funding available since the commencement of the Fund, including a balance of \$106 million relating to Water and Energy Savings Funds transferred from the former Department of Energy, Utilities and Sustainability, was \$461 million.

Total Expenditure from the Fund since its commencement was \$369 million, including \$214 million in 2009-10. At 30 June 2010, the Fund held an unexpended cash balance of \$92.0 million. Major funding increases were provided for the following programs/projects:

Home Saver Rebate Program

The New South Wales Home Saver Rebate Program has been the major area of expenditure. DECCW advises that, from commencement to 30 June 2010, the Fund has paid more than 263,000 rebates to New South Wales residents, providing the following savings:

- 310,000 tonnes of greenhouse gas per annum through hot water systems and ceiling insulation funded in New South Wales homes since October 2007
- 1.8 billion litres of potable water each year through funding for water efficient washing machines
- 1.8 billion litres of potable water through funded rainwater tanks.

The table below details the number of rebates paid since the introduction of the Fund.

Residential rebates paid under the Climate Change Fund (cumulative)	2010	2009	2008
Hot water systems (since October 2007)	118,848	28,586	4,772
Insulation (1 October 2007 to 30 June 2009)	26,080	10,800	3,060
Rainwater tanks (since July 2007)	40,154	26,875	17,573
Washing machines (1 August 2008 to 30 June 2010)	76,223	27,765	na
Dual Flush Toilets (since 15 January 2010)	2,214	na	na

na: Program had not commenced
Source: DECCW unaudited

In 2008-09, DECCW advised there was a significant backlog in processing rebate claims due to the large number of applications prompted by changes in the Commonwealth's rebates. To address this, DECCW employed extra staff to process applications. The introduction of an Electronic Funds Transfer payment option and the outsourcing of rebate cheque printing and distribution in May 2010 further improved rebate processing times. DECCW is currently processing rebates within the 60 day service standard stated on the DECCW website.

Large increases in rebate expenditure were largely attributable to an influx of applications under State and Commonwealth schemes that often overlapped. A number of these schemes have since been discontinued or had the amount of the rebate substantially reduced.

Rebates paid for hot water systems totalled \$64.6 million in 2009-10 (\$20.8 million). The increase was mainly due to residents taking advantage of a period of overlap for State and Commonwealth schemes. During the period 3 February 2009 to 15 January 2010, the Commonwealth and State were providing rebates of up to \$1,600 and \$1,200 respectively. The State reduced its hot water system rebate to a maximum of \$300 from 16 January 2010 and the Commonwealth reduced its solar hot water rebate to a maximum of \$1,000 from 20 February 2010.

The New South Wales Ceiling Insulation Rebate Program ceased on 30 June 2009 because of the introduction of the Australian Government stimulus package which funds home insulation up to a limit of \$1,600. The 15,280 rebates processed during 2009-10 related to a backlog in processing for systems installed before 30 June 2009.

Next Generation Coal Technology

As part of the Australian Government's \$500 million National Clean Coal initiative, a \$25.0 million contribution was provided to the Clean Coal Fund which is a special deposits account administered by the Department of Industry and Investment. The New South Wales Government has committed \$100 million over four years to the Fund which will be mainly used to fund research into, and development of, clean coal technologies.

Public Facilities Program

During 2009-10, expenditure on the Public Facilities Program increased by \$10.5 million. Under the program, \$17.9 million is being provided for 72 Demonstration projects and \$6.6 million for 281 Community Savers projects. These projects are estimated to save 4.9 billion litres of water, 230,000 megawatt hours of electricity and 250,000 tonnes of greenhouse gas emissions in the first ten years.

Demonstration projects show how water and energy savings work in practice in public or educational facilities. Community Savers projects provided funding up to \$40,000 for not-for-profit community organisations to undertake water and energy saving upgrades of their facilities.

NSW Energy Efficiency Strategy

In 2009-10, expenditure on this strategy increased by \$10.0 million. The purpose of the strategy is to reduce greenhouse gas emissions by: lowering energy consumption; reducing the impact of rising energy prices; and delaying the need to construct additional energy generation and distribution infrastructure. The main measures undertaken under the strategy are:

- \$20.0 million Energy Efficiency Training Program to build energy efficiency skills in the New South Wales workforce
- \$63.0 million Home Power Savings Program which provides free home power assessments and power savings kits to 220,000 low income families
- Sustainability Advantage Energy Saver - energy efficiency for medium to large organisations under which \$20.0 million is being provided to subsidise energy audits to help New South Wales businesses identify and implement energy savings
- Energy Efficiency for Small Business which provides small businesses that use up to approximately \$20,000 in electricity a year or have up to about 10 full time employees with support and subsidies for energy efficiency improvements
- \$15.0 million Energy Efficiency Community Awareness Program which provides practical advice on saving energy at home and work.

Discontinued Funds

I recommend DECCW finalise the implementation of the revised Funding Agreement for grant recipients.

DECCW has reported discontinued climate change fund projects totalling \$8.7 million. A milestone payment of \$425,000 was made to one private company that subsequently went into voluntary administration in 2008-09. DECCW reviewed the possibility of reclaiming the grant funds provided to this company but found that the Funding Agreement was unlikely to be regarded as a contract if considered by a court. DECCW is now redrafting the Funding Agreement as a 'deed' which will ensure it is legally enforceable.

Other than grants provided upfront to government bodies and non-profit organisations, which are usually small amounts, DECCW only pays grant recipients based on milestones achieved. It requires more extensive due diligence information on application forms. Commercial entities only receive grant payments after completion of obligations in the Funding Agreement.

Water Compliance Monitoring

DECCW, through the New South Wales Office of Water (NOW), is responsible for regulating surface, river, and groundwater in New South Wales. This also includes monitoring, encouraging and maintaining community compliance. In 2009-10, the following compliance investigations were conducted under the *Water Act 1912* and *Water Management Act 2000*:

- there was a total of 624 investigations
- 246 or 39 per cent of investigations were finalised
- 378 or 61 per cent of investigations were ongoing at the end of the year.

The finalised investigations resulted in:

- two licence suspensions
- nine stop work orders
- forty penalty and 30 remediation notices being issued
- one hundred and nine warning and/or negation letters being issued
- one hundred and eight cases with no compliance action necessary, possibly because of actions taken by other agencies, advisory letters sent or decisions by NOW not to pursue the matter
- no prosecutions arose from any of the investigations in 2009-10.

National Australian Built Environment Rating System (NABERS)

I recommend DECCW report on compliance with National Australian Built Environment Rating System ratings on its website and in its annual report.

NABERS is a national initiative, managed by DECCW in New South Wales, which rates a building on the basis of its operational impact on the environment. Under the Office Building Strategy of the New South Wales Government Sustainability Policy, office buildings over 1,000m², owned or tenanted by budget dependent agencies, are required to:

- obtain an accredited NABERS Energy and Water rating
- achieve and maintain a NABERS rating of 4.5 stars for energy and water by 1 July 2011, where cost effective
- for new or refurbished buildings, achieve and maintain 2011 targets from 18 months of the first occupancy, where cost effective
- tenanted buildings to include a Green Lease Schedule in all new leases and lease renewals, where practical.

Waste Reduction and Purchasing Policy

Last year, I recommended that agencies must meet their WRAPP reporting obligations to DECCW. Recycling and reuse of waste is important for maximising the use of our resources and minimising our carbon footprint. DECCW is responsible for coordinating the New South Wales Government's Waste Reduction and Purchasing Policy (WRAPP) across other agencies and State owned corporations. WRAPP data is collected by DECCW every two years for inclusion in the 'Whole of Government WRAPP Progress Report'. The next report will be for the two years ended 30 June 2011 and the data will be due from agencies by 31 August 2011. I will report on all agencies' progress in meeting this reporting deadline.

In June 2008, I tabled a performance audit report on Reuse and Recycling of Waste by the New South Wales Public Sector. I concluded that WRAPP was a good example of success in implementing, supporting, monitoring and public reporting on a sector wide policy. I also found that most agencies had done well in implementing WRAPP. A copy of the report can be located at the following link:

www.audit.nsw.gov.au/publications/reports/performance/2008/recycle/recyclecontents.Htm

Performance Audit

In September 2010, I released my performance audit report on Protecting the Environment: Pollution incidents, which highlighted the following:

- DECCW received 5,146 reports of air, odour, water and waste pollution incidents via its Environmental Line in 2009-10, an increase of six per cent from two years ago
- while DECCW uses a mix of tools to achieve environmental outcomes, it could make better use of the Environmental Line.
- Environmental Line records how many reports there are of pollution. Often the one incident receives a number of reports but as the first point of reporting, Environment Line staff are not generally in a position to assess how many incidents it relates to until further investigation is done. And importantly, DECCW does not record the combined effect of these incidents on the environment in the Environment Line system because officers investigating all these reports use a different management system.
- the Environment Line does not report on how many high risk pollution incidents resulted in regulatory actions being taken, again because the officers doing this work use a different management system. This is essential to understanding whether their actions are having a positive impact.
- DECCW's response to pollution incidents can and does ensure that harm is reduced and many wilful acts are punished by appropriate penalties. However, the improved integration of monitoring and performance information means that DECCW could better demonstrate how well this is being done.

I recommended that DECCW:

- make better use of Environment Line intelligence to assess the extent of environmental harm, by recording and analysing key data for each report of a pollution incidents
- assess whether its response to pollution incidents implicating licensees improves compliance
- review its indicators of success, such as results based performance measures to assess whether its response to pollution incidents has minimised harm to the environment.

A copy of the report can be located at the following link:

www.audit.nsw.gov.au/publications/reports/performance/2010/epa/epa_contents.htm

WATER OVERVIEW

The following Government entities provide water services:

Department

The NSW Office of Water (NOW is part of DECCW).

State Owned Corporations

- Hunter Water Corporation (Hunter Water).
- Sydney Water Corporation (Sydney Water).
- State Water Corporation.

Statutory Bodies

- Sydney Catchment Authority.
- Catchment Management Authorities (13 entities).
- Water Administration Ministerial Corporation (WAMC).
- Office of the Hawkesbury-Nepean.
- Dams Safety Committee.

Water Supply Authorities

- Cobar Water Board.
- Gosford Water Supply Authority, part of Gosford City Council.
- Wyong Water Supply Authority, part of Wyong Shire Council.

The audits of the above-mentioned entities' financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports, other than for Sydney Water Corporation which was qualified as the Corporation had entered into contractual arrangements concerning four water filtration plants but did not recognise any assets or liabilities relating to the contracts.

At the time of preparing this report the audits of WAMC and Gosford Water Supply Authority were incomplete. The audit of WAMC was delayed due to issues surrounding the valuation of infrastructure assets. The audit of Gosford Water Supply Authority is linked to the audit of Gosford City Council, which is not audited by the New South Wales Audit office, and the results of the audit were not available.

Separate commentary on some of the above entities appears elsewhere in this Report.

KEY ISSUES

Proposed Changes in Water Industry Entities and Businesses

The *Central Coast Water Corporation Act 2006* is expected to commence late 2010. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity, the Central Coast Water Corporation (the Corporation).

The merger is expected to increase efficiencies in areas such as planning, environmental issues and drought management whilst maintaining benefits to the Central Coast community.

PERFORMANCE ISSUES

Financial Performance

For the four largest New South Wales water suppliers and distributors, the key financial ratios are shown below.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Sydney Catchment Authority		State Water Corporation	
	2010	2009*	2010	2009	2010	2009	2010	2009
Current ratio ^a	0.3	0.3	0.2	0.3	0.6	0.6	0.9	0.8
Return on average equity (%) ^b	8.1	2.9	3.0	2.9	6.4	6.1	13.1	(10.1)
Return on average assets (%) ^c	7.0	5.6	4.1	4.6	7.1	5.8	12.4	(10.8)
Interest cover (times) ^d	1.9	1.9	2.4	3.5	2.6	2.5	9.6	(13.1)
Debt to equity ratio (%) ^e	116.8	103.3	39.3	32.2	67.2	71.5	29.4	16.7
Dividend paid (\$m)	205.0	190.0	30.4	35.3	26.8	6.2	--	4.4
Tax paid (\$m)	87.9	70.8	13.3	12.8	16.1	4.2	(0.5)	--
Contributions to government (\$m)	292.9	260.8	43.7	48.1	42.9	10.4	(0.5)	4.4

Calculated as:

- (a) Current assets divided by current liabilities (current liabilities include taxation liabilities and exclude employee provisions payable after 12 months).
- (b) Profit after income tax expense divided by average equity.
- (c) Profit before tax and interest expense divided by average assets.
- (d) Operating profit plus interest and tax expense divided by gross interest expense.
- (e) External debt divided by equity (net assets)

* does not recognise the impact of changed accounting policies.

Consistent with prior years, all entities have a current ratio of less than one. A ratio under one suggests that an entity may have difficulty paying its obligations as and when they fall due. However, an entity can manage its cash flows with a lower ratio if its revenues and expenditures are highly predictable and it can quickly source funds. This is true for these entities, which have access to funds from a 'come and go' facility with the New South Wales Treasury Corporation, as well as approved borrowing facilities, which enable them to pay obligations as they fall due.

State Water's return on average equity improved because of the impact of increased assets values on profit for the year. At year end, State Water assessed the fair value of its property, plant and equipment which resulted in a reversal of the previous year's impairment loss of \$59.8 million. Higher water prices are the main reason for increased asset values.

Sydney Water and State Water achieved improved returns on average equity due to improved asset positions.

The improvement to State Water's interest cover is because of the reversal of the previous year's impairment loss of \$68.7 million, discussed above.

Sydney Water's debt to equity ratio is high because it is funding assets via debt. Sydney Water completed its desalination plant during the year. The cost of this asset, approximately \$1.8 billion, was funded by debt.

State Water's debt to equity ratio increased because it has embarked on significant dam upgrades, which are debt funded.

Sydney Water's credit rating was recently reviewed by Moody's Ratings. They have proposed a 'stand alone' rating of Baa2 for Sydney Water. This is equivalent to a Standard and Poor's 'BBB' credit rating and represents a downgrade from the credit rating of 'BBB+' issued in 2008. The outlook for the rating is stable; reflecting the stability of Sydney Water's operating profile and cash flow. Sydney Water's board has established a planned credit rating of BBB+ no later than 2016. The capital structure needed to achieve the higher credit rating will provide more resilience against any adverse change in the economic environment.

Dividends for Sydney Water are determined by agreement with the shareholder Ministers. For Hunter Water Corporation, Sydney Catchment Authority and State Water, dividends are a percentage of profit after income tax. Because State Water incurred a loss in the prior year, it paid no dividend in the current year.

Targets for these key ratios are not set for the New South Wales water industry, however, targets for individual agencies are agreed with the shareholder Ministers.

Non-financial Performance

Non-financial performance measures are comparable for the entities below. Because the businesses of Sydney Catchment Authority and State Water are slightly different to the entities below, we have not compared their non-financial performance measures here. Please refer to the commentary on these entities elsewhere in this Report.

Year ended 30 June	Sydney Water Corporation		Hunter Water Corporation		Wyong Water Supply Authority	
	2010	2009	2010	2009	2010	2009
Volume of water consumed (kilolitres per residential property)	204.6	197.7	184.0	179.7	153.0	141.0
Water quality complaints per 1,000 properties	0.3	0.6	3.4	3.2	4.9	4.9
Average frequency of unplanned water interruptions per 1,000 properties	4.3	4.5	255.5	271.2	59.9	58.8
Water main breaks and leaks per 100 km of water main	28.4	33.7	3.5	3.7	6.0	8.6
Sewer main breaks and chokes per 100 km of sewer main	56.0	51.1	58.2	44.4	56.8	47.7

The audit of Gosford Water Supply Authority is incomplete (unaudited).

The volume of water consumed is trending up as drought restrictions are reduced.

Sewer chokes vary over time with trees roots causing most sewer breaks and blockages. In dry years, tree roots seek moisture more aggressively and enter pipes through joints and cracks.

The number of main breaks is influenced by a number of factors, including soil type, rainfall, pipe material and the age and condition of the network.

OTHER ISSUES

Competition

At 30 June 2010, ten licences had been issued to private sector entities under the *Water Industry Competition Act 2006* (the Act) for recycling projects.

Sydney Desalination Plant Pty Ltd has two licences under the Act as a Network Operator for the Provision of Water Service and as Retail Operator for the Provision of Water Service.

The New South Wales Parliament passed the *Water Industry Competition Act 2006* in November 2006. This Act commenced in August 2008. The aim of the Act is to encourage competition in relation to the supply of water and the provision of sewerage services and to facilitate the development of infrastructure for the production and reticulation of recycled water.

Water Pricing

I recommend the NSW Office of Water establish systems to meet the information needs of the Independent Pricing and Regulatory Tribunal of New South Wales.

The Independent Pricing and Regulatory Tribunal of New South Wales's (IPART) draft prices reflect the quality of the information the NSW Office of Water (NOW) has provided to IPART in support of its future costs and the efficient use of its existing resources.

IPART, in its draft 'Review of prices for the Water Administration Ministerial Corporation for the NSW Office of Water - From 1 July 2011', set the opening value of NOW's regulatory asset base (RAB) at zero. This reflects its view on the deficiencies of NOW's capital planning and asset management systems. IPART stated it 'could not confidently quantify the prudent and efficient value of NOW's existing asset base. Setting the opening value of the RAB at zero means that NOW will not earn a return on, or of, all capital investments that it made prior to 1 July 2011.'

The information provided by NOW for audit purposes meets our needs.

IPART determines water prices for:

- Sydney Water Corporation
- Hunter Water Corporation
- State Water Corporation
- Sydney Catchment Authority
- NSW Office of Water (part of DECCW)
- Gosford City Council
- Wyong Shire Council.

Cobar Water Board sets its water prices.

Operating Licences

Sydney Water Corporation, Hunter Water Corporation, State Water Corporation and Sydney Catchment Authority hold operating licences, which allow them to fulfil their functions.

IPART administers the operating licences. Its administration of operating licences is designed to:

- maintain and improve service quality and the reliability of supply
- protect consumers
- assess the impact of the industry on the environment
- encourage compliance through ongoing auditing of performance.

It achieves these objectives through regular review of the operating licences and annual audits of performance.

All of the above entities achieved high levels of compliance with the licence conditions. Refer to the individual entities' comments for more detailed information.

The Governor has the legislative power to grant operating licences.

Section Two



Commentary on Government Agencies

Minister for Climate Change and the Environment

Department of Environment, Climate Change and Water

Environment Protection Authority

Environmental Trust

Royal Botanic Gardens and Domain Trust

Taronga Conservation Society Australia

*Waste Recycling and Processing Corporation

Refer to Appendix 1 for:

Border Rivers-Gywdir Catchment Management Authority

Central West Catchment Management Authority

Dams Safety Committee

Dumaresq-Barwon Border Rivers Commission

Hawkesbury-Nepean Catchment Management Authority

Hunter-Central Rivers Catchment Management Authority

Jenolan Caves Reserve Trust

Lachlan Catchment Management Authority

Lord Howe Island Board

Lower Murray-Darling Catchment Management Authority

Marine Parks Authority

Murray Catchment Management Authority

Murrumbidgee Catchment Management Authority

Namoi Catchment Management Authority

Northern Rivers Catchment Management Authority

Southern Rivers Catchment Management Authority

Sydney Metropolitan Catchment Management Authority

Upper Parramatta River Catchment Trust

Western Catchment Management Authority

*The audit was incomplete at the time of compiling this Volume
The comment will be included in a later 2010 Volume

Department of Environment, Climate Change and Water

AUDIT OPINION

The audit of the Department's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Administrative Restructure

From 1 July 2009, the former Department of Environment and Climate Change (DECC) was amalgamated with the NSW Office of Water (NOW) to form the Department of Environment, Climate Change and Water (DECCW or the Department). NOW undertakes the water management responsibilities of the former Department of Water and Energy (DWE).

Fines and Penalties

The Department can commence prosecutions for environmental protection offences under the authority of the Environment Protection Authority (EPA). Actions regarding native vegetation, threatened species, parks wildlife and Aboriginal heritage provisions can be made under Departmental legislation.

The table below details prosecutions by the Department and the EPA.

	2010		2009	
	Prosecutions	Fines/ Penalties \$	Prosecutions	Fines/ Penalties \$
Total prosecutions under Environment Protection Authority legislation (fines and other financial penalties)	53	860,250	37	1,050,300
Total prosecutions under parks, wildlife, threatened species and Aboriginal heritage legislation (fines)	69	199,968	53	148,846
Total prosecutions under native vegetation legislation (fines)	12	342,500	7	449,000
Total prosecutions completed	134	1,402,718	97	1,648,146

Source: DECCW annual report 2010 (unaudited).

The total number of prosecutions commenced during the year was the highest number since 2006. Of the 134 cases completed, 94 per cent resulted in successful prosecutions. There was a 43 per cent increase in the number of prosecutions under the EPA legislation. The Department maintained a focus on more serious offences which resulted in 24 EPA prosecutions, where the fine or penalty was equal to or greater than \$10,000. The largest fine issued was \$80,000 for a pollution incident that threatened material harm to the environment.

The Department continues to focus on its native vegetation compliance strategy, which it began developing in 2008, and this resulted in the completion of 12 (seven in 2009) prosecutions and fines totalling \$342,500 (\$449,000). In two instances the fines for clearing native vegetation were \$160,000 and \$100,000.

Water Management Charges

Over the past few years I have commented on the late issuing of invoices by NOW. The following table details the current invoicing status for the last four years.

Year ended 30 June	2010	2009	2008	2007
Unregulated	Not yet issued	Issued in November 2009	Issued in December 2008 and February 2009	Issued in June 2008
Groundwater	Not yet issued	Issued in December 2009	Issued in March 2009	Issued in June 2008
Regulated	Issued within three months of quarter end	Issued within three months of quarter end	Issued in August 2008	Issued in December 2007
Surveyed Unregulated	Not yet issued	Issued in September 2010	Issued in September 2010	Issued in September 2010

NOW's planned invoice issue dates for those invoices not yet issued are in November 2010.

Integrated Landscape Management Program

The acquisition of water entitlement purchases fell from 145,122 megalitres in 2008-09 to 40,122 megalitres in 2009-10 as the program of acquisitions drew to a close. Purchases over the last four years have totalled 252,694 megalitres.

The water purchases were used to redirect water to wetlands in the Gwydir, Macquarie, Lachlan, Murrumbidgee and Murray valleys. Water licences acquired by DECCW during the year totalled \$24.3 million (\$260 million).

This program encompasses environmental water purchases and water saving infrastructure projects. Over the last two years, a major program of water entitlement purchases was carried out under the Riverbank, Living Murray and Wetland Recovery programs.

The New South Wales RiverBank program was funded by the New South Wales Government and the Commonwealth Living Murray Program. The New South Wales Rivers Environmental Restoration and Wetland Recovery programs were jointly funded by the New South Wales and Australian Governments.

Plans of Management

At 30 June 2010, 800 areas required management plans under the *National Parks and Wildlife Act 1974* (the Act) and 425 had been completed (392 of 793 at 30 June 2009), representing 75 per cent of the gazetted area. A further 32 areas have had plans placed on public exhibition. Department management has advised that a management plan usually takes around two years to prepare.

Section 72 of the Act requires a plan of management be released, as soon as practicable, for each national park, nature reserve, historic site, karst conservation reserve, state conservation area and regional park. A plan of management is a legal document that outlines how an area will be managed, the value of the area, and management objectives and strategies. The Act allows more than one of these areas to be incorporated under the same management plan.

Managing Parks Framework

Last year, I referred to the State of the Parks survey undertaken in late 2007. A public report was planned for release in late 2009, but it is now being updated with the most recent 2010 staff survey data and is expected to be released in 2011. The new report will be called 'Managing our Parks Effectively'.

OTHER INFORMATION

Human Resources

This year I reviewed the following areas relating to human resources:

- employee age profile to identify the number of employees nearing retirement age and actions taken to address any risks arising
- management of annual leave balances in excess of threshold policies
- extent of use of contract staff.

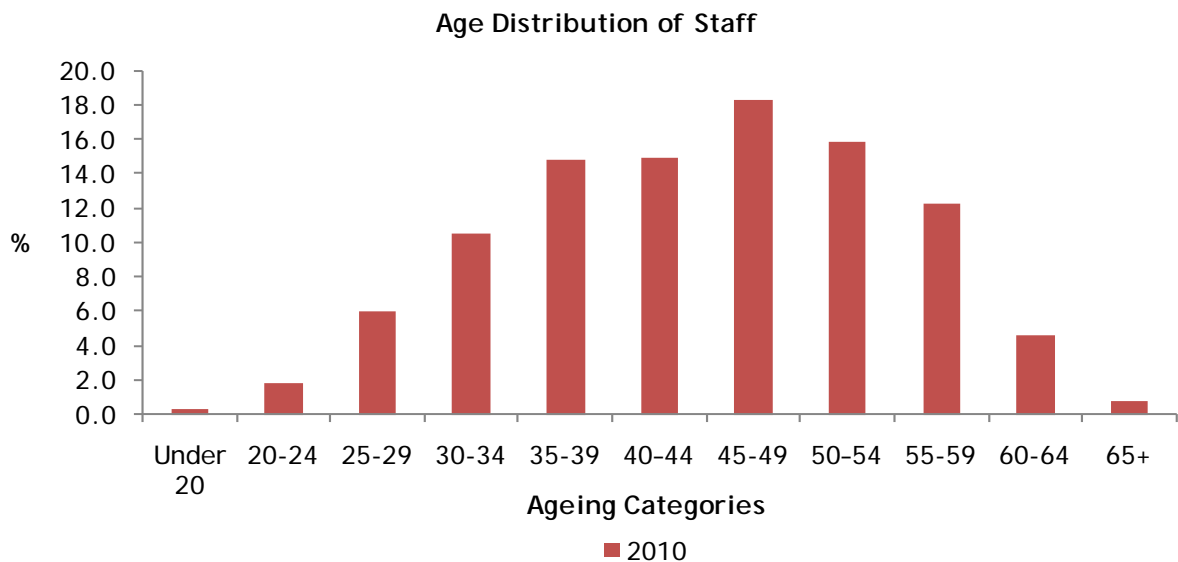
While no significant issues were identified from my review, a summary of the findings follows.

Workforce Ageing

Eighteen per cent of the Department's employees, including NOW, are older than 55 and 34 per cent are older than 50. This represents a large number of employees who are likely to retire over the next five to ten years. This potential loss of knowledge and skills may be a risk for the Department.

With respect to NOW only, 24 per cent of the employees are older than 55 and 42 per cent are older than 50. The age profile of staff within NOW will need to be monitored closely by the Department.

The age profile of the Department's employees, including NOW, is shown below:



At 30 June	2010		2010		2010		2009	
Organisation Age Group	DECCW		NOW		DECCW (excl. NOW)		DECC	
	No. Of Employees	%	No. Of Employees	%	No. Of Employees	%	No. Of Employees	%
Up to 39	1,355	33	185	26	1,170	35	1,245	36
40 - 44	606	15	103	15	503	15	530	15
45 - 49	740	18	118	17	622	19	618	18
50 - 54	644	16	126	18	518	15	506	15
55 - 59	498	12	124	18	374	11	367	11
60 - 64	185	5	40	5	145	4	124	4
65+	33	1	5	1	28	1	28	1
Total	4,061	100	701	100	3,360	100	3,418	100

Number of employees are reported as full time equivalents.
Source: Department (unaudited).

Annual Leave Balances

I recommend the Department continue to implement its policy requiring all staff with excessive leave balances to have a leave management plan in place in order to further reduce leave balances within an acceptable timeframe.

Following the administrative restructure, the Department needs to continue its program to reduce excessive leave balances by ensuring its policies are applied consistently across the entire agency.

At 30 June 2010, the Department had 711 employees with annual leave balances in excess of 40 days, representing 15 per cent of total employees. Of these employees, 14 had balances higher than 80 days, four of which were NOW employees.

A significant number of staff in the Department (1,296 at 30 June 2010) accrue additional annual leave (above 20 days) as compensation for working weekends, public holidays or residing in the Western or Central Division of New South Wales.

Liabilities for excessive annual leave generally increase over time as salary rates increase, which impacts cash flow requirements. The health and welfare of staff can also be adversely affected if they do not take sufficient leave. Allowing the accrual of excess annual leave balances means staff performing key control functions may not be rotated regularly, which is a preventative control against fraud.

Use of Contract Staff

I recommend the Department further review the roles and responsibilities of all contract employees to ensure:

- reliance on contractors is not excessive
- use of contract employees instead of permanent employees is appropriate
- contractors do not become de facto employees by virtue of being employed for an extended period of time
- the use of contract employees continues to represent value for money.

In 2009-10, the Department paid \$14.3 million to a total of 460 contractors, which included contractors engaged for specific project work where skills are not available within the Department. Three hundred and thirty nine new contract staff were engaged in 2009-10. At 30 June 2010, 26.3 per cent of contractor staff had been engaged for more than 12 months and three staff had been contracted for more than six years. The retention of contract staff for extended periods may result in additional costs to the Department.

As a result of the Department's active review of contract staff and the completion of a number of projects, a significant number of long term contractors have left the Department since 30 June 2010.

Backlog Asset Maintenance

I recommend that the Department ensure its systems are able to provide accurate data to enable it to prepare specific project based submissions to The Treasury which address its maintenance requirements.

The Department is implementing an asset maintenance system (AMS). Completion of the AMS for the Parks and Wildlife Group was achieved in November 2009. The Department has advised that the rollout to other areas has commenced and the development and loading of cyclic maintenance plans for major assets is progressing.

Because the AMS is not finalised, the Department's application to The Treasury for funding of its Total Asset Maintenance Plan did not allow for specific projects and was based on indicative figures only. The Department has also recently applied to The Treasury for funding of \$1.7 million to enable it to use the AMS as an asset management system. The Department has advised that until management information is available it is not able to properly support a detailed funding submission.

Operational Performance

Environmental Grants Administration

My Environmental Grants Administration performance audit, released in August 2009, assessed whether environmental grants were aligned with government objectives, allocated appropriately and achieved the required results for New South Wales. The audit focussed on three grant programs administered by the Department and seven programs administered by the Environmental Trust. I found many aspects of good grants management, particularly in the Trust.

My report recommended that:

- agencies reduce red tape and delay when administering grants
- Ministers act transparently
- agencies monitor grants and evaluate funding programs.

The full report is at:

www.audit.nsw.gov.au/publications/reports/performance/2009/grants/grants-contents.htm

Agreements with Snowy Hydro Limited

The Department is rehabilitating the former Snowy Mountain Scheme sites in Kosciuszko National Park. This rehabilitation program is funded by Snowy Hydro Limited (SHL) from contributions of \$33.4 million provided to the Department between 2002 and 2007. Interest earned on funds provided by SHL from the inception of the agreements totalled \$12.4 million at 30 June 2010 (\$11.0 million).

Since the start of the rehabilitation works, the Department has spent \$15.2 million (\$10.0 million) on various elements including weed eradication, re-establishment of ecological flora communities, engineering stabilisation works, and planning and coordination. Rehabilitation is expected to continue over a period of up to 15 years.

Water Administration Ministerial Corporation

Last year, I recommended The Treasury consider whether the Water Administration Ministerial Corporation (WAMC) is a reporting entity that needs to prepare general purpose financial statements. The Hunter Valley Flood Mitigation Works, valued at approximately \$500 million, were not recognised in the Total State Sector Accounts. During 2009-10 these assets were determined to be controlled by WAMC and managed by the Department under an instrument of sub delegation from the former Department of Water and Energy.

Following an amendment to the *Public Finance and Audit Act 1983* that clarified the status of agencies controlled by Ministers, WAMC was required to prepare general purpose financial statements for the first time at 30 June 2010. The Hunter Valley Flood Mitigation Works were included in the financial statements of WAMC.

FINANCIAL INFORMATION

Comparative Information

As NOW did not exist as a separate reporting entity before 1 July 2009, the 2009 figures in the following tables only include those of the former Department of Environment and Climate Change, whereas the 2010 figures include NOW balances and transactions. As a result, only limited analysis can be made from the comparative financial information and in a number of cases previous year figures are not available.

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 DECCW \$'000	2009 DECC \$'000
Employee related expenses	500,527	413,497
Grants and subsidies	576,118	271,046
Other expenses	375,974	368,367
TOTAL EXPENSES	1,452,619	1,052,910
TOTAL REVENUE	579,142	432,733
Other gains/(losses)	43,249	(3,636)
NET COST OF SERVICES	830,228	623,813
Government contributions	864,962	686,300
SURPLUS	34,734	62,487
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	192,125	251,081
Gain on revaluation of jointly controlled assets	25,146	--
Other comprehensive income	74	--
TOTAL OTHER COMPREHENSIVE INCOME	217,345	251,081
TOTAL COMPREHENSIVE INCOME	252,079	313,568

Employee related expenses include personnel services provided to the Royal Botanic Gardens, the Domain Trust and the Lord Howe Island Board of \$26.3 million, and to catchment management authorities of \$50.5 million. Of the total employee related expenses of \$500 million, \$68.3 million related to the operations of NOW.

Grants and subsidies included \$301 million paid to other New South Wales Government agencies, comprising mainly \$163 million paid to Sydney Water for rebate programs and \$59.4 million paid to catchment management authorities.

Other expenses include operating expenses of \$286 million (\$302 million) and depreciation of \$87.5 million (\$63.9 million). Of these amounts, \$63.2 million of other expenses related to the operations of NOW.

The gain on revaluation of jointly controlled assets of \$25.1 million in 2010 represents NOW's share of the jointly controlled assets of the Living Murray Initiative and the River Murray Operation joint ventures.

Abridged Statement of Financial Position

At 30 June	2010 DECCW \$'000	2009 DECC \$'000
Current assets	300,344	235,245
Non-current assets	4,211,133	3,373,479
TOTAL ASSETS	4,511,477	3,608,724
Current liabilities	117,258	79,405
Non-current liabilities	54,811	43,758
TOTAL LIABILITIES	172,069	123,163
NET ASSETS	4,339,408	3,485,561

Current assets include cash holdings of \$218 million (\$185 million) of which \$52.0 million related to the operations of NOW. The cash balance also includes funds which are restricted in use, including \$92.0 million for the Climate Change Fund and \$26.9 million for the remediation of the former Snowy Mountain scheme sites, both referred to earlier in this Report.

Non-current assets mainly comprise land and buildings of \$2.2 billion (\$2.1 billion) and infrastructure systems of \$1.6 billion (\$1.1 billion). Of these balances, \$19.8 million of land and buildings and \$539 million of infrastructure systems related to the operations of NOW.

Abridged Service Group Information

The Department's net cost of services on a service group basis is detailed below:

Year ended 30 June	Net Cost of Services			Net Assets	
	2010 Budget \$'000	2010 Actual \$'000	2009 Actual \$'000	2010 Actual \$'000	2009 Actual \$'000
Service Group 1 - Climate Change and Policy Programs	233,291	183,234	210,661	231,529	280,777
Service Group 2 - Environment Protection and Regulation	97,404	89,311	82,633	3,530	2,827
Service Group 3 - Parks and Wildlife	284,322	259,578	266,604	3,256,186	3,170,182
Service Group 4 - Country, Culture and Heritage	13,172	12,238	15,079	1,192	330
Service Group 5 - Scientific Services	43,843	39,580	43,611	53,339	31,445
Service Group 6 - Urban Water Utilities	200,043	215,737	na	20,038	na
Service Group 7 - Water Management	57,342	26,155	na	773,595	na
Personnel Services		4,395	5,225	--	--
Total all service groups	929,417	830,228	623,813	4,339,409	3,485,561

na - Relates to NOW and was not part of DECCW in 2009

The \$99.2 million difference between the budgeted and actual net cost of services mainly relates to \$99.4 million in transfer payments to catchment management authorities, the Taronga Conservation Society and the State Water Corporation, which are included in the budget but not in the actual figures.

Details of each Service Group's objectives and deliverables are shown under Departmental Activities below.

DEPARTMENTAL ACTIVITIES

The Department's primary activities comprise the following seven service groups:

Climate Change and Policy Programs (Service Group 1)

This covers the State's climate change policy response and delivers water and energy conservation and waste sustainability programs. It develops, implements and reviews strategic policies, programs and procedures pertaining to native vegetation, biodiversity, landscape conservation, environment protection and coastal protection.

Environment Protection and Regulation (Service Group 2)

This covers delivering regulation and enforcement for environment protection, conservation, native vegetation and Aboriginal heritage areas. It implements market based and regulatory programs for industry and local government to reduce environmental impacts.

Parks and Wildlife (Service Group 3)

This covers managing and acquiring parks and protected areas within which it conserves and manages nature and cultural heritage. It manages on-park Aboriginal and historic heritage sites, as well as protecting, managing and licensing native wildlife.

Country, Culture and Heritage (Service Group 4)

It develops policies, strategies, programs and systems that support Aboriginal participation in the management of their traditional lands, waters and natural resources. It also provides technical services for the conservation of cultural heritage within parks, reserves and botanic gardens.

Scientific Services (Service Group 5)

This covers scientific research, investigation, monitoring, analysis, evaluation and reporting on a range of climate change, natural resource, and environmental and cultural heritage matters.

Urban Water Utilities (Service Group 6)

This covers the planning and policy development for urban water industries; coordination and review of the Metropolitan Water Plan; facilitating water recycling across New South Wales; overseeing and monitoring utility performance; and providing emergency drought assistance.

Water Management (Service Group 7)

This service group covers the sharing of water to provide stimulus for businesses and social benefits, and to improve the condition of New South Wales rivers, wetlands and aquifers.

Other Activities of the Department

The Environment Protection Authority (EPA), as a statutory body, is required to prepare a separate general purpose financial statements. The EPA has no staff, no material assets or liabilities and its operations are fully integrated within the Department's operations. The EPA has been retained as an independent body to take legal actions including the possible prosecution of State Government authorities.

The Marine Parks Authority (MPA) is a reporting entity established under the *Marine Parks Act 1997*, whose activities have been administered by the Department since 27 April 2007. The MPA has no staff and no material assets or liabilities. Marine Park assets included within the Department include those at Jervis Bay, Solitary Islands, Cape Byron, Lord Howe Island, Port Stephens and Batemans Bay.

The Office of the Hawkesbury-Nepean (OHN) is a statutory corporation, established under the *Hawkesbury-Nepean River Act 2009*, proclaimed in February 2010. The activities of OHN are administered by DECCW.

The Department's employees also provide personnel and related services to the catchment management authorities, Royal Botanic Gardens and Domain Trust, Dams Safety Committee and the Lord Howe Island Board.

Administered Activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities, but does not have the discretion, for example, to deploy these funds for the achievement of the Department's own objectives. Transactions and balances relating to the administered activities are not recognised as DECCW's revenues, expenses, assets and liabilities, but are disclosed as 'Administered income', 'Administered expenses', 'Administered assets' and 'Administered liabilities'.

For further information on the Department, refer to www.environment.nsw.gov.au.

Environment Protection Authority

AUDIT OPINION

The audit of the Authority's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

PERFORMANCE INFORMATION

The Authority's Board provides independent oversight of environmental regulation in New South Wales and advice on policy and programs.

During 2009-10, the Board focussed on progressing whole-of-government collaboration and joint regulatory enforcement roles for environmental issues, including a strategic approach to the cumulative impacts of coal mining using land use planning.

The Board also endorsed the Enforceable Undertakings Policy which allows the Authority to accept a written undertaking in respect of a breach of the *Protection of the Environment (Operations) Act 1997*. This policy enables the Authority to exercise wider discretion when choosing between legal proceedings and administrative responses to non-compliance.

The Board also endorsed a financial assurance policy for waste facilities which should ensure that funds are available for the rehabilitation of sites where individual operators fail to protect the environment at waste facilities.

FINANCIAL INFORMATION

Year ended 30 June	2010 \$'000	2009 \$'000
Revenue	82,742	84,804
Expenses	82,742	84,804
Surplus	--	--
Net assets (at 30 June)	--	--

The activities of the Authority are fully integrated within the operations of the Department of Environment, Climate Change and Water (DECCW). The Authority has no staff of its own, no liabilities or assets under its control and does not receive a separate allocation from the Consolidated Fund for its operations. As a result, DECCW funded the Authority's expenditure, which was incurred in the following service group areas:

Year ended 30 June	2010 \$'000	2009 \$'000
Climate Change and Policy Programs	12,829	17,096
Environment Protection and Regulation	65,631	55,918
Scientific Services	3,921	11,424
Other	361	366
Total	82,472	84,804

AUTHORITY ACTIVITIES

The Department of Environment and Conservation was established in September 2003 following the abolition of the Environment Protection Authority (the Authority) as a department. As such, the Authority is no longer a separate department of the Crown. On 1 July 2009, DECCW was created as a result of the Public Sector Employment and Management (Departmental Amalgamations) Order 2009.

A need was identified to retain an independent role for the statutory body corporate of the Authority in taking legal actions, including the possible prosecution of State Government authorities and for most serious prosecutions. As a result, the Government decided to retain a separate legal entity that could undertake this legal action.

The Authority with its Board is a legal mechanism only that operates within the confines of the *Protection of the Environment Administration Act 1991*, and the *Protection of the Environment Operations Act 1997*, in order to facilitate activities of the DECCW's staff under these Acts. It is subject to the control and direction of the Minister for Climate Change and the Environment.

For further information on the Authority, refer to www.environment.nsw.gov.au.

Environmental Trust

AUDIT OPINION

The audit of the Trust's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

PERFORMANCE INFORMATION

During 2009-10, the Trust noted the following achievements:

- eight new properties were purchased under the Trust's Land Acquisition Program
- the Trust approved \$7.9 million in grants for a diverse range of new environmental projects for community groups, schools and universities, local councils and New South Wales Government agencies
- the Trust approved 180 projects including: 39 environmental restoration projects; 18 education and 60 school projects; 13 research projects; 17 projects under the Aboriginal program; and 11 local council projects to improve urban sustainability
- \$1.8 million was paid to the Department of Environment, Climate, Change and Water (DECCW) for the second year of the Growth Centres Biodiversity Offset Scheme. This scheme supports the establishment of biobanking agreements and new reserves to offset urban development. Further details are provided below.

OTHER INFORMATION

BioBanking Scheme

In July 2008, the Environmental Trust was appointed by the former Minister for Climate Change and the Environment as Fund Manager for the BioBanking Trust Fund (the Fund). The Fund is an element of the Biodiversity Banking and Offsets Scheme (BioBanking Scheme) established under Section 127A of the *Threatened Species Conservation Act 1995*.

The BioBanking Scheme provides long term arrangements for biodiversity conservation on private lands through agreements between the Minister for Climate Change and the Environment and land owners. The Fund holds and invests financial assets to pay for the future management of BioBanking sites. The role of the Trust as manager of the Fund includes:

- acting as trustee of money vested in the Fund
- investing amounts held in the Fund to generate a return
- administering the accounts and making payments to the biobank site owners.

BioBanking Trust funds are excluded from the financial statements of the Trust as these cannot be used by the Trust for making any grant payments for the achievement of its own objectives.

In May 2010, the first BioBanking agreement in New South Wales was finalised between the Minister and the private owners of an 80 hectare site in Douglas Park, which contains Cumberland Plain woodland and sandstone transition forest. As a result, the Fund received \$556,000 to ensure the land will be permanently managed for conservation in the future.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Grants and subsidies	77,471	89,647
Other expenses	1,749	1,919
TOTAL EXPENSES	79,220	91,566
TOTAL REVENUE	3,970	2,256
NET COST OF SERVICES	75,250	89,310
Government contributions	78,368	86,792
SURPLUS/(DEFICIT)	3,118	(2,518)
OTHER COMPREHENSIVE INCOME	--	--
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	3,118	(2,518)

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	17,237	15,469
TOTAL ASSETS	17,237	15,469
Current liabilities	2,675	4,025
TOTAL LIABILITIES	2,675	4,025
NET ASSETS	14,562	11,444

The Trust receives an annual appropriation and other funding from the New South Wales Government to fund projects under the Government's City and Country Environment Restoration Program, as well as a range of other grant programs managed by the Trust.

The net cost of services in 2009-10 was \$75.3 million compared to a budget of \$92.5 million. The variance of \$17.2 million was primarily due to a number of Government decisions regarding the Trust's grant program, which reduced the Trust's expenditure during the financial year by \$16.2 million. Slight delays in incurring the expenditure also occurred.

In 2009-10, the Trust paid \$77.5 million (\$89.6 million in 2008-09) in grants and subsidies to:

- State and Local Government authorities totalling \$71.5 million (\$76.8 million)
- community and school groups totalling \$3.5 million (\$8.7 million)
- the Consolidated Fund totalling \$2.0 million (\$3.7 million), for initiatives under the *Forestry Restructuring and Nature Conservation Act 1995*. This included forestry restructure and assistance programs in the Brigalow and Nandewar areas, including business exit assistance, timber worker assistance and industry development assistance
- the Australian Government totalling \$412,000 (\$418,000).

Payments of \$71.5 million to State and Local Governments included the following:

- \$20.7 million to DECCW for the acquisition of water licences under the Riverbank program, and \$2.9 million for land acquisitions
- \$18.9 million to Local Government authorities for urban sustainability initiatives
- \$9.7 million to DECCW towards clean up, waste reduction and regional waste programs
- \$5.5 million to DECCW for rehabilitation, restoration and education projects
- \$3.6 million to Forests NSW for the Brigalow and Nandewar related programs
- \$3.0 million to Local Government authorities for rehabilitation and restoration projects
- \$2.8 million to the private Native Forestry Initiative
- \$1.0 million to DECCW's Climate Change Fund to improve efficiency in schools and fund water and energy saving in public facilities.

At 30 June 2010, the Trust had commitments totalling 49.5 million (\$127 million) for the Trust's environmental initiatives. These commitments are to be financed through future funding by the New South Wales Government.

TRUST ACTIVITIES

The Trust was established under the *Environmental Trust Act 1998* to support the public and private sectors to:

- encourage and support restoration and rehabilitation projects that are likely to reduce pollution, the waste-stream or environmental degradation within New South Wales
- promote research into environmental problems
- promote and develop environmental education programs which will increase public awareness of environmental issues
- fund the acquisitions of land for national parks
- fund the declaration of areas for marine parks
- promote waste avoidance, resource recovery and waste management
- fund environmental community groups
- fund the purchase of water entitlements for the purposes of increasing environmental flows for the State's rivers and rehabilitating major wetlands.

The Trust is a statutory body and is chaired by the Minister for Climate Change and the Environment. The maintenance of the Trust's accounting records and provision of other administrative services is provided by the DECCW. The fair value of such services is charged to the Trust.

For further information on the Trust, refer to www.environment.nsw.gov.au/grants/envtrust.htm.

Royal Botanic Gardens and Domain Trust

AUDIT OPINION

The audit of the Trust's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

OTHER INFORMATION

The New South Wales Government announced funding of \$15.5 million for the construction of PlantBank to be built at the Mount Annan Botanic Garden. It will house the New South Wales Seedbank with the objective of safeguarding the future of the State's flora through 'seed-banking', research and information-sharing.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Personnel related expenses	24,270	22,623
Other expenses	17,371	17,763
TOTAL EXPENSES	41,641	40,386
TOTAL REVENUE	18,459	18,849
NET COST OF SERVICES	23,182	21,537
Government contributions	21,950	20,740
DEFICIT	(1,232)	(797)
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of property, plant and equipment	--	7,127
TOTAL OTHER COMPREHENSIVE INCOME	--	7,127
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	(1,232)	6,330

Abridged Statement of Financial Position

Year ended 30 June	2010 \$'000	2009 \$'000
Current assets	3,671	4,335
Non-current assets	277,976	278,081
TOTAL ASSETS	281,647	282,416
Current liabilities	4,210	3,749
Non-current liabilities	26	24
TOTAL LIABILITIES	4,236	3,773
NET ASSETS	277,411	278,643

Abridged Service Group Information

The table below details the Trust's net cost of services on a service group basis:

Year ended 30 June	Net Cost of Services			Net Assets	
	2010 Budget \$'000	2010 Actual \$'000	2009 Actual \$'000	2010 Actual \$'000	2009 Actual \$'000
Science and Public Programs	6,535	8,636	8,864	103,345	114,682
Botanic Gardens and Parks	16,455	14,546	12,673	174,066	163,961
Total all service groups	22,990	23,182	21,537	277,411	278,643

The methodology used to determine the net cost of services and net assets for the service groups was refined during 2009-10. As a result of this methodology change, the budget data is not directly comparable with the actual data in 2009-10. In 2010-11 the new methodology will be used to ensure alignment with The Treasury estimates.

TRUST ACTIVITIES

The Trust is a statutory body established under the *Royal Botanic Gardens and Domain Trust Act 1980*. It is governed by a Board and is not a controlled entity of the Department of Environment, Climate Change and Water (DECCW). Staff working at the Trust are employees of DECCW.

The Trust is responsible for the management and stewardship of the Royal Botanic Gardens; the Domain; Mount Annan Botanic Garden; Mount Tomah Botanic Garden; the National Herbarium of New South Wales and the New South Wales Seedbank. The Trust also undertakes and provides scientific and horticultural research, together with advice and education on botany, horticulture and biodiversity.

The Trust has nearly 200,000 plants in its three botanic gardens and the Domain, representing 20,000 different kinds of plants from all over the world. The Herbarium has over 1.2 million preserved collections, there are over five million seeds in the Seedbank at Mount Annan Botanic Garden and the library preserves a rich assortment of books, archives and artworks.

For further information on the Trust, refer to www.rbgsyd.nsw.gov.au.

Taronga Conservation Society Australia

AUDIT OPINION

The audits of Taronga Conservation Society Australia (TCSA) and its controlled entity's financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

KEY ISSUES

Master Plan

TCSA completed the ninth year of its 12 year Master Plan for Taronga Zoo and Taronga Western Plains Zoo, including completion of the 'Tasmanian Devil Exhibit' at Taronga Zoo in June 2010. The three major current projects are the Top Entry Plaza, Chimpanzee Exhibit and the Entry Plaza at Taronga Western Plains Zoo. The projects are all due to be complete in 2011.

The Master Plan's budgeted costs are indexed each year for inflation. At 30 June 2010, the budgeted cost was \$221 million.

The table below shows the Master Plan's revised predicted expenditure over the term of the plan and the planned and actual expenditure from inception to 30 June 2010.

	Revised		
	Master Plan \$'000	Planned \$'000	Actual \$'000
Internal funding	43,770	35,090	37,679
New South Wales Treasury Corporation loan	36,272	34,270	23,894
Government grants	140,559	129,663	129,663
Total	220,601	199,023	191,236

Source: Taronga Conservation Society Australia (unaudited).

The New South Wales Government requires TCSA to raise approximately 20 per cent (\$43.7 million) of the total cost of the Revised Master Plan through the fundraising activities of The Taronga Foundation.

TCSA spent \$24.6 million (\$25.7 million in 2008-09) on additions to capital works.

PERFORMANCE INFORMATION

Visitors

The following table shows the number of visitors and revenue for the past five years:

Year ended 30 June	Actual				
	2010	2009	2008	2007	2006
Taronga Zoo					
Paid attendance	1,247,205	1,085,207	1,078,865	1,148,403	1,039,122
Free of charge attendance	272,444	276,134	260,491	218,926	241,336
Taronga Western Plains Zoo					
Paid attendance	184,585	190,519	193,554	199,044	199,683
Free of charge attendance	33,869	38,589	37,062	42,333	37,569
Total attendance	1,738,103	1,590,449	1,569,972	1,608,706	1,517,710
Admissions Revenue (\$'000)	36,484	28,219	26,353	24,761	22,905

Source: Taronga Conservation Society Australia (unaudited).

Paid attendance at Taronga Zoo increased by 15 per cent in 2009-10. The months of July 2009 and April 2010 recorded higher than expected visitors following the successful birth of two Asian elephant calves.

Paid attendance at Taronga Western Plains Zoo continued to decrease. Full year paid admissions were down by 3.1 per cent compared to 2008-09.

Free of charge attendance primarily relates to sponsors, function guests and children under the age of four.

OTHER INFORMATION

Car Park Facility at Taronga Zoo

The new car park earned \$1.6 million revenue during the year ended 30 June 2010. The car park reduced street parking by taking 400 cars off the surrounding streets, improving safety and traffic flows for visitors.

Taronga Foundation

This year the Taronga Foundation celebrated its 10th anniversary. The Foundation was created in 2000 to provide visitors and supporters an efficient way to become involved in the Zoo and support animal conservation, education and research.

The funds raised by the Taronga Foundation for the year ended 30 June 2010 amounted to \$9.58 million (\$8.47 million).

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	64,586	53,260	64,586	53,260
Government grants	36,906	25,779	36,906	25,779
OPERATING REVENUE	101,492	79,039	101,492	79,039
Employee related expenses	37,650	37,358	38,558	40,681
Depreciation and amortisation	13,544	12,513	13,544	12,513
Other expenses	26,092	24,715	26,092	24,715
OPERATING EXPENSES	77,286	74,586	78,194	77,909
SURPLUS	24,206	4,453	23,298	1,130
OTHER COMPREHENSIVE INCOME:				
Gain on revaluation of assets	13,012	60,269	13,012	60,269
Superannuation actuarial losses	(907)	(3,323)	--	--
TOTAL OTHER COMPREHENSIVE INCOME	12,105	56,946	13,012	60,269
TOTAL COMPREHENSIVE INCOME	36,310	61,399	36,310	61,399

Revenue increased by \$22.5 million, largely due to increased admissions revenue and an increased New South Wales Government Capital Grant of \$22.0 million compared with \$10.4 million in 2008-09.

Expenses rose mainly due to increased depreciation charges following a revaluation of assets at the end of 2008-09. Employee related expenses increased as a result of an average pay increase of four per cent from 1 July 2009 and hiring of additional casual Zoo staff during peak visitation periods.

Abridged Consolidated Balance Sheets

At 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	30,750	15,440	30,750	15,440
Non-current assets	369,737	345,171	369,737	345,171
TOTAL ASSETS	400,487	360,611	400,487	360,611
Current liabilities	23,594	14,663	27,631	18,228
Non-current liabilities	38,355	43,720	34,318	40,155
TOTAL LIABILITIES	61,949	58,383	61,949	58,383
NET ASSETS	338,538	302,228	338,538	302,228

Net assets rose by \$36.3 million mainly due to a \$20.0 million increase in capital work in progress, including construction of the new top entrance and the chimpanzee exhibition at Taronga Zoo and the entry plaza at Taronga Western Plains Zoo.

SOCIETY ACTIVITIES

The TCSA was established under The *Zoological Parks Board Act 1973*. Its principal objectives are to establish, maintain and control zoological parks at Sydney's Taronga Zoo and Taronga Western Plains Zoo in Dubbo.

The TCSA is subject to the control and direction of the Minister for Climate Change and the Environment.

For further information on the Society, refer to www.taronga.org.au

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Taronga Conservation Society Australia Division	*

* This entity does not have a website

Minister for Water

Cobar Water Board

*Gosford Water Supply Authority

Hunter Water Corporation

State Water Corporation

Sydney Catchment Authority

Sydney Water Corporation

Wyong Water Supply Authority

Refer to Appendix 1 for:

Dumaresq-Barwon Border Rivers Commission

Office of Hawkesbury-Nepean

*The audit was incomplete at the time of compiling this Volume
The comment will be included in a later 2010 Volume

Cobar Water Board

AUDIT OPINION

The audit of the Board's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

FINANCIAL INFORMATION

Year ended 30 June	2010 \$'000	2009 \$'000
Revenue	2,049	1,556
Expenses	3,160	3,008
Loss	1,111	1,452
Net assets (at 30 June)	63,391	62,894

Revenue increased mainly due to an increase in water prices and an Australian Government contribution of \$222,000 for the construction of Swan Dam.

Expenses rose mainly due to increased depreciation of re-valued infrastructure assets.

Net assets increased due to work-in-progress on the Swan Dam and revaluation of infrastructure assets which was offset by depreciation expense during the year.

BOARD'S ACTIVITIES

The Board is a statutory body under the *Water Management Act 2000*. It consists of seven part-time members who are appointed by the Governor on the recommendation of the responsible Minister. Nominees include representatives of the local mining companies and the Cobar Shire Council.

The Board maintains and operates water works, and makes agreed quantities of water available to the Cobar Shire Council and two mining companies. This is based on an agreement between the Board, Cobar Shire Council and the mining companies.

The Board does not employ any staff. The Cobar Shire Council performs administration and works for the Board.

CONTROLLED ENTITY

Cobar Water Board Division

The objective of the Division is to provide personnel services to Cobar Water Board. Cobar Water Board and the Division had no staff during the year. The Division did not prepare financial statements for 2009-10.

Hunter Water Corporation

AUDIT OPINION

The audits of the Corporation and its controlled entity's financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Tillegra Dam (Repeat Issue)

I recommend that the Corporation prepare a sound and comprehensive business case before any decision is made to proceed with the Tillegra Dam.

The NSW Department of Planning has not yet completed its assessment of the Tillegra Dam proposal. It has commissioned four independent reviews on the project. The reviews are:

- Project justification
- Hydrological modelling of the Williams River
- Hunter River estuary modelling
- Socioeconomics.

In November 2006, a former New South Wales Premier announced a \$342 million plan to build a 450 billion litre dam at Tillegra on the Williams River north of Dungog. Hunter Water has advised that their latest estimated cost of the dam is now \$477 million which includes the estimated value of surplus lands. The Corporation advised that the latest estimated net cost of the dam is still \$406 million (as I reported last year). The increase in the gross cost is due to the Corporation acquiring additional land to meet the needs for new public roads around the dam and landholders electing to sell entire holdings rather than just affected areas.

The Corporation advises that the business case for the project consists of a range of documents comprising engineering, hydrological, environmental and socioeconomic studies.

Once a decision has been made on whether to proceed with the Dam, I will consider whether a performance audit is appropriate.

PERFORMANCE INFORMATION

Independent Pricing and Regulatory Tribunal (IPART) Operational Audit

The audit found the Corporation managed its resources to achieve predominantly full compliance. The results of the 2008-09 audit are summarised below. At the time of writing IPART has not issued the results of 2009-10 operational audit.

Compliance with Operating Licence Year ended 30 June	2009 %
Full compliance	76
High compliance	20
Moderate compliance	4

Source: IPART Hunter Water Corporation Operational Audit 2008-09.
Prior year compliance not similarly reported.

Whilst the Corporation improved its licence compliance compared with 2007-08, IPART identified areas for improvements in the Corporation's performance against a range of reporting requirements and quality assurance processes. IPART also commented that the areas of moderate compliance do not represent a major shortfall in the Corporation's attention to core responsibilities.

IPART reported the results of its 2008-09 operational audit of the Corporation in November 2009. The audit assessed the Corporation's performance against the standards in its Operating Licence.

Operational Performance Indicators

Year ended 30 June	2010	2009	2008	2007	2006
Average volume of water consumed (kilolitres) per residential property	184.0	179.7	177.0	195.0	205.0
Water quality complaints per 1,000 properties	3.4	3.2	2.8	3.9	6.8
Average number of unplanned water supply interruptions per 1,000 properties	255.5	271.2	225.2	372.3	386.9
Water losses (kilolitres/water main kilometre/day)	3.5	3.7	3.9	4.2	3.8
Sewer main breaks and chokes per 100 kilometres of sewer main	58.2	44.4	51.7	63.5	61.1
Wastewater biosolids available for reuse (% reused/recycled)**	104***	88.0	100.0	104.4***	88.0

Source: Hunter Water Corporation (unaudited).

** Does not include biosolids from Burwood Beach Waste Water Treatment Works - not stabilised and stockpiles at Shortland and Dora Creek.

*** Use of historic stockpiles.

The Corporation promotes a number of water saving schemes although water restrictions have not applied to the Hunter region since 2005 due to favourable water storage levels (81.0 per cent of capacity at 8 October 2010).

The increase in water quality complaints is due to power failures to a water pump station (WPS) in one suburb within the Lower Hunter region. The Corporation has planned an alternate supply project to obtain water from another main in the event of future power failure to the WPS.

The movement in sewer main breaks and chokes is largely attributed to changing climatic conditions and the effect this has on soil moisture. Analysis of historical sewer chokes and applying a maintenance risk model has resulted in a increased funding of \$500,000 to rehabilitate the sewer mains. Strategy development with a focus on preventative maintenance of sewer mains that have choked is ongoing.

In 2009-10, the Corporation reused 100 per cent of biosolids produced. In addition, it reused 203 tonnes of biosolids stockpiled from the previous year in land application program. Biosolids are solid or semisolid material obtained from treated wastewater, often used as fertilizer.

Maintenance Activities

The table below shows the Corporation completed its planned maintenance for 2009-10. The Corporation advised it had no maintenance backlog at year-end. The results are consistent with the previous year.

Year ended 30 June	2010	2009
Total planned maintenance completed for network and treatment assets (%)	95.1	99.3
Total planned maintenance completed for critical assets (%)	100.0	100.0
Maintenance work completed on time (%)	73.2	83.1
Budgeted maintenance expenditure (\$m)	47.1	46.9
Actual maintenance expenditure (\$m)	46.6	46.5

Source: Hunter Water Corporation (unaudited).

Review of Major Capital Projects

The Corporation's capital expenditure in 2009-10 was \$179 million (excluding capitalised interest).

The original and current cost estimates and service delivery dates for all capital projects with an original cost above \$10.0 million are listed in the table below.

Project	Original Cost Estimate \$m	Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ estimated Service Delivery Date
In progress at 30 June 2010:				
Branxton Waste Water Treatment Work (WWTW) Stage 3 Upgrade	48.3	48.3	December 2011	December 2011
Burwood Beach WWTW Stage 2 Upgrade	26.1	43.9	March 2011	March 2011
Boulder Bay WWTW Stage 2 Upgrade	15.6	25.5	September 2011	September 2011
Paxton WWTW Stage 2 Upgrade	19.8	19.8	March 2011	March 2011
Dungog Additional Clear Water Tank	17.7	12.0	June 2011	June 2011
Watermain Replacement-Beresford to Stony Pinch	11.4	11.4	December 2011	December 2012
Wastewater Transportation Upgrade	16.4	16.4	December 2013	December 2013
Cessnock Water Distribution Stage 1 Upgrade	20.3	20.3	June 2012	June 2012
Clarence Town Sewerage Scheme	17.2	11.1	May 2011	March 2012
Shortland WWTW	10.8	10.8	March 2012	March 2012
Dora Creek WWTW Upgrade	21.8	33.6	December 2010	December 2010
Tillegra Dam - land acquisition and other preliminary costs	59.1	111.3	June 2014	June 2014

Source: Hunter Water Corporation (unaudited).

Lower than expected cost estimates for the Dungog clearwater tank and Clarence town sewerage scheme projects is due tender prices being lower than those originally estimated.

Higher than expected cost estimates for the Burwood Beach WWTW Stage 2 Upgrade, the Boulder Bay WWTW Stage 2 Upgrade and the Dora Creek WWTW Upgrade are due to changes in the scope and technologies used. These changes resulted in higher tender prices than originally estimated.

Original cost estimates for Tillegra Dam of \$51.9 million relate to the acquisition of land and other preliminary costs. Current cost estimates of \$111 million reflect higher than expected land costs and the costs of seeking planning approval.

The Corporation considers the overall risk profile of its capital program to be low.

OTHER INFORMATION

Excessive Annual Leave Balances

At 30 June 2010, 132 employees (139) had accrued more than 40 days of annual leave entitlements. This represents 20.9 per cent of all employees (22.6 per cent). There were 22 employees (25) who have accrued more than 80 days of annual leave entitlements at year-end.

Managing excessive annual leave balances is a challenge for the Corporation. It has implemented a policy which requires employees with annual leave balances greater than 50 days to take a minimum of five weeks annual leave a year and those with greater than 100 days to take a minimum of six weeks annual leave a year. The Corporation's recently negotiated enterprise agreement also contains this policy. The Corporation is yet to see the effect of this policy on employees leave balances.

The accumulation of excessive annual leave entitlements results in increased financial costs to the Corporation because these entitlements will be paid out at higher salary rates in the future and may have occupational health and safety implications.

Workforce Ageing

The Corporation is not facing the challenges of an ageing workforce. The following statistics support this view:

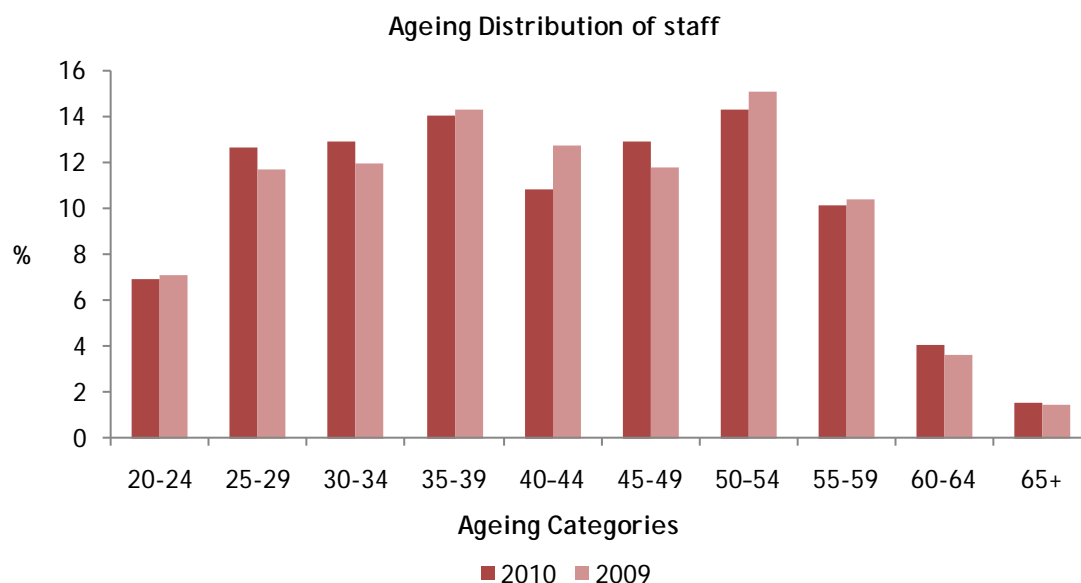
- 15.6 per cent are aged 55 years and over
- 29.9 per cent are aged 50 years and over.

At 30 June Age Group	2010		2009	
	Number of Employees*	%	Number of Employees*	%
20 - 49	426	70.1	401	69.5
50 - 54	87	14.3	87	15.1
55 - 59	61	10.0	60	10.4
60 - 64	25	4.1	21	3.6
65+	9	1.5	8	1.4
Total	608	100.0	577	100.0

Source: Hunter Water Corporation (unaudited).

* Full-time equivalent (FTE).

The graph below further demonstrates the age structure of the workforce:



Source: Hunter Water Corporation (unaudited).

Use of Contractors

I recommend the Corporation

- create and maintain a single register for contracted employees
- using this register, review the effectiveness of its existing policies for employment of contract employees to ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of contract employees continues to represent value for money.

In 2009-10, the Corporation engaged 92 contractors for a total cost of \$1.8 million. This represents 14.6 per cent of all employees. Eleven contractors have been with the Corporation for more than three years, including one contractor for more than six years. The Corporation does not have a single register for contractors from labour hire agencies and those engaged by the Corporation. The Corporation cannot easily determine payments to contractors over the lives of their contracts.

The lack of a central register for contract employees increases the risk of the Corporation not being able to determine, monitor and analyse:

- the total cost of contract employees
- the total number of contract employees
- the period of service for all contract employees.

The Corporation needs to review its practices relating to contract employees to help ensure they achieve the desired outcomes and comply with all applicable laws and regulations.

Excessive Overtime Payments

I recommend the Corporation review the effectiveness of its existing policies for managing the use of overtime.

The Corporation employs over 600 people and incurred \$48.3 million (\$43.2 million) on personnel services. Of this amount, approximately \$1.6 million (\$1.5 million) was paid as overtime. These costs represent 3.4 per cent (3.5 per cent) of total employees' base pays for the year.

The number of employees and overtime paid as a percentage of base pay are as follows:

Year ended 30 June	2010		2009		
	Overtime paid as a percentage of base pay	Number of employees	Overtime paid \$'000	Number of employees	Overtime paid \$'000
100+	--	--	--	--	--
91 - 100	--	--	1	65	63
81 - 90	1	66	1	63	63
71 - 80	--	--	--	--	--
61 - 70	1	35	--	--	--
51 - 60	1	38	3	97	97
41 - 50	4	122	1	24	24
31 - 40	14	307	15	318	318
21 - 30	17	270	19	269	269
11 - 20	26	224	20	176	176
0 - 10	177	566	180	514	514
Total		241	1,628	240	1,526

Source: Hunter Water Corporation (unaudited).

The number of employees who received overtime during the year represents 38.1 per cent (39.0 per cent) of the Corporation's total number of employees. This suggests that either there is a significant gap between the number of employees and work requirements of the Corporation or there are inefficiencies in delivery of those work requirements. The constant overtime work of employees may lead to occupational health and safety issues.

The main drivers of overtime expense are out-of-hours repairs not work not completed during the day. There are operating licence requirements, and societal expectations, that these asset failures are dealt with speedily and not left until business hours recommence.

FINANCIAL INFORMATION

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Tariff charges	217,566	174,560	217,566	174,560
Other revenue	36,523	52,669	28,659	45,170
OPERATING REVENUE	254,089	227,229	246,225	219,730
Employee related expenses	31,666	27,123	17,553	15,779
Maintenance and operational services	68,663	64,267	77,619	71,505
Depreciation	36,455	34,712	35,781	34,091
Finance costs	47,409	32,347	47,591	32,578
Other expenses	3,896	6,810	3,308	5,844
OPERATING EXPENDITURE	188,089	165,259	181,852	159,797
PROFIT BEFORE INCOME TAX	66,000	61,970	64,373	59,933
Income tax expense	16,339	12,385	14,449	10,171
PROFIT AFTER TAX	49,661	49,585	49,924	49,762
OTHER COMPREHENSIVE INCOME				
Revaluation of property, plant and equipment	58,639	220,628	58,639	220,629
Superannuation actuarial losses	(5,183)	(26,364)	(4,335)	(23,298)
TOTAL OTHER COMPREHENSIVE INCOME	53,456	194,264	54,304	197,331
TOTAL COMPREHENSIVE INCOME	103,117	243,849	104,228	247,093

The increase in tariff charges is consistent with the increase in prices as determined by IPART.

Other revenue decreased primarily due to the abolition of developer contribution charges for potable water, wastewater and storm water, while charges for recycled water remain.

Finance costs increased due to additional borrowings during the year to deliver an increased capital works program.

In 2009-10, the Corporation revalued land and drainage assets (sewer network assets) using independent valuation. The Corporation also reported significantly lower actuarial losses for defined benefits superannuation due to recent improvement in economic conditions.

Abridged Statements of Financial Position

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	59,196	48,798	57,495	47,745
Non-current asset	2,836,877	2,602,294	2,839,903	2,603,242
TOTAL ASSETS	2,896,073	2,651,092	2,897,398	2,650,987
Current liabilities	276,850	198,545	277,234	198,284
Non-current liabilities	931,198	833,539	933,679	836,346
TOTAL LIABILITIES	1,208,048	1,032,084	1,210,913	1,034,630
NET ASSETS	1,688,025	1,619,008	1,686,485	1,616,357

Current assets increased due to land, previously classified as a non-current, being identified as held for sale at year-end and reclassified to current assets.

Non-current assets rose primarily due to a \$90.2 million revaluation increment of property plant and equipment and \$116 million of non-current asset acquisitions during the year.

Liabilities increased mainly due an increase in current tax liabilities and additional borrowings to finance the Corporation's capital works program.

CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation that operates within the Lower Hunter Region. It collects, conserves, preserves and distributes water, provides sewerage facilities, and constructs, controls and maintains certain stormwater channels.

Its charter is to be commercially successful as a company while delivering water, wastewater and associated services.

For further information on the Corporation, refer to www.hunterwater.com.au.

CONTROLLED ENTITIES

The following controlled entity has not been reported separately on as it is not considered material by its size or the nature of its operations to the consolidated entity.

For further financial and other information on this entity, we have listed the entity's website.

Entity Name	Website
Hunter Water Australia Pty Limited	www.hwa.com.au

State Water Corporation

AUDIT OPINION

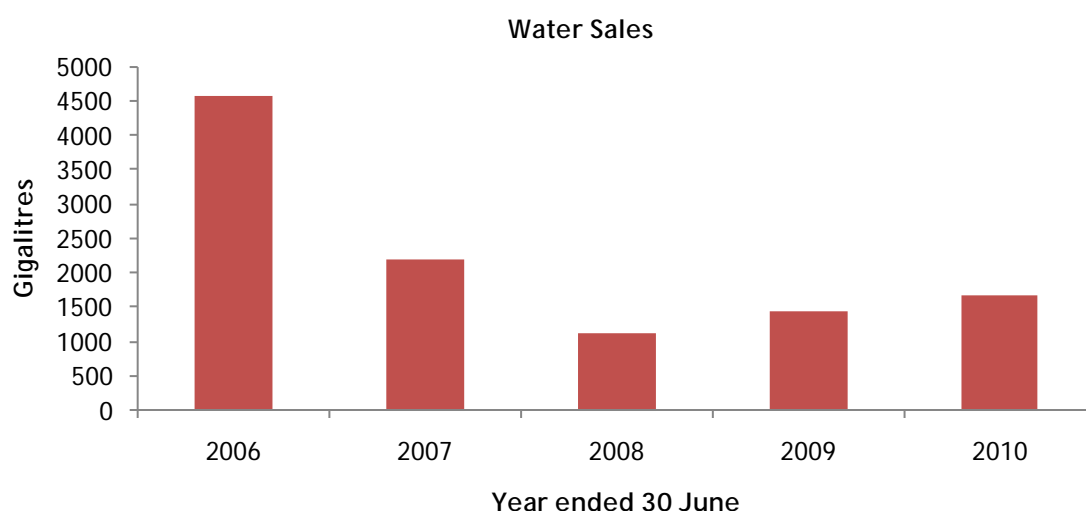
The audit of the Corporation's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Financial Viability

In June 2010, the Independent Pricing and Regulatory Tribunal (IPART) determined the Corporation's bulk water prices for the four-year period from 1 July 2010.

In the past few years, the drought meant the Corporation had less water to sell. These lower water sales highlighted the variability of the Corporation's revenue earning capacity. Although drought conditions eased during the latter half of the year, water sales remained at historically low levels. Water sales over time are highlighted in the graph below:



Source: State Water Corporation (unaudited).

The increase in water sales during 2009-10 compared with 2008-09 reflects higher rainfall and increasing river flows in the latter half of the year. Drought information prepared by the Department of Industry and Investment highlights the improving conditions during 2009-10. In January 2010, 81.8 per cent of the State was in drought. By June 2010, 13.9 per cent was in drought and in October 2010, no part of the State was in drought.

In 2009-10, the Corporation delivered 1,681 gigalitres of water sales (1,446 gigalitres in 2008-09). In addition, the Corporation delivered 275,000 megalitres (500,000 megalitres) to interstate parties. Although water sales were higher than the previous year, they were only 30.6 per cent of long-term average annual sales.

PERFORMANCE INFORMATION

IPART Operational Audit

The audit found the Corporation satisfactorily performed its core functions of capture, storage and release of water. The results of the 2008-09 operational audit are summarised below. At the time of writing, IPART has not issued results of the 2009-10 operational audit.

Compliance With Operating Licence Year ended 30 June	2009 %
Full compliance	81
High compliance	8
Moderate compliance	8
Low compliance	3

Source: IPART State Water Corporation Operational Audit 2008-09.
Prior year compliance not similarly reported.

IPART reported that the Corporation's compliance with its licence declined slightly from 2007-08 partly due to the lack of checks on data prior to submission to IPART. IPART commented that the limitations of the Corporation's business systems might have impacted the Corporation's ability to fully and accurately report on its performance against some clauses of the licence.

IPART stated that where State Water achieved low to moderate compliance, it was usually in areas not impacting its core responsibilities. IPART commented that, in particular, State Water had implemented a major organisational restructure during 2008-09, involving centralisation of core business activities and significant workforce adjustments. IPART noted that it expected the new structure should result in improved performance once fully implemented.

The 2008-09 operational audit is the first compliance audit against the Corporation's current operating licence. IPART conducted a comprehensive audit (including low risk clauses) with a view to providing a foundation for their future audits. It is anticipated that a risk-based approach similar to other major public water utilities will be adopted for the Corporation once its new business systems are fully operational and its level of licence compliance has further improved.

IPART released its 2008-09 report in November 2009. The audit assessed the Corporation's performance against its Operating Licence standards.

OTHER INFORMATION

I identified opportunities to improve the accounting and internal control procedures and reported them to management. These mainly related to information technology, approvals of project costs, project capitalisations and accruals at year-end.

Dam Safety Compliance

The Corporation continued to work on the first phase of its dam safety compliance project. The Corporation spent \$58.0 million (excluding borrowing costs of \$3.0 million) on this project during the year. The table below shows the timing of the works and estimated cost for the major components of the project.

Year Ended 30 June	Original Cost Estimate \$m	Forecast Estimate \$m	Original Completion Date	Estimated Completion Date
Blowering	39	39	June 2010	June 2011
Keepit	117	115	November 2011	May 2013
Burrendong	29	36	July 2012	December 2014
Copeton	48	62	February 2013	December 2012
Split Rock	5	9	May 2013	June 2012
Wyangala	34	45	October 2012	June 2014
Chaffey	13	15	August 2012	January 2011

Source: State Water Corporation (unaudited).

The variation in completion dates is largely due to a re-scheduling and re-prioritisation of works to help ensure efficiency of delivery using work packaging, where possible.

Cost variations are emerging as the Corporation awards the contracts. The variation between original cost estimate and forecast estimate for Burrendong dam is due to the tender crystallising the expected costs. The variation for Copeton dam works is due to higher than expected tender prices for park facilities and an updated cost estimate for the spillway works.

The Corporation will upgrade 18 of its 20 dams to comply with Dams Safety Committee requirements. All the Corporation's dams are safe for day-to-day operation, but need upgrading to meet current safety requirements for large to extreme floods and earthquakes.

Excessive Annual Leave balances

The Corporation improved its management of employees' excessive annual leave balances during the year. At 30 June 2010, 35 (63) employees had accrued more than 40 days of annual leave entitlements. This represents approximately 12 per cent (22 per cent) of all employees.

Excessive annual leave entitlements, if not managed well, can increase financial costs to the Corporation because it will pay out the entitlements at higher salary rates in the future. There are also occupational health and safety risks associated with employees deferring leave.

Overtime

I recommend the Corporation review the effectiveness of its existing policies for managing overtime work and analyse the underlying reasons for overtime payments that are significantly more than base pay.

The Corporation incurred overtime costs during 2009-10 of \$573,000 (\$465,000). These costs represent three per cent (two per cent) of total employees' base pays during the year.

Although overtime costs are not significant, 138 (115) employees received overtime payments. This represents 40.6 per cent (31.2 per cent) of the Corporation's employees. Either this suggests a gap between the number of employees and work requirements of the Corporation or inefficiencies in the delivery of those work requirements.

Most employees who received overtime received less than 10 per cent of their base salary as overtime. However, one employee received 41.5 per cent of base salary as overtime.

Workforce Ageing

The age of the Corporation's work force is more evenly spread between 20 and 65 than is common for many entities in the public sector. It, therefore, does not appear to be facing the same challenges as those entities with aged workforces skewed towards and over 50. The following statistics support this view:

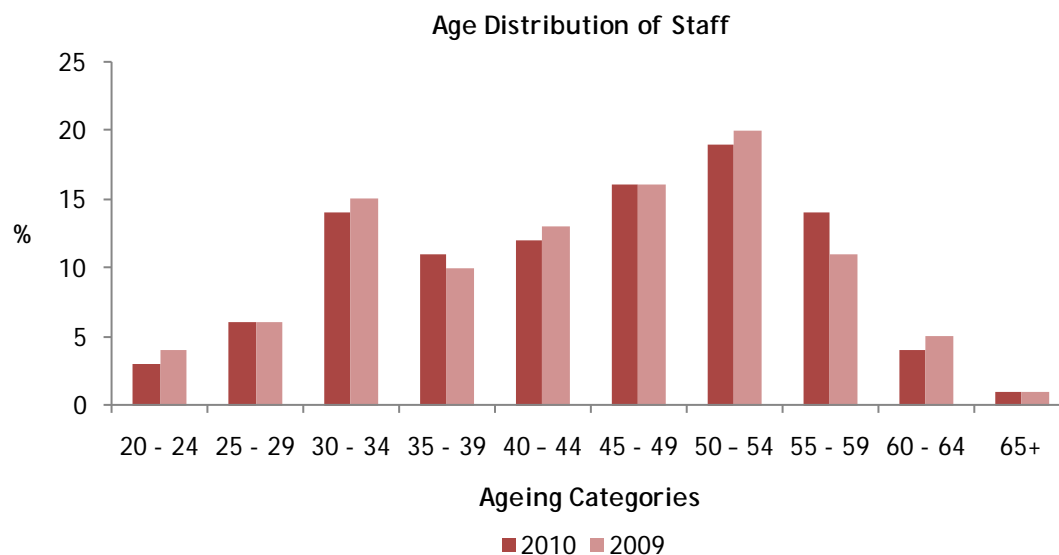
- 18.8 per cent are aged 55 years and over
- 38.3 per cent are aged 50 years and over.

Year ended 30 June Age Group	2010		2009	
	Number of Employees*	%	Number of Employees*	%
20 - 49	193	61.7	194	63.2
50 - 54	61	19.5	62	20.2
55 - 59	43	13.7	34	11.0
60 - 64	13	4.1	15	4.9
65+	3	1.0	2	0.7
Total	313	100	307	100

Source: State Water Corporation (unaudited).

* Full-time equivalent employees.

The graph below further demonstrates the age structure of staff:



Source: State Water Corporation (unaudited).

To help ensure the Corporation continues to have a workforce whose ages are evenly spread, it will need to actively monitor its workforce age profile and have strategies to develop, attract and retain staff whose skills are aligned with the strategic direction of the Corporation.

Employment of Contract Employees

I recommend the Corporation:

- create and maintain a single record of all contractors engaged by it
- using this record, periodically review the roles and responsibilities of all its contractors to ensure:
 - its reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of a contractor continues to represent good value for money.

The Corporation does not maintain a single register for all contractors. Each division engages contractors separately. This increases the risk of non-compliance with taxation and other employment laws and regulations.

The Corporation had 38 (69) contractors during the year for a total cost of \$945,000 (\$3.1 million). The longest engagement of one contractor is more than six years. The retention of contractors for extended periods may result in additional costs to the Corporation. The Corporation should review its practices relating to contractors to help ensure they are appropriate to achieve desired outcomes and comply with employment related legislation.

Inter-jurisdictional Water Trades

Last year I reported that the Corporation had difficulty recovering usage charges for water traded interstate. There is no operational inter-jurisdictional agreement for managing, monitoring and correctly assigning recoverable costs associated with the delivery of water. In 2009-10, the Corporation forwarded a draft inter-jurisdictional agreement to NSW Office of Water which is the lead agency in executing any agreement.

In the interim, the Corporation is collecting the water charges at the time of trade. In 2009-10, the Corporation successfully collected approximately \$1.0 million from interstate trade. This represents 275,000 megalitres of water traded during the year. The Corporation wrote off \$1.8 million interstate usage charges billed in 2008-09.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Revenue from storage and delivery of water	34,110	34,558
Infrastructure operation, maintenance and construction	20,570	13,231
Government contributions	22,828	21,430
Other revenue	3,791	3,237
OPERATING REVENUE	81,299	72,456
Operational costs	9,682	117,926
Depreciation	7,387	8,301
Finance costs	3,724	3,408
OPERATING EXPENDITURE	20,793	129,635
PROFIT/(LOSS) BEFORE INCOME TAX	60,506	(57,179)
Income tax (expense)/benefit	(15,461)	17,282
PROFIT/(LOSS) AFTER TAX	45,045	(39,897)
OTHER COMPREHENSIVE INCOME		
Net superannuation actuarial (losses)	(2,663)	(13,300)
Net revaluation increment of property, plant and equipment	--	1,473,904
Net impairment reversal/(loss) relating to revalued assets	9,911	(1,433,498)
TOTAL OTHER COMPREHENSIVE INCOME	7,248	27,106
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	52,293	(12,791)

Infrastructure operation, maintenance and construction revenue increased due to the Corporation completing more work on behalf of the Murray-Darling Basin Authority during the year.

Operational costs decreased mainly due to the reversal of a \$55.8 million impairment loss recorded in the previous year and recognition of \$55.1 million impairment gain at 30 June 2010. This resulted from a change in asset values due to higher water prices and sales.

Abridged Statement of Financial Position

Year ended 30 June	2010 \$'000	2009 \$'000
Current assets	34,185	21,930
Non-current assets	558,731	420,413
TOTAL ASSETS	592,916	442,343
Current liabilities	54,616	32,257
Non-current liabilities	171,041	92,050
TOTAL LIABILITIES	225,657	124,307
NET ASSETS	367,259	318,036

The increase in current assets is mainly due to a \$10.0 million funding draw down close to year-end.

The increase in non-current assets is due to higher water prices and sales impacting the recoverable amount of the infrastructure assets.

The increase in current liabilities is due to the additional spending during the year on the dam safety upgrade program. Non-current liabilities include borrowings of \$107 million (\$53.8 million) from the New South Wales Treasury Corporation to fund capital projects.

The Corporation changed its accounting policy for certain government grants to comply with The Treasury's accounting policy mandate. This change increased the Corporation's loss and decreased net assets reported at 30 June 2009 by \$6.4 million and at 1 July 2008 by \$1.7 million.

CORPORATION ACTIVITIES

The Corporation is a statutory State owned corporation. It incorporates all of New South Wales' bulk water delivery services outside of the areas of operation of Sydney Catchment Authority, Sydney Water Corporation, Hunter Water Corporation and other water supply authorities.

The Corporation delivers water to irrigation corporations, country town water supply authorities, farms, mines and electricity generators, by releasing flows from its dams into rivers to be accessed by water users. It also provides water for stock and domestic users and is responsible for delivering environmental flows on regulated rivers.

For further information on the Corporation, refer to www.statewater.com.au.

Sydney Catchment Authority

AUDIT OPINION

The audits of the Authority and its controlled entity's financial statements for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

PERFORMANCE INFORMATION

The Authority's performance against the following key non-financial performance measures met or exceeded targets.

Year ended 30 June	2010		2009	
	Target %	Actual %	Target %	Actual %
Health related compliance with the Australian Drinking Water Guidelines	100	100	100	100
Compliance with Bulk Water Supply Agreement with Sydney Water	>95	99.7	>95	99.4
Compliance with Dams Safety Committee requirements and Australian National Committee on Large Dams guidelines	100	100	100	100
Environmental release compliance with Water Management Licence	100	100	100	100

Source: Sydney Catchment Authority (unaudited).

Independent Pricing and Regulatory Tribunal (IPART) Operational Audit

The audit found the Authority managed its resources to achieve predominantly full compliance. The results of the 2008-09 audit are summarised below. At the time of writing, IPART has not issued the results of its 2009-10 operational audit.

Compliance with Operating Licence Year ended 30 June	2009 %
Full compliance	82
High compliance	11
Moderate compliance	6
Insufficient information	1

Source: IPART Sydney Catchment Authority Operational Audit 2008-09.
Prior year compliance not similarly reported.

IPART commented that moderate compliance for some clauses of its licence does not present a high risk to water quality or the provision of bulk raw water to the Authority's customers. Further, on one clause with insufficient information, IPART stated that this should not be interpreted as a lack of cooperation on the part of the Authority. The review of this clause is yet to be finalised. The Authority is making sufficient progress with other aspects of this review.

Maintenance Activities

The table below shows the Authority completed the majority of its planned maintenance of water supply facilities for 2009-10.

Year ended 30 June	2010	2009	2008
Total planned maintenance completed for facility assets (%)	99	98	98
Total planned maintenance completed for critical assets (%)*	99	100	101
Maintenance work completed on time (%)	89	88	90
Budgeted maintenance expenditure (\$m)	4.6	4.6	4.7
Actual maintenance expenditure (\$m)	4.8	5.0	4.6
Backlog maintenance (number of jobs)	83	83	92
Backlog maintenance (\$m)	0.1	--	--

Source: Sydney Catchment Authority (unaudited).

* Included jobs carried over from previous year.

At 30 June 2010, 29 backlog maintenance jobs valued at \$55,000 were waiting for either plant shutdown/isolation or project works to be completed before maintenance can occur.

Backlog maintenance is calculated only for planned maintenance. Backlog data is the number and value of uncompleted works at the last day of the financial year. With an average of over 7,000 preventative maintenance jobs issued each year, the Authority advises that the number of backlog jobs is well within an acceptable range. The Authority advises a small amount of backlog maintenance is kept available to assist in getting the best value from maintenance contracts at those times when planned maintenance work cannot be undertaken.

The Authority's strategy to manage backlog maintenance is to undertake monthly monitoring, have regular meetings (fortnightly) with the Authority's operators and maintenance contractors to address issues including backlog works. The Authority advises that if necessary additional maintenance resources are arranged through the contractors and the maintenance schedules are reviewed to even out workloads if uneven workloads have contributed to the backlog. The Authority also advises there has been no instance of excessive backlog maintenance over the past 11 years.

OTHER INFORMATION

I identified opportunities for improvement to accounting and internal control procedures and have reported them to management.

Information Technology

The Authority's capital program includes information technology projects, some of which are outlined with their key deliverables in the table below:

Project	Original Budget \$m	Revised Budget \$m	Original Service Delivery Date	Revised Service Delivery Date
Statutory Planning Business Systems Upgrade (NorBe)	0.8	0.8	6 August 2010	24 December 2010
SCADA - upgrade	2.5	2.5	30 June 2010	30 June 2012

Source: Sydney Catchment Authority (unaudited).

The 'Neutral or Beneficial Effect Electronic Assessment Tool' (NorBE) is a web-based decision making tool designed to help Local Government councils and landholders determine whether proposed developments have a neutral or beneficial effect on water quality.

Landholders only need to demonstrate a neutral or beneficial effect on water quality for new developments, expansions of existing developments, or changes in activity on their land where these require consent under a Council local environmental plan. The neutral or beneficial effect on water quality test does not apply to existing land uses.

The Supervisory Control and Data Acquisition (SCADA) upgrade project relates to the design, installation and commissioning of an integrated SCADA system. The proposed SCADA will provide:

- remote control and monitoring of the water supply infrastructure from head office and regional offices
- secure access to the SCADA facilities from within the corporate network for authorised staff.

The fully integrated SCADA solution will incorporate the functionality and capabilities of a number of systems. The Authority expects that this will improve operational efficiencies and productivity.

Metropolitan Water Plan

The Authority has continued to deliver projects under the New South Wales Government's Metropolitan Water Plan.

In 2009-10, the Authority completed part of a \$39.0 million project on the Upper Nepean dams and weirs to allow water released from the Avon, Cordeaux, Cataract and Nepean dams to pass through weirs and provide fish passage down the length of the river.

These works allow for variable environmental flows. A new variable flow regime commenced mid 2010 to improve the health of the river.

Leakage and Loss Management in the Water Supply System

The Authority estimates that leakage and other losses from its water supply system amounted to 0.5 per cent (0.2 per cent in 2008-09) of water sold in 2009-10. This compares to an average across Australian water utilities of seven per cent to 35 per cent. In addition to leakage, the Authority estimates 12 per cent of water inflows during the year were lost because of evaporation.

The Authority has measures in place to address water leakage and loss from the water supply system. These include dam surveillance and collection of data on evaporation to provide consistent measurements and explanations of future changes in local climate conditions.

Some losses can be an intentional and inherent part of an asset's design. For example, dams and the upper canal are designed to seep for structural safety and to prevent excessive build up of water pressure within or beneath the wall. Other water supply system losses cannot be prevented. The largest losses of this type include evaporation and groundwater surface interactions.

Water Storage

The table below shows how the recent drought conditions have affected the Authority's water storages over time.

At 30 June	Full operating storage (megalitres)	Available storage as % of full operating storage				
		2010	2009	2008	2007	2006
Total storage	2,608,730	57.6	61.4	66.7	54.4	41.7

Source: Sydney Catchment Authority (unaudited).

The decrease of 3.8 per cent since 30 June 2009 reflects lower than average rainfall. At the end of October 2010 total storage had increased to 58.1 per cent as a result of rainfall in the catchment.

Coal Mining

The Authority actively contributes to planning processes where there is a potential impact on water resources. The Authority's mining principles provide a framework for consideration in the assessment and management of any current or proposed mining activity and impacts on the Authority's assets. The principles were detailed in a submission to the Planning Assessment Commission (PAC).

Underground coal mining projects are generally assessed under Part 3A of the *Environmental Planning and Assessment Act 1979* and determined by the Minister for Planning.

During 2008-09, the Metropolitan Coal Project was referred to the PAC for examination of the mine's likely impact on the supply of drinking water.

The PAC assessed potential subsidence impacts on catchment yields in the Woronora Reservoir and determined the risk of significant water loss as very low. The Minister for Planning approved the proposal on 22 June 2009. The approval requires the mining company to adopt an adaptive management approach which includes changes to the mine layout, if considered necessary. Mining commenced on 18 May 2010.

The approval provides for a further 23 years of production at the Metropolitan Coal Mine. The Metropolitan Coal Mine is located in the township of Helensburgh in the Southern coalfields of New South Wales. The mine is approximately 50 kilometres south of Sydney and 30 kilometres north of Wollongong.

The Bulli Seam Operations Project is currently being assessed by the Department of Planning. The proposal is yet to be determined. In late October 2010, the Department of Planning released the PAC's assessment report of the project and the amended Preferred Project Report (PPR) by BHP Billiton Illawarra Coal in response to the PAC report.

In the amended PPR, the Northcliff and Appin Area 2 mining domains, the majority of the Appin Area 3 mining domain, and two longwalls from the West Cliff Area 5 mining domain have been removed from the proposal. These amendments have resulted in exclusion of all mining domains located within the Sydney drinking water catchment and Special Areas managed by the Authority. However, mining is still proposed in the vicinity and under the Upper Canal water supply system.

The Bulli Seam Project includes: augmenting, upgrading and using the existing infrastructure at the Appin and West Cliff coal mines; extracting up to 10.5 million tonnes of run-of-mine coal a year from the Bulli coal seam for a period of 30 years using longwall mining methods; processing run-of-mine coal at both the West Cliff and Dendrobium washeries; transporting product and run-of-mine coal from the site by road; disposing of coal rejects on site; and rehabilitating the site.

Employment of Contractors

I recommend the Authority:

- create and maintain a single record of all contractors engaged by it
- using this record, periodically review the roles and responsibilities of all its contractors to help ensure:
 - its reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Authority for an extended period of time
 - use of a contractor continues to represent good value for money.

The Authority does not maintain a central register for all contractors. Each division engages contractors separately. This increases the risk of non-compliance with taxation and other employment laws and regulations.

The Authority engaged 17 contractors during the year for a total cost of \$1.1 million. The longest engagement of a contractor was for 6 years. The highest contract payment during the year was \$362,000. This contractor provided expert knowledge to the Authority's submission on the New South Wales Government's 2010 Metropolitan Water Plan.

The retention of contract employees for extended periods may result in additional costs to the Authority. The Authority should review its practices relating to contract employees to ensure they are appropriate to achieve desired outcomes and comply with employment related legislation.

Ageing of Staff

The Authority may face challenges from the potential loss of a large number of retiring staff as supported by the following Authority's statistics:

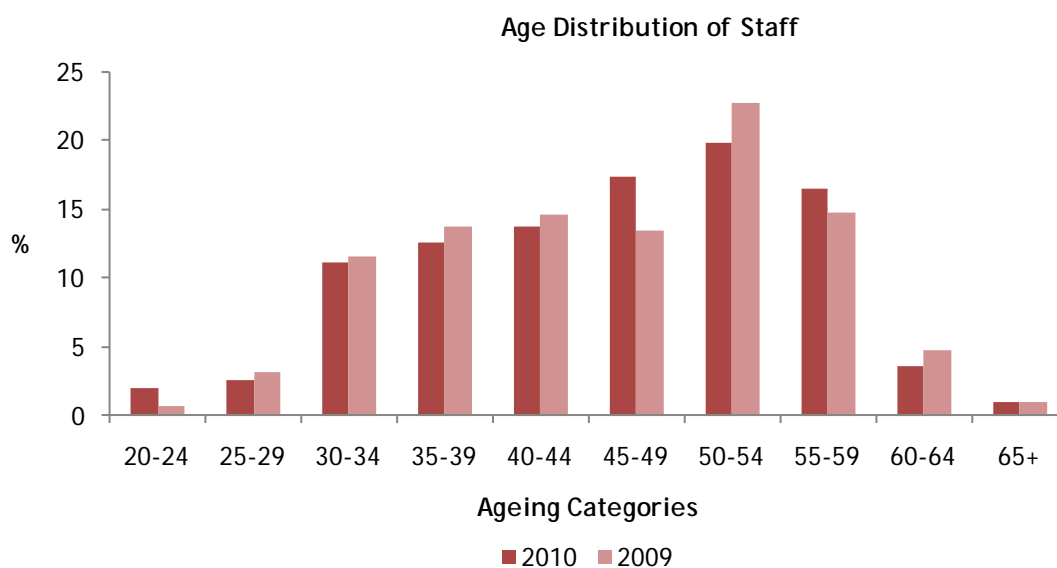
- 21 per cent are aged 55 years and over
- 41 per cent are aged 50 years and over.

As at 30 June	2010		2009	
	Number of Employees*	%	Number of Employees*	%
Up to 49	151	59	157	57
50-54	50	20	63	23
55-59	42	16	40	14
60-64	9	4	13	5
65+	3	1	2	1
Total	255	100	275	100

Source: Sydney Catchment Authority (unaudited).

* full-time equivalent employees.

The graph below further demonstrates the age structure of staff in the Authority.



Source: Sydney Catchment Authority (unaudited).

To help ensure it has sufficient appropriately skilled staff in the future, the Authority needs to actively monitor its workforce's age profile and develop strategies to train, attract and retain staff whose skills are aligned with the strategic direction of the Authority.

The Authority advised it has already recognised this emerging issue and had commenced an entry level employment program in January 2010 to assist in offsetting the ageing profile of staff.

Excessive Annual Leave Balances

At 30 June 2010, 77 employees (88) have accrued more than 40 days of annual leave entitlements. This represents 31.3 per cent (31.2 per cent) of the Authority's total number of employees. The highest employee leave balance was 277 days (277 days).

From 1 May 2011, the Authority will require all staff to reduce their annual leave entitlements to a maximum of 40 days at the leave balance review periods (November and May) each calendar year. The Authority advised all staff during the year that sufficient leave is to be taken to help ensure their annual leave entitlements do not exceed 40 days at 1 May 2011.

The Authority has written to all employees on this new arrangement.

The accumulation of excessive annual leave entitlements may result in increased financial costs to the Authority because the cost generally increases over time in line with increases in rates of pay. There are also increased occupational health and safety risks if employees do not take some time off work each year. Allowing excess annual leave balances also means employees performing key control functions may not be rotated regularly, which is a preventive control against fraud.

Overtime

The Authority incurred overtime costs during the year of \$1.2 million (\$1.2 million). These costs represent 5.7 per cent (5.2 per cent) of total employees' base pays for the year.

The Authority advised it has already established a working group to address this matter.

The number of employees and overtime paid as a percentage of base pay are as follows:

Year ended 30 June	2010		2009	
	Number of employees	Overtime paid \$'000	Number of employees	Overtime paid \$'000
Overtime paid as a percentage of base pay				
%				
41 - 100+	--	--	--	--
31 - 40	2	81	4	100
21 - 30	55	435	20	368
11 - 20	24	444	39	503
0 - 10	84	232	100	194
Total	165	1,192	163	1,165

Source: Sydney Catchment Authority (unaudited).

The number of employees receiving more than 20 per cent of their base pay as overtime more than doubled when compared with the previous year. The number of employees who received overtime during the year represents 67.1 per cent (57.8 per cent) of the Authority's total employees. These suggest that either there is a significant gap between the number of employees and work requirements of the Authority or there are inefficiencies in delivery of those work requirements. Constant high levels of overtime worked by employees may increase occupational health and safety risks.

Flex Leave

I recommend the Authority continue its efforts to help ensure accumulated flex leave is taken rather than forfeited

During the year, employees forfeited approximately 70.2 (80.5) flex days.

The Authority advised it examined the situation during the year and the majority of employees were not forfeiting large amounts of excess flex time. For those employees who were forfeiting excess flex leave, the Authority advised it has was taking action to address the issue.

At 30 June 2010, no employee had accrued more than 4 days, which are the maximum flex days an employee can accumulate.

Healthy Catchment Program

Highlights of the Authority's Healthy Catchments Strategy activities in 2009-10 include:

- completion of the \$18.5 million Bundanoon Sewerage Scheme upgrade in partnership with Wingecarribee Shire Council and the Department of Environment, Climate Change and Water. Wastewater is now treated to a much higher standard and local sewerage infrastructure will be able to cope with expected population growth
- the Authority is providing \$37.7 million under the Accelerated Sewerage Program to Councils to ensure more reliable, modern sewerage systems in the catchments to protect water quality
- subsidised training on best management practices for sustainable grazing was provided for 422 graziers throughout the catchments in partnership with local landholders and the Department of Industry and Investment
- worked with DairyNSW and the Department of Industry and Investment to provide soil nutrient risk and budgeting training for dairy farmers in the catchments. The Authority also participated in research and grant applications with DairyNSW, and developed a template for dairy effluent operation and management plans
- The Authority is developing online tools, guidelines and training for Councils to assess the neutral or beneficial effect on water quality of development applications in the catchments. They are also providing training and electronic models for stormwater management and assessment to Councils and developers to help them meet the requirements of planning regulations and legislation.

In 2009-10, the Authority spent over \$21.0 million on catchment improvement and protection.

FINANCIAL INFORMATION

Abridged Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'0 00	2010 \$'000	2009 \$'000
Water sales	196,274	176,277	196,274	176,277
Other revenue	3,732	7,657	3,732	7,657
OPERATING REVENUE	200,006	183,934	200,006	183,934
Employee related	30,887	37,149	243	256
Contractors	21,412	22,312	56,772	70,597
Financing charges	35,605	31,755	35,605	31,755
Other expenses	53,161	52,327	53,162	52,327
OPERATING EXPENSES	141,065	143,543	145,782	154,935
PROFIT BEFORE TAX	58,941	40,391	54,224	28,999
Income tax expense	15,911	1,219	15,911	1,219
PROFIT AFTER TAX	43,030	39,172	38,313	27,780
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial losses	(4,717)	(11,392)	--	--
Revaluation and impairment of property, plant & equipment	60,424	--	60,424	--
TOTAL OTHER COMPREHENSIVE INCOME/(EXPENSE)	55,707	(11,392)	60,424	--
TOTAL COMPREHENSIVE INCOME	98,737	27,780	98,737	27,780

The increase in water sales is due mainly to price increases in water volumetric charges as determined by IPART.

The decrease in employee related expenses is mainly due to a corporate restructure in the previous year that resulted in reduced employee numbers.

Abridged Statements of Financial Position

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	50,579	45,529	50,193	45,250
Non-current assets	1,332,738	1,216,574	1,332,738	1,216,574
TOTAL ASSETS	1,383,317	1,262,103	1,382,931	1,261,824
Current liabilities	89,710	83,387	109,833	99,029
Non-current liabilities	585,515	538,131	565,006	522,210
TOTAL LIABILITIES	675,225	621,518	674,839	621,239
NET ASSETS	708,092	640,585	708,092	640,585

Non-current assets increased mainly due to a revaluation of property, plant and equipment.

Current liabilities increased mainly due to an increase in the current tax liability by \$6.5 million

The increase in non-current liabilities is largely due to a \$17.0 million increase in borrowings and a \$25.5 million increase in the deferred tax liability as a result of the revaluation of non-current assets. The Authority used increased borrowings to assist with funding property, plant and equipment.

AUTHORITY ACTIVITIES

The Authority is a statutory body under the *Sydney Water Catchment Management Act 1998*.

Its principal role is to manage and protect catchment areas and infrastructure works; to be a supplier of raw water; and to regulate certain activities within catchment areas.

For further information on the Authority, refer to www.sca.nsw.gov.au

CONTROLLED ENTITY

The following controlled entity has not been reported on separately as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name	Website
Sydney Catchment Authority Division	*

* This entity does not have a website.

Sydney Water Corporation

AUDIT OPINION

The audit of the Corporation's financial statements for the year ended 30 June 2010 resulted in a qualified Independent Auditor's Report. The qualification related to assets and liabilities of the Build-Own-Operate (BOO) schemes not being recognised in the Corporation's statement of financial position. The audit report for 2008-09 was similarly qualified.

The audits of the financial statements of Sydney Desalination Plant Pty Limited (Sydney Desalination), Australian Water Technologies Pty Ltd and its controlled entity for the year ended 30 June 2010 resulted in unqualified Independent Auditor's Reports.

Unless otherwise stated, the following commentary relates to the consolidated entity.

KEY ISSUES

Desalination Plant

The Corporation completed commissioning the Kurnell desalination plant in June 2010. Commissioning of the plant occurred over time, commencing in January 2010. The plant delivered 20,301 megalitres of desalinated water from January 2010 to 30 June 2010. The plant will operate at full capacity for the first two years as part of the commissioning process.

The desalination plant is a source of 'New Water' under the *Water Industry Competition Act 2006*. The 'New Water' designation is significant because private sector participants are able to establish retail water businesses provided they obtain sufficient quantities of water from 'New Water' sources.

The plant is owned by Sydney Desalination. The Minister for Water granted Sydney Desalination a network operating licence and a retail supplier's licence. The licences were issued under the *Water Industry Competition Act 2006*.

During 2009-10, the Corporation entered into a 30 year water supply agreement with Sydney Desalination.

The plant cost approximately \$90.0 million less than the June 2008 revised forecast. The project costs are outlined in the table below.

Deliverable	Actual Costs (June 2010) \$b	Revised Forecast (June 2008) \$b	Approved Budget# (July 2007) \$b
Desalination plant cost	1.00	1.00	1.00
Water delivery pipeline cost	0.63	0.65	0.57
Development and project management cost	0.17	0.24	0.26
Total project cost	1.80	1.89	1.83

Source: Sydney Water (unaudited).

Based on 250 megalitre per day desalination plant.

The plant will operate at full capacity when dam levels are below 70 per cent and will continue until dam levels are 80 per cent. The Corporation finalised the plant operating regime in September 2010.

The desalination plant has the capacity to provide over 15 per cent of Sydney's current water consumption by producing 250 megalitres of water per day. It has the possibility of scaling up to 500 megalitres (up to 30 per cent of Sydney's drinking water) in the future, if needed.

Information Technology Projects

The Corporation's IT department delivered a capital spend of approximately \$62.0 million during 2009-10 and completed nine major projects. The larger projects delivered are shown in the following table:

Project	Original Budget \$m	Actual Cost \$m	Original Service Delivery Date	Actual Service Delivery Date
Sydney Water Information Management Phase 1	6.9	9.9	June 2010	June 2010
Field Resources Management Phase 2	7.9	7.4	July 2009	November 2009
Email System Replacement	5.9	5.0	June 2010	June 2010
Customer Business Intelligence	2.8	2.8	February 2010	December 2009
Enterprise Portal Integration	3.6	3.7	March 2010	June 2010

Source: Sydney Water (unaudited).

The main reason for the increase in the cost of the Sydney Water Information Management Phase 1 was the need to purchase software as a single software suite. This required a licence in Phase 1, which will be offset, at a program level, by a reduction to the Phase 2 software budget.

The Corporation's capital program includes a number of significant information technology projects still being delivered. Some of these projects and their key deliverables are detailed below.

Project	Original Budget \$m	Revised Budget \$m	Original Service Delivery Date	Revised Service Delivery Date
Customer Management System - Stage 1	21.0	55.3	August 2009	February/ March 2011
Maximo consolidation	18.4	31.3	August 2009	na
Sydney Water Information Management Program	24.0	24.0	June 2011	June 2011

Source: Sydney Water (unaudited).

na: Revised delivery date currently being reassessed.

The Customer Management System (CMS) is a two stage project expected to cost \$68.9 million. The design phase of the project is complete and on track for delivery in March 2011. The design phase of the project is within the revised budget of \$55.3 million. The original budget for this stage of the project was found to be inadequate after receiving quotes from prospective service providers. The project objectives are to improve customer service, reduce reliance on multiple unsupportable systems and reduce operating costs. Once implemented, the Corporation expects the system to reduce operating costs over \$1.9 million a year as well as significantly reducing the cost of replacing the Corporation's billing system, due in the next five years.

The first phase of the Maximo consolidation project has been completed and became operational on 20 September 2010. The final phase of the project is delayed and will not be delivered in October 2010 as reported last year. The main cause for the revised delivery date is the additional effort required for the development and testing of Hydra, Sydney Water's geographic information system. The Corporation's IT department is preparing a business case variation to account for a further increase in the revised budget of approximately \$9.0 million (not included in the above table) and a delay in the service delivery date. At the time of writing, an assessment of the service delivery date is being made.

The Corporation's Information Management Program will replace a number of disparate document management systems and deliver new systems to better access and share information. The Corporation advises that this project is on track to the approved schedule and budget.

PERFORMANCE INFORMATION

Independent Pricing and Regulatory Tribunal (IPART) Operational Audit

This audit found the Corporation managed its resources to achieve full compliance. The results of the last five operational audits are summarised in the table below. The table shows the Corporation's performance is stable. At the time of writing, IPART has not issued the results of its 2009-10 operational audit.

Compliance with Operating Licence Year ended 30 June	2009 %	2008 %	2007 %	2006 %	2005 %
Full compliance	100	100	97	86	71
High compliance	--	--	3	12	19
Partial compliance	--	--	--	2	6
Low compliance	--	--	--	--	1
Non-compliance	--	--	--	--	--
Insufficient information	--	--	--	--	3

Source: IPART Sydney Water Corporation Operational Audit 2008-09.

Water Conservation

Under its Operating Licence, the Corporation must reduce total water consumption to 329 litres per capita per day by 30 June 2011. Water consumption over time is detailed in the table below.

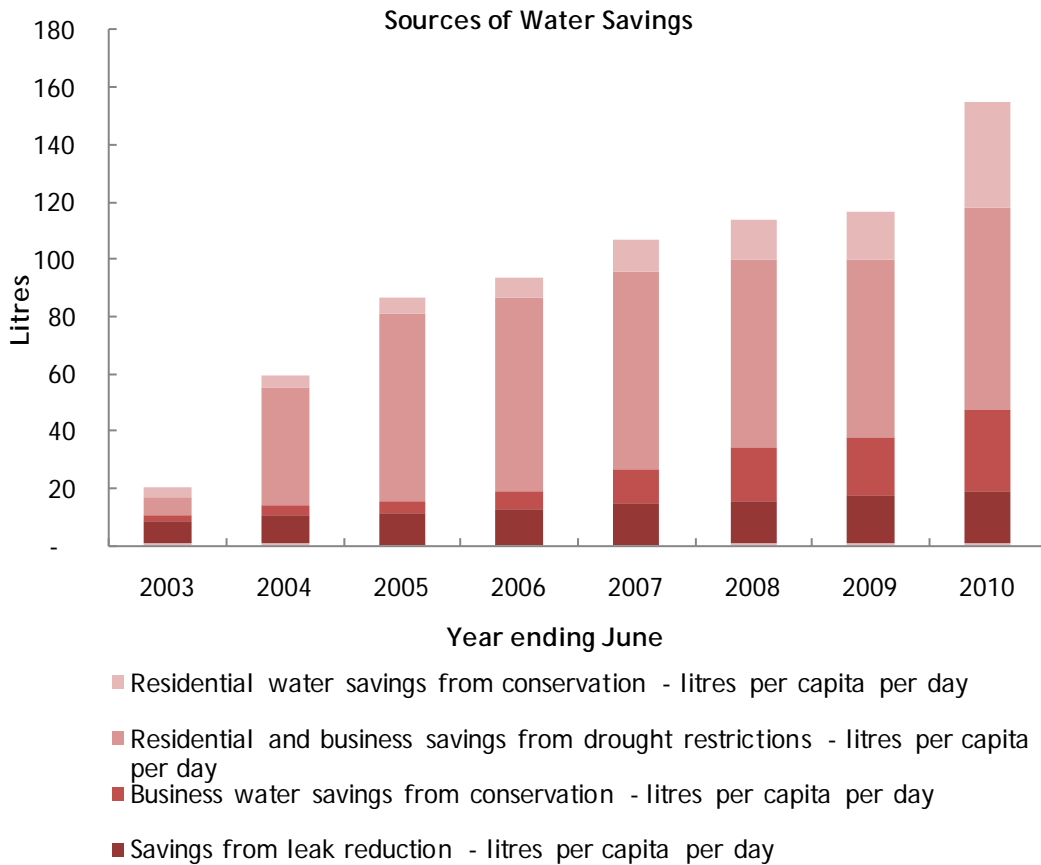
Year ended 30 June	Target	Actual				
	2011	2010	2009	2008	2007	2006
Water consumption per capita per day (litres) including the effect of water restrictions	329	309	310	308	326	335

Source: Sydney Water (unaudited).

Water consumption remained fairly stable from 2007-08 to 2009-10. This is despite a hot and dry summer and 2009-10 being the first full year without drought restrictions since 2002-03. The Corporation attributes this year's water consumption to retained customer behaviours and the Corporation's initiatives to install and encourage water efficient appliances.

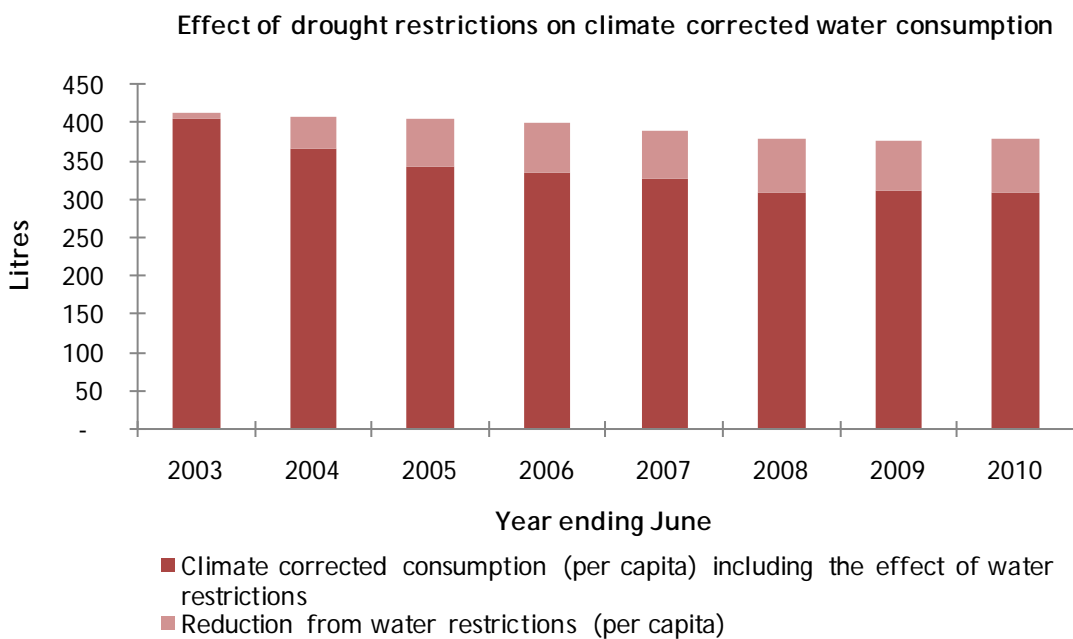
Consumption is currently well below the 2011 target of 329 litres per capita per day. Given the residual effect of drought restrictions so far, the Corporation expects only a small increase in consumption in 2011. The Corporation believes it should still meet the 2011 target and that there will be residual savings of around 90 per cent of the previous Level 3 water restrictions savings during 2010-11.

Water consumption and savings achieved from water restrictions and water conservation initiatives over the last eight years are illustrated in the graph below.



Source: Sydney Water (unaudited).

The following graph demonstrates the significant impact of water restrictions and water wise rules. In the absence of water restrictions, water consumption would have been 380 litres per capita per day. The Corporation estimates that water restrictions resulted in saving about 113,000 megalitres in 2009-10.



Source: Sydney Water (unaudited).

The introduction of mandatory water restrictions from 1 October 2003 has led to significant water savings over the period to June 2009. Savings of 63,000 megalitres in 2003-04 increased to 100,000 megalitres in 2004-05 following the introduction of tighter level 2 water restrictions in June 2004. Level 3 restrictions were introduced in June 2005 increasing savings to 104,000 megalitres in 2005-06. Savings have remained at around 100,000 megalitres a year since then, a trend that has continued following the lifting of the level 3 restrictions and the introduction of water wise rules in 22 June 2009.

In 2009-10, excluding the impact of water wise rules, the biggest contributor to water savings under the Corporation's water conservation strategy was the non-residential sector.

Recycling

The table below shows the volume of water recycled to replace potable water use by the Corporation over the last three years.

Year ended 30 June	2010	2009	2008
Volume of recycled water (gigalitres)	33.7	25.4	24.2
Recycled water as a percentage of total effluent discharged (%)	7.5	5.3	4.4

Source: Sydney Water (unaudited).

The New South Wales Government's '2010 Metropolitan Water Plan' target is for about 70 gigalitres of wastewater to be recycled for industry, irrigation and residential use.

Total recycled water supplied in 2009-10, from all sources, was about 35.8 gigalitres (27.2 gigalitres), all of which represented savings in potable supply.

Most recycling projects need to be commercially viable and it is difficult to obtain customer commitment over the long life of recycling projects. IPART ordinarily excludes the cost of recycling projects from water charges. The exception is when the Minister for Water directs the Corporation to participate in the project. The Minister directed the Corporation to participate in the Western Sydney Recycled Water Initiative Replacement Flows project and the Camellia Recycled Water project.

During 2008-09, the Corporation entered into a public private partnership agreement for a recycled water project in the Rosehill Camellia area. This project is expected to deliver a minimum of 10.5 megalitres per day. The planned initial plant capacity is 20 megalitres per day, the plant can be expanded by a further five megalitres per day as demand increases.

The Corporation also commenced work in 2008-09 on the Western Sydney Recycled Water Initiative Replacement Flows project. This is a major recycled water plant at St Mary's in western Sydney. It is designed to replace 18,000 megalitres per year of dam water currently used to provide environmental flows in the Hawkesbury river system. Commissioning of the plant commenced in late March 2010 and it had produced almost 2,000 megalitres of water by June 2010.

The Corporation is also constructing the Hoxton Park Recycled Water Scheme in south western Sydney. The scheme will supply about 900 million litres of recycled water to businesses and about 7,000 homes by 2015. This major recycled water scheme will be commissioned in two stages from 2013 and will eventually serve Edmondson Park, Middleton Grange, Ingleburn Gardens, Yarrunga Industrial Area and Panorama Estate. The Minister directed the Corporation to participate in this project.

Construction of the Hoxton Park Recycled Water Scheme's recycled water pipelines started in May 2008 and much of this work is now complete.

Since 1995, the Corporation has increased the amount of recycled water used in its sewage treatment plants from 17 to 45 megalitres per day, significantly reducing the volume of drinking water used at the plants.

Water Loss from the Water Distribution System

Water loss from the water distribution system has reduced from 68,652 megalitres in 2002-03 to 35,323 in 2009-10, a reduction of 48.5 per cent.

The table below summarises water losses because of breaks and leaks in the water distribution system.

Year ended 30 June	2010	2009	2008
Volume of water loss (megalitres)	35,323	38,445	42,995
Water loss compared to water supplied* (%)	7.0	7.3	8.2
Costs incurred to reduce water loss (\$m)	139.1	140.0	121.2

Source: Sydney Water (unaudited).

* Compared to the baseline water supplied in 2005-06.

Under its Operating Licence, the Corporation had to reduce water loss to no more than 105 megalitres per day (38,325 megalitres per year) by 30 June 2009. The Corporation met this target this year.

In 2009-10, the Corporation's Active Leak Detection Program inspected and repaired 21,195 kilometres of pipeline (21,021 kilometres). It believes this annual inspection program is the main reason for the significant decrease in water loss since 2002-03.

To extend its water efficiency efforts, the Corporation has continued its pilot programs targeting business and residential water efficiency. The HiRise pilot involves 20 high rise buildings, saving about 85 megalitres per year. The Corporation sent 1,063 letters to residents with suspected leaks and identified 106 concealed leaks as part of Residential Concealed Leak Detection and Repair pilot.

To reduce water loss further, the Corporation relies primarily on savings from its water pressure management program and systematic renewals of the water delivery network. The water pressure program involves setting up multiple pressure control zones to reduce pressure, which in turns reduces breaks, leaks and water usage. To 30 June 2010, the Corporation estimates the program reduced water loss by approximately 4,800 megalitres per year and is forecast to reduce water loss by a total of over 10,000 megalitres per year by 2012.

The Corporation is currently operating near the middle of its assessed economic level of leakages. The Corporation believes the economic level of reducing water loss is at the point where costs associated with water loss reduction equal the benefits derived from water savings. Reducing water loss beyond this point would cost more than producing the lost water from another source. The Corporation reassesses the economic level of leakage each year as understanding improves and circumstances change. In 2008-09, the economic level of leakage was assessed to be in the range of 34,000 to 46,000 megalitres per year.

Response Times

The table below shows the percentage of calls reporting water main breaks and leaks responded to by the Corporation within the target time. The response times and targets are set out in the Corporation's Operating Licence.

Year ended 30 June	Target %	Actual		
		2010 %	2009 %	2008 %
Priority 6 (stop water loss within 2 hours)	70	82.0	78.3	77.9
Priority 6 (stop water loss within 3 hours)	90	93.0	90.8	91.6
Priority 5 (stop water loss within 3 hours)	65	75.7	73.1	72.1
Priority 5 (stop water loss within 6 hours)	85	95.0	93.7	92.9
Priority 4 (stop water loss by the end of next working day)	50	82.2	80.5	76.4
Priority 4 (stop water loss within 5 days)*	100	98.7	98.3	96.6

Source: Sydney Water (unaudited).

* the Operating Licence recognises that Sydney Water will not be able to respond to 100 per cent of jobs within five days and requests all instances of non-compliance be reported along with the reason for non-compliance.

In 2009-10, the Corporation met response time targets except for the requirement to stop the loss of water from Priority 4 leaks within five days. Only 22 out of 1,714 Priority 4 breaks and leaks did not meet the target during 2009-10.

A Priority 6 is defined as a high flow of water causing an immediate danger to people, property or the environment. Typically this involves water gushing from the ground and results in a major water loss. A leak is classified as Priority 5 when it is running at a rate greater than the full flow of a garden tap. Priorities 6 and 5 have tiered response time measures and targets.

Performance Report

The table below shows the Corporation's performance over the past five years on some key indicators.

Year ended 30 June	2010	2009	2008	2007	2006
Volume of water consumed (kilolitres per residential property)	204.6	197.7	182.0	199.0	203.0
Water quality complaints per 1,000 properties	0.3	0.6	0.9	0.8	0.8
Average frequency of unplanned water interruptions per 1,000 properties	4.3	4.5	5.2	5.7	6.1
Water main breaks and leaks per 100 km	28.4	33.7	30.0	35.1	42.5
Sewer main breaks and chokes per 100 km	56.0	51.1	64.2	90.1	87.1
Water recycled (% of total effluent)	7.3	5.3	4.4	4.4	3.2
Water leakage (Infrastructure Leakage Index) (%)	1.3	1.4	1.5	1.5	1.5

Source: Figures for 2006 to 2009 from National Performance Report 2008-09. The 2009-10 figures provided by Sydney Water (unaudited).

The volume of water consumed in 2009-10 is in line with the trend in recent years. This is attributed to Sydney's weather conditions and the impact of the Corporation's water conservation strategies.

There were 56 sewer main breaks and chokes per 100 kilometres in 2009-10 compared with approximately 51 in 2008-09. The Corporation's performance has averaged around 77 sewer main breaks per 100 kilometres of sewer mains over the past 14 years. It varies considerably from lows of around 51 to peaks of up to 112.

The Corporation's water leakage index improved slightly to 1.3. Further information on this is provided under the heading 'Water Loss from the Water Distribution System'. The International Water Association believes an infrastructure leakage index between 1.0 and 2.9 indicates an entity is making a substantial effort to manage and maintain its infrastructure, and to ensure all detected leaks and breaks are promptly repaired.

Wastewater Services

The Corporation operates its sewerage treatment plants and sewer pumping stations in accordance with licence conditions set by the Department of Environment, Climate Change and Water (DECCW). The table below highlights the Corporation's compliance with those licence conditions.

Year ended 30 June	2010	2009	2008	2007
Total number of Penalty Infringement Notices issued by DECCW (usually relating to prior year non-compliances)	--	2	--	2
Total number of licence non-compliances	180	131	155	243

Source: Sydney Water (unaudited).

DECCW issued no penalty infringement notices to Sydney Water during 2009-10 (2 in 2008-09). The majority, 119 licence non-compliances, related to overflows from the reticulation networks, with tree roots being the major cause. Sydney Water also had 27 monitoring non-compliances, which largely related to being unable to collect sea urchins for toxicity testing.

Under its Operating Licence, Sydney Water must ensure no more than 25,000 properties are affected by an uncontrolled dry weather overflow each year. In 2009-10, 17,263 private properties were affected by sewage overflows, compared with 16,028 in 2008-09.

Maintenance Activities

The table below shows the Corporation completed most of its planned maintenance for 2009-10. The results are not significantly different from the previous year.

Year ended 30 June	2010	2009	2008
Total planned maintenance completed for network and treatment assets (%)	104.1	103.2	97.4
Total planned maintenance completed for critical assets (%)	100.0	100.6	96.8
Maintenance work completed on time (%)	80.0	84.0	92.0
Budgeted maintenance expenditure (\$m)	223.0	212.4	187.7
Actual maintenance expenditure (\$m)	229.8	211.6	196.6
Backlog maintenance (number of jobs)	4,123	5,046	6,924
Backlog maintenance (\$m)	8.9	9.3	8.8

Source: Sydney Water (unaudited).

The Corporation's strategy is to optimise the maintenance of assets to ensure service delivery occurs at the lowest life cycle cost within acceptable risk.

During 2009-10, the Corporation completed 205,005 (208,020) maintenance jobs.

Backlog maintenance declined to approximately 4,100 jobs (5,046) in 2009-10. The decline is due to an increase in maintenance expenditure that resulted in a reduction of backlog maintenance. The Corporation believes this level of backlog maintenance is acceptable as it allows efficient scheduling and continuation of workflow. Backlog maintenance is lower priority maintenance work. No formal plan is in place to reduce backlog maintenance by a certain date and/or by a certain percentage. The Corporation monitors backlog maintenance each month to ensure critical work is not delayed.

Maintenance work completed on time declined to 80 per cent (84 per cent) in 2009-10. The decline is due to the temporary suspension of waste water traverses due to a safety incident. The resulting backlog was not fully cleared in 2009-10, and is expected to be cleared in the 2010-11 financial year.

For pipework, the Corporation uses a maintenance risk assessment to split assets into 'Avoid-Fail' and 'Run-to-Fail'. 'Avoid-Fail' assets are subject to a preventative maintenance program to deliver lowest life cycle costs. 'Run-to-Fail' categorised assets have a low consequence of failure and to manage these effectively and cost efficiently, the Corporation has a full time response capability. The Corporation renews the assets when the cost of maintenance exceeds the renewal costs.

For facilities, the Corporation's planned maintenance Work Programmes are shifting from a 'time basis' to condition assessment approach, which factors in the risk of failure and the consequence the failure would have on customers. Condition assessments are based on inputs from the Corporation's Operations, Maintenance Reliability Engineering and Maintenance Delivery teams, applying the relevant asset decision frameworks to develop forward maintenance or renewal Work Plans.

Carbon Neutrality

The Corporation is committed to being carbon neutral by 2020 for its energy and electricity use.

The Corporation offset approximately 44.9 per cent of its CO₂ equivalents from its energy and electricity use during 2009-10 and estimates its emissions from energy and electricity use were 463,954 tonnes of CO₂ equivalents. Of this amount, the Corporation surrendered internally generated New South Wales Greenhouse Gas Abatement Certificates equal to 208,311 tonnes of CO₂ equivalents.

Capital Structure

The Corporation has established capital structure targets to help it achieve a credit rating of BBB+ no later than June 2016. The Corporation's most recent rating from Moody's is Baa2. This is an investment grade rating, but is slightly lower than the previous Fitch rating of BBB+.

The Corporation advises the capital structure needed to achieve the higher credit rating will provide more resilience against any adverse change in the economic environment.

The board last reviewed the Corporation's capital Structure in February 2010.

OTHER INFORMATION

Rouse Hill Dispute

The Corporation will pay \$1.3 million to a contractor engaged by the Corporation in 2004 to procure the finance and design, supply, construct and commission water related infrastructure in the Rouse Hill Stage 3 Area. This was the outcome of an independent arbitration and was less than the contractor's claim of approximately \$2.1 million. I first commented on this matter in my 2009 Report to Parliament.

I understand the same contractor also believes it has the right to complete all water related infrastructure works in the North West Growth Sector under the Other Stages Deed signed in 1992. The Corporation disputes this and the matter remains unresolved.

Review of Major Capital Projects

The Corporation's capital expenditure in 2009-10 was \$1.1 billion (excluding capitalised interest). The Corporation's Statement of Corporate Intent (SCI) had a target of \$1.1 billion for capital expenditure.

The original and current cost estimates and service delivery dates for all capital projects with an original cost above \$50.0 million are listed in the table below.

Project	Original Cost Estimate (and year) \$m	Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ estimated Service Delivery Date
Completed during 2009-10:				
Desalination Project	1,833 (2007)	1,806	Late 2009/ Early 2010	January 2010 ¹
North Head Sewerage Treatment Plant	106 (2003)	146	Mid 2009	December 2009
In progress at 30 June 2010:				
Replacement Flows	265 (2006)	210	Late 2009	October 2010
Freemans Reach, Glossodia, Wilberforce Sewerage Scheme	138 (2008)	126	Late 2011	March 2011 ²
North West Growth Centre (Package 1)	133 (2007)	99	Late 2010	Early 2011
Hoxton Park Recycled Water	65 (2006)	99	Mid 2009	Mid 2013
Hawkesbury Heights, Yellow Rock Sewerage Scheme	56 (2008)	57	Late 2010	July 2010 ²

Source: Sydney Water (unaudited).

1 - first water was pumped into the distribution network in January 2010 and final completion was achieved in June 2010

2 - service delivery date to complete sewerage reticulation and available for connection to properties.

Most projects in progress are tracking within original cost estimates or are forecast to spend less than the original cost estimate.

The increase in the cost of the:

- North Head Sewerage Treatment Plant project is due to a re-evaluation of the design development, cost escalation and tender prices
- Hoxton Park Recycled Water Scheme is largely due to a revised scope of works
- Hawkesbury Heights and Yellow Rock Sewerage Scheme is based on the New South Wales Government's directive to extend the service area.

The delays in service delivery are mainly due to scope changes and delays in obtaining regulatory approvals.

The Corporation achieved approximately \$94.0 million of capital efficiencies in 2009-10 largely from the Desalination Project. Efficiencies resulted from savings achieved from the Desalination water delivery alliance and the reduction of contingencies.

The Corporation considers the overall risk profile of its capital program to be low.

Excess Annual Leave balances

At 30 June 2010, 782 (880) employees have accrued more than 40 days of annual leave entitlements. This represents 25 per cent (27 per cent) of all employees. The accumulation of excessive annual leave entitlements results in increased financial costs to Sydney Water because these entitlements will be paid out at higher salary rates in the future and may have occupational health and safety implications. Allowing excess annual leave balances means staff performing key control functions may not be rotated regularly, which is a preventive control against fraud.

Under the Corporation's new Enterprise Agreement, Sydney Water has implemented a policy that all employees must take their full entitlement to annual leave each year. Employees are being encouraged to take at least 20 days annual leave. They can cash in balances over 20 days as long as they have cleared at least 20 days of annual leave in the previous year. Elections to cash in annual leave must be made in writing. The Corporation is yet to see the full effect of this new Agreement on its employees' leave balances.

Overtime

I recommend Sydney Water review the effectiveness of its existing policies for managing overtime.

The Corporation incurred overtime costs during 2009-10 of \$24.3 million (\$26.3 million). These costs represent eight per cent (nine per cent) of total employee related expenses and 13 per cent (13.3 per cent) of total employees' base pays during the year.

The number of employees and overtime paid as a percentage of base pay are as follows:

Year ended 30 June	2010		2009	
	Number of employees earning overtime	Overtime paid \$'000	Number of employees earning overtime	Overtime paid \$'000
100+	13	811	14	908
91 - 100	9	428	13	627
81 - 90	25	1,123	20	973
71 - 80	37	1,447	47	1,882
61 - 70	72	2,650	96	3,453
51 - 60	113	3,534	119	3,800
41 - 50	148	4,182	151	4,156
31 - 40	139	3,220	130	3,018
21 - 30	180	3,120	176	2,936
11 - 20	206	2,151	248	2,547
>0 - 10	728	1,599	785	2,010
Total	1,670	24,265	1,799	26,310

Source: Sydney Water (unaudited).

Our review identified employees who received more than their base salary as overtime. The number of employees who received overtime during the year represents 52.5 per cent (56.1 per cent) of the Corporation's total employees. This suggests that either there is a significant gap between the number of employees and work requirements of the Corporation or there are inefficiencies in delivery of those work requirements. High levels of overtime worked by employees may also lead to occupational health and safety issues.

Workforce Ageing

I recommend Sydney Water continue to implement and monitor its existing Workforce Planning policies for managing its ageing workforce.

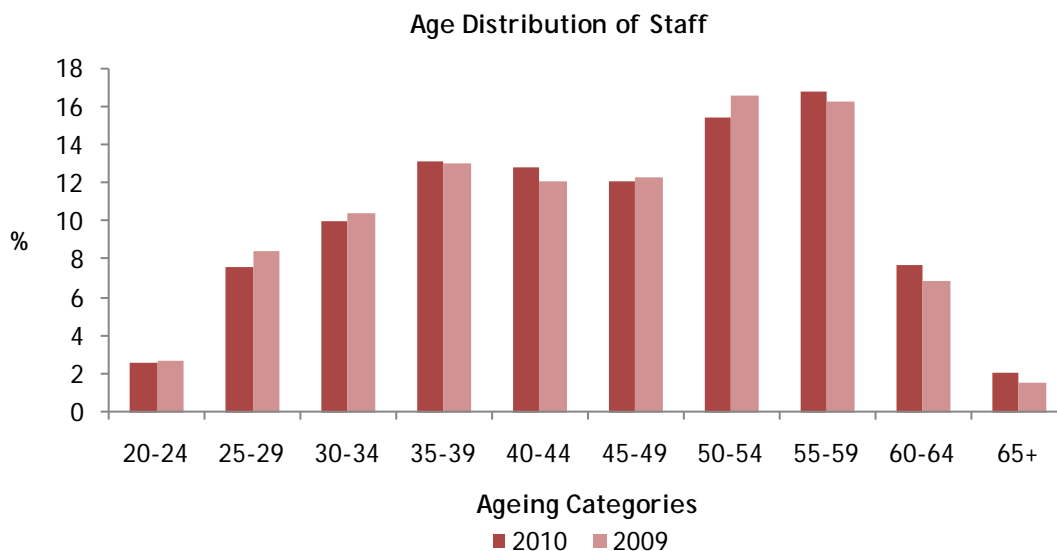
The Corporation faces challenges from the potential loss of a large number of retiring employees as supported by the following Corporation's statistics:

- 26.5 per cent are aged 55 years and over
- 41.9 per cent are aged 50 years and over.

Year ended 30 June Age Group	2010		2009	
	Number of Employees	%	Number of Employees	%
20 - 49	1,757	58.1	1,868	58.9
50 - 54	467	15.4	524	16.5
55 - 59	509	16.8	514	16.2
60 - 64	232	7.6	219	6.9
65+	63	2.1	48	1.5
Total	3,028	100	3,173	100

Source: Sydney Water (unaudited).

The graph below further demonstrates the age structure of employees:



Sydney Water has a low voluntary staff turnover. When combined with forecast retirements, Sydney Water predicts that total staff turnover will peak in 2016 at between 8 and 10 per cent per annum.

Sydney Water has Workforce Plans in place to manage the effects of ageing staff in the workforce. During 2009-10, Sydney Water improved workforce capability through the employment of apprentices, trainees and graduates. The recruitment program aims to transfer knowledge to the next generation. Phased retirements also help to accommodate the loss of experienced staff aged over 55 who have critical skills and knowledge.

To help ensure an adequate supply of employees in the future, the Corporation should actively monitor its workforce age profile and the strategies in place to develop, attract and retain staff whose skills are aligned with the strategic direction of the Corporation.

Employment of Contract Employees

I recommend Sydney Water:

- create and maintain a single register for contracted employees
- using this register, review the effectiveness of its existing policies for employment of contract employees to ensure:
 - reliance on contractors is not excessive
 - use of contract employees instead of permanent employees is appropriate
 - contractors do not become de facto employees by virtue of being with the Corporation for an extended period of time
 - use of contract employees continues to represent value for money.

I understand the Corporation uses contract employees, particularly in Information Technology (IT). IT has a recurring process to review the IT agencies it uses to hire contractors, but not at contract employee level. IT has nine agencies who have been working with it to engage contractors for three or more years.

The lack of a central register for contract employees increases the risk of Corporation not being able to determine, monitor and analyse:

- the total cost of contract employees
- the total number of contract employees
- the period of service for all contract employees.

The Corporation needs to review its practices for managing to contract employees to help ensure it achieves the desired outcomes and complies with all applicable laws and regulations.

FINANCIAL INFORMATION

Abridged Consolidated Statements of Comprehensive Income

Year ended 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Service charges	950,527	880,496	950,527	880,496
Usage charges	943,988	787,911	943,988	787,911
Other	292,866	289,326	305,197	303,365
OPERATING REVENUE	2,187,381	1,957,733	2,199,712	1,971,772
Employee related expenses	311,877	284,610	313,458	287,525
Bulk water	195,374	175,135	230,823	175,135
Water treatment	104,420	104,515	104,420	104,515
Maintenance and operational services	223,835	189,317	225,838	199,970
Finance costs	291,153	234,839	287,960	235,014
Depreciation and amortisation	169,581	158,073	167,809	158,073
Other	253,447	353,408	260,495	354,246
OPERATING EXPENSES	1,549,687	1,499,897	1,590,803	1,514,478
PROFIT BEFORE INCOME TAX	637,694	457,836	608,909	457,294
Income tax expense	191,840	207,072	192,710	206,866
PROFIT AFTER TAX	445,854	250,764	416,199	250,428
OTHER COMPREHENSIVE INCOME				
Gains/(Losses) on revaluation of assets	23,543	(1,163,163)	23,543	(1,163,163)
Superannuation actuarial losses	(51,450)	(243,253)	(51,450)	(243,253)
Other gains/(losses)	37	1,052	(5)	868
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	417,984	(1,154,600)	388,287	(1,155,120)

The increase in service and usage charges is consistent with the increase in prices determined by IPART.

The increase in borrowing expenses is due to an increasing debt portfolio used to fund its capital works program. The decrease in other expenses is due to a reversal in the impairment loss of property plant and equipment during the year.

Abridged Consolidated Statements of Financial Position

At 30 June	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current assets	322,537	263,918	319,184	259,414
Non-current assets	13,633,870	12,449,572	12,411,160	11,446,710
TOTAL ASSETS	13,956,407	12,713,490	12,730,344	11,706,124
Current liabilities	978,615	1,005,180	956,030	940,727
Non-current liabilities	7,410,547	6,326,983	6,244,190	5,391,560
TOTAL LIABILITIES	8,389,162	7,332,163	7,200,220	6,332,287
NET ASSETS	5,567,245	5,381,327	5,530,124	5,373,837

The increase in non-current assets is mainly due to the capitalisation of project costs particularly for the desalination plant.

The increase in non-current liabilities is due to additional borrowings of \$724 million to fund major projects. There is also an increase in deferred tax liabilities by \$65.1 million, which is consistent with the tax effect of movements in the asset revaluation reserve and an increase in unfunded defined benefits superannuation of \$64.0 million.

THE CORPORATION'S ACTIVITIES

The Corporation is a statutory State owned corporation established under the *Sydney Water Act 1994*. It provides sustainable water services to the communities it services, and has as its principal objectives the protection of public health, the protection of the environment, and to be a successful business.

For further information on the Corporation, refer to www.sydneywater.com.au.

CONTROLLED ENTITIES

Sydney Desalination Plant Pty Limited

Year ended 30 June	2010 \$'000	2009 \$'000
Loss	2,304	12
Assets	1,306,985	1,084,627
Liabilities	1,214,540	1,015,286
Net assets (at 30 June)	92,445	69,341

The company is a wholly owned subsidiary of the Corporation and owns the desalination plant. It is the contracting party for the plant construction and operation including the renewable energy contract.

The company's assets and liabilities increased as construction of the plant was completed.

The following controlled entities have not been reported on separately as they are not considered material by their size or the nature of their operations to the consolidated entity.

Entity Name	Website
Australian Water Technologies Pty Ltd	*
AWT International (Thailand) Limited	*

* This entity does not have a website.

Wyong Water Supply Authority

AUDIT OPINION

The audit of the Authority's financial statements for the year ended 30 June 2010 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

Central Coast Water Corporation

The *Central Coast Water Corporation Act 2006* is expected to commence late 2010 and be implemented in 2011. Under this Act, the water supply and sewerage activities of Wyong Shire and Gosford City Councils will merge into a single entity to be known as the Central Coast Water Corporation (the Corporation). The Corporation will be established in planned stages over approximately five years. The initial phase of the Corporation will be strategic planning, strategic operational controls, and auditing and strategic monitoring, with the progressive transfer of staff and assets/liabilities to the Corporation until it is fully operational.

The merger is expected to increase efficiencies in a number of areas such as planning, environmental issues and drought management whilst maintaining benefits to the Central Coast community.

Dividend

The Authority paid a dividend of \$342,000 (\$342,000 in 2008-09) to Wyong Shire Council. Local government water and sewerage supply businesses are permitted to pay annual dividends to councils from operating surpluses.

PERFORMANCE INFORMATION

The table below shows the Authority's performance over the past five years on some key indicators.

Year ended 30 June	2010	2009	2008	2007
Average volume of water consumed (kilolitres) per residential property	153	141	146	139
Water quality complaints per 1,000 properties	4.9	4.9	3.4	7.2
Average frequency of unplanned water supply interruptions per 1,000 properties	59.9	58.8	39.0	33.0
Water main breaks per 100 km of water main	6.0	8.6	4.0	4.0
Water losses (kilolitres/water main kilometre/day)	1.5	1.5	1.5	1.4
Total connection sewer main breaks and chokes per 100 kilometres of sewer main	47.4	47.7	46.6	38.0
Percentage of sewage treated to a secondary level	93.0	91.0	92.0	91.0
Percentage of sewage treated to a tertiary level	7.0	9.0	8.0	9.0

Source: Figures for 2006 to 2009 from National Water Commission Reports. The 2009-10 figures provided by Wyong Water (unaudited)

The average volume of residential water usage in 2009-10 reflects a continuing recovery in usage from the recent drought.

The current trend in water quality complaints per 1,000 properties reflects the impact of significant Central Coast water supply augmentation works undertaken in Wyong Shire over the last two years. These works required major system operational adjustments in the water supply network which have resulted in changes to flow patterns in pipe work and can at times destabilise pipe sediment resulting in water quality complaints. At the completion of the current augmentation works the Authority expects the level of complaints to reduce.

Although the frequency of unplanned water supply interruptions per 1,000 properties increased the Authority has in place programs to progressively renew older sewerage mains, particularly root damaged vitreous clay pipe work.

The number of connection sewer main breaks and chokes per 100 kilometres of sewer main changed slightly from last year. To minimise blockages the Authority has in place a programme to progressively renew older sewerage mains particularly root damaged vitreous clay pipe work.

While all sewage is treated to a secondary quality standard some of this undergoes further treatment to a tertiary standard for subsequent distribution for non-potable outdoor water use, such as golf course watering. As non-potable use is highly weather dependent, the relative proportion of its use when compared to secondary quality water can vary from year to year. This situation is ongoing.

OTHER INFORMATION

Review of Major Capital Projects

The Authority's capital expenditure in 2009-10 was \$69.6 million for water supply and \$5.9 million for sewerage projects. The Authority had targets of \$93.0 million for water supply and \$9.9 million for sewerage projects. The variances between actual and target capital expenditure were due to delays in tender processes of water supply projects and development process of sewerage projects.

The original and current cost estimates and service delivery dates for capital projects with an original cost above \$10.0 million are listed in the table below.

Project	Original Cost Estimate (and year) \$m	Current Cost Estimate \$m	Original Service Delivery Date	Achieved/ estimated Service Delivery Date
In progress at 30 June 2010:				
Mardi to Mangrove Link	110 (2008)	121	June 2010	June 2011
Mardi Suite of Works	59 (2008)	56	August 2010	November 2010

Source: Wyong Water (unaudited).

The revised estimates represent successful the tender prices achieved for these projects. The revised delivery dates are due to the preconstruction delays mentioned earlier and normal site delays, such as wet weather.

The aim of the Mardi to Mangrove Link project is to increase yield and drought security on the Central Coast. It includes a 21.1 kilometre buried water pipeline, new pumps and other associated works.

The Mardi Suite for Works project will provide additional transfer capacity between Mardi Dam and Mardi Water Treatment Works and a larger capacity to transfer bulk water to Gosford.

The Authority considers the overall risk profile of its capital program to be low.

FINANCIAL INFORMATION

Abridged Statement of Comprehensive Income

Year ended 30 June	2010 \$'000	2009 \$'000
Service charges	37,485	30,672
Usage charges	22,464	20,358
Other	27,236	7,872
TOTAL REVENUE	87,185	58,902
TOTAL EXPENSES	79,262	81,192
SURPLUS/(DEFICIT)	7,923	(22,290)
OTHER COMPREHENSIVE INCOME		
Gain on revaluation of infrastructure, property, plant and equipment	91,017	31,041
TOTAL OTHER COMPREHENSIVE INCOME	91,017	31,041
TOTAL COMPREHENSIVE INCOME	98,940	8,751

The increase in service and usage charges is mainly due to increased water charges during the year in line with the IPART determination. Other revenue increased mainly due to \$12.8 million in grants to fund the Mardi-Mangrove link project.

The Authority revalued water and sewerage assets at 30 June 2010 using cost indexation factors provided in the NSW Office of Water's Rates Reference Manual. This increased the values of these assets by \$91.0 million.

Abridged Statement of Financial Position

At 30 June	2010 \$'000	2009 \$'000
Current assets	82,534	56,517
Non-current assets	1,145,900	1,024,102
TOTAL ASSETS	1,228,434	1,080,619
Current liabilities	32,990	40,452
Non-current liabilities	161,949	105,270
TOTAL LIABILITIES	194,939	145,722
NET ASSETS	1,033,495	934,897

The increase in current assets is due to increased grants and additional funds borrowed during the year.

The increase in non-current assets was due to a revaluation of water and sewerage assets and infrastructure addition.

The increase in liabilities was mainly due to increases in accrued expenses and interest bearing loans of \$39.7 million for capital works program.

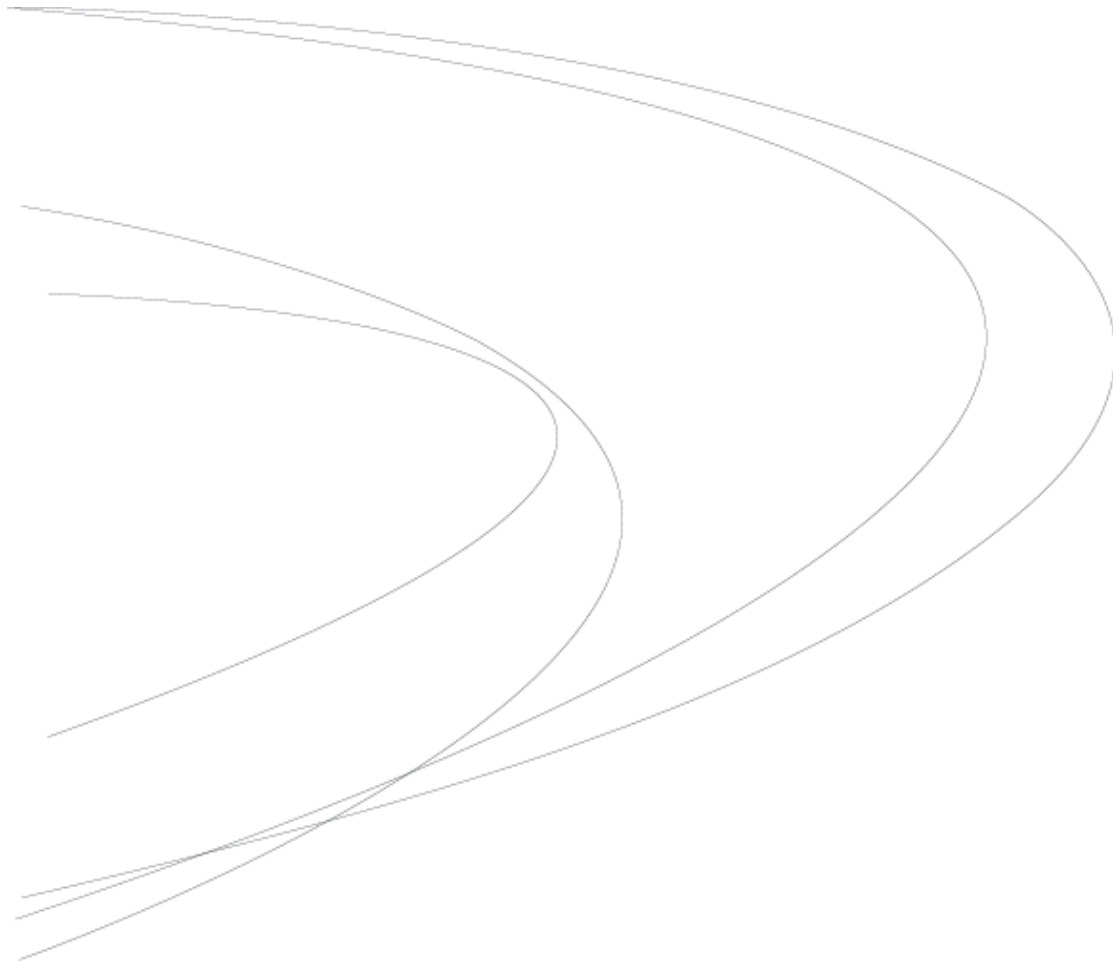
AUTHORITY ACTIVITIES

Wyong Water Supply Authority is part of Wyong Shire Council and provides water, sewerage and related services.

For further information on Wyong Shire Council, refer to www.wyong.nsw.gov.au.

Appendix

Appendix 1 Agencies not reported elsewhere in this Volume



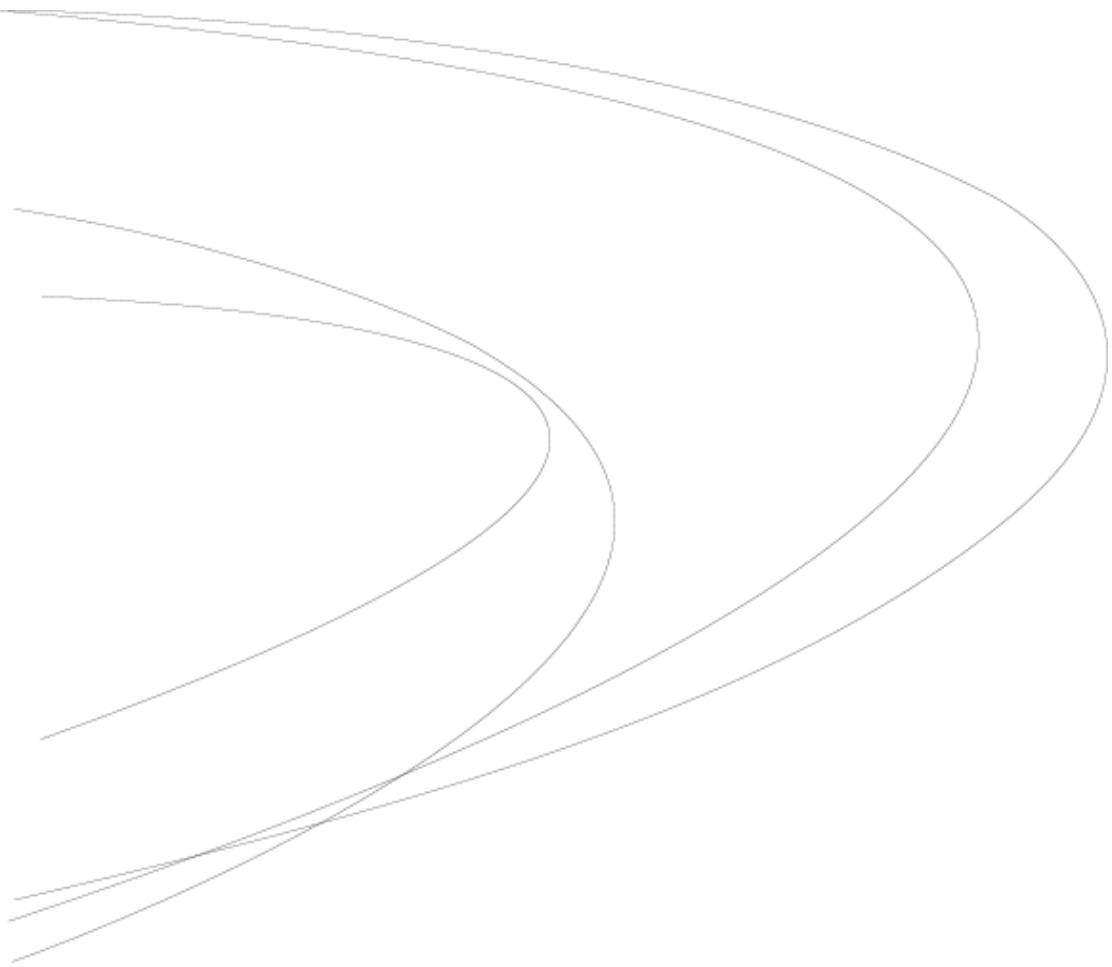
Appendix 1 - Agencies not reported elsewhere in this Volume

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity Name	Website	Period/Year Ended
Border Rivers-Gwydir Catchment Management Authority	www.brg.cma.nsw.gov.au	30 June 2010
Central West Catchment Management Authority	www.cw.cma.nsw.gov.au	30 June 2010
Dams Safety Committee	www.damsafety.nsw.gov.au	30 June 2010
Dumaresq-Barwon Border Rivers Commission	www.brc.gov.au	30 June 2010
Hawkesbury-Nepean Catchment Management Authority	www.hn.cma.nsw.gov.au	30 June 2010
Hunter-Central Rivers Catchment Management Authority	www.hcr.cma.nsw.gov.au	30 June 2010
Jenolan Caves Reserve Trust	www.jenolancaves.org.au	30 June 2010
- Jenolan Caves Reserve Trust Division	*	30 June 2010
Lachlan Catchment Management Authority	www.lachlan.cma.nsw.gov.au	30 June 2010
Lord Howe Island Board	www.lordhoweisland.info/	30 June 2010
Lower Murray - Darling Catchment Management Authority	www.lmd.cma.nsw.gov.au	30 June 2010
Marine Parks Authority	www.mpa.nsw.gov.au	30 June 2010
Murray Catchment Management Authority	www.murray.cma.nsw.gov.au	30 June 2010
Murrumbidgee Catchment Management Authority	www.murrumbidgee.cma.nsw.gov.au	30 June 2010
Namoi Catchment Management Authority	www.namoi.cma.nsw.gov.au	30 June 2010
Northern Rivers Catchment Management Authority	www.northern.cma.nsw.gov.au	30 June 2010
Office of Hawkesbury-Nepean	www.ohn.nsw.gov.au	30 June 2010
Southern Rivers Catchment Management Authority	www.southern.cma.nsw.gov.au	30 June 2010
Sydney Metropolitan Catchment Management Authority	www.sydney.cma.nsw.gov.au	30 June 2010
Upper Parramatta River Catchment Trust	www.uprct.nsw.gov.au	30 June 2010
- Upper Parramatta River Catchment Trust Division	*	30 June 2010
Western Catchment Management Authority	www.western.cma.nsw.gov.au	30 June 2010

* This entity does not have a website.

Index



A	Page	C	
A. C. N. 093 230 374 Pty Limited	Vol 9 2009	C. B. Alexander Foundation	Vol 10 2009
Aboriginal Affairs, Department of	Vol 6 2009	CADRE Design Pty Limited	Vol 2 2010
Aboriginal Affairs, Minister for	Vol 6 2010	CADRE Design Unit Trust	Vol 2 2010
Aboriginal Housing Office	Vol 6 2010	Cancer Institute NSW	Vol 11 2009
Aboriginal Housing Office Group of Staff	Vol 6 2009	Cancer Institute Division	Vol 11 2009
Aboriginal Land Council, New South Wales	Vol 6 2010	Casino, Liquor and Gaming Control Authority	Vol 9 2009
Access Macquarie Ltd	Vol 2 2010	CCP Holdings Pty Limited	Vol 4 2010
accessUTS Pty Limited	Vol 2 2010	Centennial Park and Moore Park Trust	Vol 9 2009
ACN 125 694 546 Pty Ltd	Vol 2 2010	Centennial Parklands Foundation	Vol 9 2009
Adult Migrant English Service, NSW	Vol 9 2009	Central West Catchment Management Authority	99
Ageing, Minister for	Vol 6 2010	Cessnock Uni-Clinic Trust	Vol 2 2010
Ageing, Disability and Home Care, Department of	Vol 6 2009	Charles Sturt Campus Services Limited	Vol 2 2010
Agency Amalgamations	Vol 2 2010	Charles Sturt Foundation Limited	Vol 2 2010
Agencies not reported elsewhere in this Volume	99	Charles Sturt Services Limited	Vol 2 2010
Agricultural Business Research Institute	Vol 2 2010	Charles Sturt University Foundation Trust	Vol 2 2010
Agricultural Scientific Collections Trust	Vol 10 2009	Charles Sturt University	Vol 2 2010
AGSM Limited	Vol 2 2010	Chief Investigator of the Office of Transport Safety Investigations	Vol 10 2009
Ambulance Service of New South Wales	Vol 11 2009	Children, Office for	Vol 9 2009
ANZAC Health and Medical Research Foundation	Vol 11 2009	Chipping Norton Lake Authority	Vol 6 2009
ANZAC Health and Medical Research Foundation Trust Fund	Vol 11 2009	Citizenship, Minister for	Vol 9 2009
Architects Registration Board, NSW	Vol 6 2010	Chiropractors Registration Board	Vol 11 2009
Art Gallery of New South Wales Foundation	Vol 9 2009	City West Housing Pty Limited	Vol 6 2010
Art Gallery of New South Wales Trust	Vol 9 2009	Climate Change and the Environment, Minister for	25
Arts Education Foundation Trust	Vol 9 2009	Clinical Excellence Commission	Vol 11 2009
Arts, Minister for the	Vol 9 2009	Clinical Excellence Commission Special Purpose Service Entity	Vol 11 2009
Arts, Sport and Recreation, Department of the ..	Vol 9 2009	CMBF Limited	Vol 2 2010
Attorney General	Vol 8 2009	Cobar Water Board	51
Attorney General's Department	Vol 8 2009	Cobar Water Board Division	51
Audio Nomad Pty Ltd	Vol 2 2010	Cobbora Coal Unit Trust	Vol 4 2010
Aus Health International Pty Limited	Vol 6 2007	Cobbora Management Company Pty Limited	Vol 4 2010
Australian Centre for Advanced Computing and Communications Pty Ltd	Vol 6 2010	Cobbora Unincorporated Joint Venture	Vol 4 2010
Australian Education Consultancy Limited	Vol 2 2010	COH Property Trust	Vol 2 2010
Australian Institute of Asian Culture and Visual Arts Limited, The	Vol 9 2009	Coffs Harbour Technology Park Limited	Vol 9 2009
Australian Museum Trust	Vol 9 2009	Commerce, Department of	Vol 6 2009
Australian Plant DNA Bank Limited	Vol 2 2010	Commerce, Minister for	Vol 6 2010
Australian Proteome Analysis Facility Limited	Vol 2 2010	Commission for Children and Young People, NSW	Vol 6 2009
Australian Technology Park Precinct Management Ltd	Vol 12 2009	Community Relations Commission, Office of the ..	Vol 9 2009
Australian Water Technologies Pty Ltd	92	Community Relations Commission for a Multicultural New South Wales	Vol 9 2009
AWT International (Thailand) Limited	92	Community Services, Department of	Vol 6 2009
B		Community Services, Minister for	Vol 6 2010
Banana Industry Committee	Vol 10 2009	Compliance Review Report - Total Asset Management	Vol 12 2009
Bandwidth Foundry International Pty Ltd	Vol 2 2010	Cooks Cove Development Corporation	Vol 12 2009
Barangaroo Delivery Authority	Vol 12 2009	Corporation Sole 'Minister Administering the Environmental Planning and Assessment Act, 1979'	Vol 10 2009
Barangaroo Delivery Authority, Office of the	Vol 12 2009	Corporation Sole 'Minister Administering the Heritage Act, 1977'	Vol 10 2009
Belgenny Farm Agricultural Heritage Centre Trust	Vol 1 2010	Corrective Services, Department of	Vol 8 2009
Biobank Pty Limited	Vol 2 2010	Corrective Services, Minister for	Vol 8 2009
Board of Studies, Office of the	Vol 9 2009	Country Energy	Vol 4 2010
Board of Studies, The	Vol 9 2009	Country Energy Gas Pty Limited	Vol 4 2010
Board of Studies Casual Staff Division	Vol 9 2009	Cowra Japanese Garden Maintenance Foundation Limited	Vol 8 2009
Board of Surveying and Spatial Information	Vol 6 2009	Cowra Japanese Garden Trust	Vol 8 2009
Board of Vocational Education and Training, NSW	Vol 2 2010	Crime Commission, New South Wales	Vol 8 2009
Border Rivers-Gwydir Catchment Management Authority	99	Crime Commission, Office of the New South Wales	Vol 8 2009
Bosch Institute, The	Vol 2 2010	Crime Commission Division, New South Wales	Vol 8 2009
Boxing Authority of New South Wales	Vol 2 2010	Crown Employees (NSW Fire Brigades Firefighting Staff, Death and Disability) Superannuation Fund	Vol 5 2010
Brett Whiteley Foundation, The	Vol 9 2009	Crown Entity	Vol 5 2010
Building and Construction Industry Long Service Payments Corporation	Vol 5 2010	Crown Lands Homesites Program	Vol 6 2009
Building Insurers' Guarantee Corporation	Vol 6 2010	Crown Leaseholds Entity	Vol 12 2009
Building Professionals Board	Vol 6 2010	Systemix Pty Limited	Vol 2 2010
Buroba Pty Ltd	Vol 5 2010		
Bush Fire Co-ordinating Committee	Vol 8 2009		
Businesslink Pty Ltd, NSW	Vol 6 2010		

D

Dams Safety Committee	99
Delta Electricity	Vol 4 2010
Delta Electricity Australia Pty Limited.....	Vol 4 2010
Dental Board of New South Wales	Vol 11 2009
Dental Technicians Registration Board	Vol 11 2009
Director of Public Prosecutions, Office of the	Vol 8 2009
Downtown Utilities Pty Limited	Vol 4 2010
Dumaresq-Barwon Border Rivers Commission	99
Duquesne Utilities Pty Ltd.....	Vol 5 2009

E

Education and Training, Department of	Vol 9 2009
Education and Training, Minister for	Vol 5 2010
Education Training Community Television (ETC TV) Limited.....	Vol 2 2010
Election Funding Authority of New South Wales...	Vol 8 2009
Electoral Commission, New South Wales	Vol 8 2009
Electricity Industry Overview	Vol 4 2010
Electricity Tariff Equalisation Ministerial Corporation	Vol 5 2010
Emergency Services, Minister for	Vol 8 2009
Emergency Services Overview	Vol 8 2009
Energy, Minister for	Vol 4 2010
Energy Industries Superannuation Scheme	Vol 5 2010
Energy Investment Fund	Vol 5 2010
EnergyAustralia	Vol 4 2010
EnergyAustralia Pty Limited.....	Vol 4 2010
Environment, Climate Change and Water, Department of	27
Environment Protection Authority	37
Environmental Trust	39
Eraring Energy.....	Vol 4 2010
Events New South Wales Pty Limited	Vol 8 2009

F

Fair Trading Administration Corporation	Vol 6 2010
Fair Trading, Minister for	Vol 6 2010
Festival Development Corporation	Vol 12 2009
Film and Television Office, New South Wales	Vol 9 2009
Finance, Minister for	Vol 5 2010
Financial Counselling Trust Fund	Vol 6 2010
Financial Statements Not Received by Statutory Date (as at 2 June 2010)	Vol 2 2010
Financial Statements Received but Audit Incomplete by Statutory Date (as at 2 June 2010).....	Vol 2 2010
Fire Brigades Superannuation Pty Limited, NSW	Vol 5 2010
Fire Brigades, New South Wales	Vol 8 2009
Food Authority, NSW	Vol 10 2009
Food Authority, Office of the NSW	Vol 10 2009
Forestry Commission Division	Vol 10 2009
Forestry Commission of New South Wales (Trading as Forests NSW)	Vol 10 2009
Foundation for the Historic Houses Trust of New South Wales Limited	Vol 9 2009
Foundation for the Historic Houses Trust of New South Wales.....	Vol 9 2009
Fraud Control Arrangements in Large Government Agencies and Universities (Ten Elements of Fraud Control).....	Vol 2 2010

G

Game Council of New South Wales	Vol 10 2009
Game Council Division	Vol 10 2009
Gaming and Racing, Minister for	Vol 5 2010
Gosford Water Supply Authority	Vol 2 2010
Governance Arrangements for the General Government and Total State Sector Accounts	Vol 2 2010
Government Telecommunications Authority (Telco), New South Wales	Vol 6 2010
GraduateSchool.com Pty Limited.....	Vol 2 2010
Grants to the Transport Workers Union and related parties	Vol 10 2009
Greater Southern Area Health Service.....	Vol 11 2009

Greater Southern Area Health Service Special Purpose Service Entity	Vol 11 2009
Greater Western Area Health Service.....	Vol 11 2009
Greater Western Area Health Service Special Purpose Service Entity	Vol 11 2009
Greyhound and Harness Racing Regulatory Authority	Vol 5 2010
Greyhound and Harness Racing Regulatory Authority Division	Vol 5 2010

H

Hamilton Rouse Hill Trust.....	Vol 9 2009
Hawkesbury-Nepean Catchment Management Authority	99
Health Administration Corporation	Vol 11 2009
Health Administration Corporation Special Purpose Service Entity	Vol 11 2009
Health Care Complaints Commission	Vol 11 2009
Health Care Complaints Commission, Office of the	Vol 11 2009
Health Foundation, New South Wales.....	Vol 11 2009
Health, Department of.....	Vol 11 2009
Health, Minister for.....	Vol 1 2010
Health Overview	Vol 11 2009
HealthQuest	Vol 11 2009
HealthQuest Special Purpose Service Entity	Vol 11 2009
HepatoCell Therapeutics Pty Ltd	Vol 2 2010
Historic Houses Trust of New South Wales	Vol 9 2009
Home Care Service of New South Wales	Vol 6 2010
Home Care Service Division	Vol 6 2010
Home Purchase Assistance Fund	Vol 6 2010
Housing, Minister for	Vol 6 2010
Human Services, Department of	Vol 6 2010
Hunter Development Corporation	Vol 12 2009
Hunter New England Area Health Service	Vol 11 2009
Hunter New England Area Health Service Special Purpose Service Entity	Vol 11 2009
Hunter Uni-Clinics Pty Ltd.....	Vol 2 2010
Hunter Water Australia Pty Limited.....	59
Hunter Water Corporation	52
Hunter-Central Rivers Catchment Management Authority	99

I

Illawarra Technology Corporation Limited	Vol 2 2010
Independent Commission Against Corruption	Vol 8 2009
Independent Pricing and Regulatory Tribunal.....	Vol 8 2009
Independent Pricing and Regulatory Tribunal Division	Vol 8 2009
Independent Transport Safety and Reliability Regulator	Vol 10 2009
Independent Transport Safety and Reliability Regulator Division.....	Vol 10 2009
Industrial Relations, Minister for	Vol 5 2010
Infrastructure Implementation Corporation.....	Vol 8 2009
Ingham Health Research Institute	Vol 11 2009
Insearch Limited	Vol 2 2010
Institute for Magnetic Resonance Research	Vol 2 2010
Institute of Psychiatry, New South Wales	Vol 11 2009
Institute of Sport, New South Wales	Vol 9 2009
Institute of Sport Division.....	Vol 9 2009
Institute of Teachers, NSW	Vol 9 2009
Institute of Teachers, Office of the	Vol 9 2009
Integral Energy Australia.....	Vol 4 2010
Internal Audit Bureau of New South Wales.....	Vol 6 2010
International Film School Sydney Pty Ltd.....	Vol 2 2010
International Livestock Resources and Information Centre Ltd.....	Vol 2 2010
International School of European Aviation Pty Ltd.....	Vol 2 2010
ITC (Europe) Ltd	Vol 2 2010
ITC (Middle East) Ltd	Vol 2 2010
ITC (New Zealand) Limited	Vol 2 2010
ITC Education Ltd.....	Vol 2 2010
ITC Emirates Limited	Vol 2 2010

J

Jenolan Caves Reserve Trust	99
Jenolan Caves Reserve Trust Division	99
John Lewis and Pamela Lightfoot Trust	Vol 2 2010
John Williams Memorial Charitable Trust	Vol 6 2010
Judicial Commission of New South Wales	Vol 8 2009
Justice Health	Vol 1 2010
Justice Health Special Purpose Service Entity	Vol 1 2010

L

Lachlan Catchment Management Authority	99
Lake Illawarra Authority	Vol 6 2009
LAMS Foundation Limited	Vol 2 2010
LAMS International Pty Limited	Vol 2 2010
Land and Housing Corporation, NSW (Housing NSW)	Vol 6 2010
Land Development Working Account	Vol 6 2009
Landcom	Vol 10 2009
Lands, Department of	Vol 12 2009
Lands, Minister for	Vol 2 2010
Law and Order Overview	Vol 8 2009
Legal Aid Commission of New South Wales	Vol 8 2009
Legal Aid Commission, Office of the	Vol 8 2009
Legal Aid Temporary Staff Division	Vol 8 2009
Legal Opinions Provided by the Crown Solicitor ..	Vol 4 2009
Legal Profession Admission Board	Vol 8 2009
Legislature, The	Vol 8 2009
Legislature (Audit of Members' Additional Entitlements), The	Vol 1 2010
Liability Management Ministerial Corporation	Vol 5 2010
Library Council of New South Wales	Vol 9 2009
Lifetime Care and Support Authority of New South Wales	Vol 5 2010
Local Government, Department of	Vol 8 2009
Local Government, Minister for	Vol 8 2009
Lord Howe Island Board	99
Lotteries Corporation, New South Wales	Vol 5 2009
Lower Murray-Darling Catchment Management Authority	99
Luna Park Reserve Trust	Vol 10 2009

M

Macquarie Generation	Vol 4 2010
Macquarie Graduate School of Management Pty Limited	Vol 2 2010
Macquarie University Medical Research Foundation Limited	Vol 2 2010
Macquarie University Medical Research Foundation	Vol 2 2010
Macquarie University Private Hospital Trust	Vol 2 2010
Macquarie University Professorial Superannuation Scheme	Vol 5 2010
Macquarie University Property Investment Company No. 2 Pty Limited	Vol 2 2010
Macquarie University Property Investment Company No. 3 Pty Limited	Vol 2 2010
Macquarie University Property Investment Company Pty Limited	Vol 2 2010
Macquarie University Property Investment Trust	Vol 2 2010
Macquarie University	Vol 2 2010
Marine Parks Authority	99
Maritime Authority of NSW	Vol 12 2009
Maritime Authority of NSW Division	Vol 12 2009
Medical Board, New South Wales	Vol 11 2009
Mid West Primary Pty Ltd	Vol 4 2010
Midwest Development Corporation Pty Limited	Vol 4 2010
Milk Marketing (NSW) Pty Limited	Vol 10 2009
Mine Subsidence Board	Vol 10 2009
Mineral Resources, Minister for	Vol 10 2009
Minerals Industry/University of New South Wales Education Trust, The New South Wales	Vol 2 2010
Ministerial Corporation for Industry	Vol 10 2009
Motor Accidents Authority of New South Wales...	Vol 5 2010

Motor Accidents Authority of New South Wales, Office of the	Vol 5 2009
Motor Vehicle Repair Industry Authority	Vol 6 2010
MU Hospital Pty Limited	Vol 2 2010
MUH Operations No. 2 Limited	Vol 2 2010
MUH Operations Pty Limited	Vol 2 2010
MUPH Clinic Pty Ltd	Vol 2 2010
MUPH Clinic Sub-Trust	Vol 2 2010
MUPH Hospital Pty Limited	Vol 2 2010
MUPH Hospital Sub-Trust	Vol 2 2010
MUPI Holding Trust No. 1	Vol 2 2010
MUPI Holding Trust No. 2	Vol 2 2010
MUPI Holding Trust No. 3	Vol 2 2010
MUPI Holding Trust No. 4	Vol 2 2010
MUPI Holding Trust No. 5	Vol 2 2010
MUPI Holding Trust No. 6	Vol 2 2010
MUPIT Sub-Trust No. 1	Vol 2 2010
MUPIT Sub-Trust No. 2	Vol 2 2010
MUPIT Sub-Trust No. 3	Vol 2 2010
MUPIT Sub-Trust No. 4	Vol 2 2010
Murray Catchment Management Authority	99
Murrumbidgee Catchment Management Authority	99

N

Namoi Catchment Management Authority	99
National Marine Science Centre Pty Ltd	Vol 2 2010
Natural Resources Commission	Vol 8 2009
Natural Resources Commission Division	Vol 8 2009
Newcastle Innovation Limited	Vol 2 2010
Newcastle International Sports Centre Trust	Vol 3 2009
Newcastle Port Corporation	Vol 12 2009
Newcastle Showground and Exhibition Centre Trust	Vol 1 2009
NewSouth Five Pty Ltd	Vol 2 2010
NewSouth Four Pty Ltd	Vol 2 2010
NewSouth Global (Thailand) Limited	Vol 2 2010
NewSouth Innovations Pty Ltd	Vol 2 2010
NewSouth Seven Pty Ltd	Vol 2 2010
New South Wales Treasury Corporation	Vol 5 2010
Norsearch Limited	Vol 2 2010
North Coast Area Health Service	Vol 11 2009
North Coast Area Health Service Special Purpose Service Entity	Vol 11 2009
Northern Rivers Catchment Management Authority	99
Northern Sydney and Central Coast Area Health Service	Vol 11 2009
Northern Sydney and Central Coast Area Health Service Special Purpose Service Entity	Vol 11 2009
NorthPower Energy Services Pty Limited	Vol 4 2010
NSW Self Insurance Corporation	Vol 5 2010
Nurses and Midwives Board	Vol 11 2009

O

Office of Hawkesbury-Nepean	99
Ombudsman's Office	Vol 8 2009
Optical Dispensers Licensing Board	Vol 11 2009
Optometrists Registration Board	Vol 11 2009
Osteopaths Registration Board	Vol 11 2009
Ovine Johne's Disease Transaction Based Contribution Scheme, NSW	Vol 10 2009

P

Pacific Industry Services Corporation Pty Limited	Vol 10 2009
Pacific Power (Subsidiary No. 1) Pty Ltd	Vol 1 2010
Pacific Solar Pty Limited	Vol 1 2010
Parklands Foundation Limited	Vol 9 2009
Parliamentary Contributory Superannuation Fund	Vol 5 2010
Parramatta Park Trust	Vol 9 2009
Parramatta Stadium Trust	Vol 2 2010
Payments to other Government Bodies under the control of the Minister	Vol 6 2009

Pharmacy Board of New South Wales	Vol 11 2009
Physiotherapists Registration Board	Vol 11 2009
Planning, Department of	Vol 10 2009
Planning, Minister for	Vol 6 2010
Podiatrists Registration Board	Vol 11 2009
Police Force, NSW	Vol 8 2009
Police Integrity Commission	Vol 8 2009
Police Integrity Commission Division	Vol 8 2009
Police, Minister for	Vol 8 2009
Police, Ministry for	Vol 8 2009
Port Kembla Port Corporation	Vol 12 2009
Ports and Waterways, Minister for	Vol 12 2009
Premier	Vol 2 2010
Premier and Cabinet, Department of	Vol 8 2009
Primary Industries, Department of	Vol 10 2009
Primary Industries, Minister for	Vol 2 2010
Probiotic Health Pty Limited	Vol 2 2010
Protective Commissioner - Common Fund, Office of the	Vol 2 2009
Protective Commissioner and Public Guardian, Office of the	Vol 8 2009
Psychologists Registration Board	Vol 11 2009
Public Transport Ticketing Corporation	Vol 10 2009
Public Transport Ticketing Corporation Division	Vol 10 2009
Public Trustee NSW	Vol 8 2009
Public Trustee NSW - Common Fund	Vol 8 2009
Q	
Qualified Independent Audit Reports Issued	Vol 10 2009
Quality of Financial Reporting	Vol 2 2010
Qucor Pty Ltd	Vol 2 2010
R	
Rail Corporation New South Wales	Vol 10 2009
Rail Infrastructure Corporation	Vol 10 2009
Redfern and Waterloo, Minister for	Vol 12 2009
Redfern-Waterloo Authority	Vol 12 2009
Redfern Waterloo Authority, Office of the	Vol 12 2009
Rental Bond Board	Vol 6 2010
Rental Housing Assistance Fund	Vol 6 2010
Reporting of the State's Performance	Vol 2 2010
Residual Business Management Corporation	Vol 1 2010
Responsible Gambling Fund	Vol 12 2009
Rice Marketing Board for the State of New South Wales	Vol 10 2009
Risk Frontiers Flood (Australia) Pty Limited	Vol 2 2010
Risk Frontiers Group Pty Limited	Vol 2 2010
Riverina Citrus	Vol 10 2009
Riverservices Limited	Vol 2 2010
Roads and Traffic Authority of New South Wales	Vol 10 2009
Roads and Traffic Authority Division	Vol 10 2009
Rocky Point Holdings Pty Ltd	Vol 4 2010
Rouse Hill Hamilton Collection Pty Limited	Vol 9 2009
Royal Alexandra Hospital for Children	Vol 11 2009
Royal Alexandra Hospital for Children Special Purpose Service Entity	Vol 11 2009
Royal Botanic Gardens and Domain Trust	42
Rural Assistance Authority, New South Wales ..	Vol 10 2009
Rural Assistance Authority, Office of the	Vol 10 2009
Rural Fire Service, NSW	Vol 8 2009
S	
SAS Trustee Corporation	Vol 5 2010
SAS Trustee Corporation - Pooled Fund	Vol 5 2010
SAS Trustee Corporation Division of the Government Service of NSW	Vol 5 2010
Services Technology and Administration, Department of	Vol 6 2010
Services UNE Ltd	Vol 2 2010
Sesquicentenary of Responsible Government Trust Fund	Vol 8 2009
SGSM Limited	Vol 2 2010
Small Business, Minister for	Vol 10 2009
Small Business Development Corporation of New South Wales	Vol 10 2009
South Eastern Sydney and Illawarra Area Health Service	Vol 11 2009
South Eastern Sydney and Illawarra Area Health Service Special Purpose Service Entity	Vol 11 2009
Southern Cross University	Vol 2 2010
Southern Rivers Catchment Management Authority	99
Sport and Recreation, Minister for	Vol 2 2010
Sport Knowledge Australia Pty Limited	Vol 2 2010
Sport UNE Limited	Vol 2 2010
Sporting Injuries Committee	Vol 5 2010
State and Regional Development, Department of	Vol 10 2009
State Council of Rural Lands Protection Boards ..	Vol 3 2009
State Council of Rural Lands Protection Boards Division	Vol 3 2009
State Development, Minister for	Vol 10 2009
State Emergency Service	Vol 8 2009
State Library of New South Wales Foundation ..	Vol 9 2009
State Property Authority	Vol 6 2009
State Property Authority, Office of the	Vol 6 2009
State Rail Authority Residual Holding Corporation	Vol 5 2010
State Records Authority of New South Wales ..	Vol 6 2010
State Rescue Board	Vol 8 2009
State Sports Centre Trust	Vol 9 2009
State Sports Centre Trust Division	Vol 9 2009
State Super Financial Services Australia Limited ..	Vol 5 2010
State Transit Authority of New South Wales	Vol 10 2009
State Transit Authority Division	Vol 10 2009
State Water Corporation	60
Statement of the Budget Result	Vol 4 2009
Superannuation Administration Corporation (trading as Pillar Administration)	Vol 5 2010
Superannuation Industry Overview	Vol 5 2010
Sydney 2009 World Masters Games Organising Committee	Vol 9 2009
Sydney 2009 World Masters Games Organising Committee Division	Vol 9 2009
Sydney 2009 World Masters Games Organising Committee, Office of the	Vol 9 2009
Sydney Business School Pty Ltd, The	Vol 2 2010
Sydney Catchment Authority	67
Sydney Catchment Authority Division	75
Sydney Cricket and Sports Ground Trust	Vol 9 2009
Sydney Cricket and Sports Ground Trust Division	Vol 9 2009
Sydney Desalination Plant Pty Limited	92
Sydney Educational Broadcasting Limited	Vol 2 2010
Sydney Ferries	Vol 10 2009
Sydney Harbour Foreshore Authority	Vol 12 2009
Sydney Harbour Foreshore Authority, Office of the	Vol 12 2009
Sydney Harbour Foreshore Authority Casual Staff Division,	Vol 12 2009
Sydney Institutes of Health and Medical Research, The	Vol 2 2010
Sydney Metro	Vol 10 2009
Sydney Metro Division	Vol 10 2009
Sydney Metropolitan Catchment Management Authority	99
Sydney Olympic Park Authority	Vol 9 2009
Sydney Olympic Park Authority, Office of the ..	Vol 9 2009
Sydney Olympic Park Authority Sydney Olympic Park Aquatic and Athletic Centres Division	Vol 9 2009
Sydney Opera House Trust	Vol 9 2009
Sydney Pilot Service Pty Ltd	Vol 12 2009
Sydney Ports Corporation	Vol 12 2009
Sydney South West Area Health Service	Vol 11 2009
Sydney South West Area Health Service Special Purpose Service Entity	Vol 11 2009
Sydney Talent Pty Limited	Vol 2 2010
Sydney Water Corporation	76

Sydney West Area Health Service	Vol 11 2009	UNSW Global India Private Limited	Vol 2 2010
Sydney West Area Health Service Special Purpose Service Entity	Vol 11 2009	UNSW Global Pty Limited	Vol 2 2010
SydneyLearning Pty Limited	Vol 2 2010	UNSW Hong Kong Foundation Limited	Vol 2 2010
T		UNSW Hong Kong Limited	Vol 2 2010
Taronga Conservation Society Australia	45	UTSM Services (Malaysia) Sdn Bhd	Vol 2 2010
Taronga Conservation Society Australia Division	48	UON Foundation Ltd	Vol 2 2010
TCorp Nominees Pty Limited	Vol 5 2010	UON Foundation Trust	Vol 2 2010
Teacher Housing Authority of New South Wales ..	Vol 6 2010	UON Services Limited	Vol 2 2010
Technical and Further Education Commission, New South Wales	Vol 9 2009	UON, Singapore Pte Ltd	Vol 2 2010
Technical and Further Education Commission Division, New South Wales	Vol 9 2009	Upper Parramatta River Catchment Trust	99
Technical Education Trust Funds	Vol 2 2010	Upper Parramatta River Catchment Trust Division	99
Television Sydney Foundation Limited	Vol 2 2010	UWS College Pty Limited	Vol 2 2010
Television Sydney (TVS) Limited	Vol 2 2010	UWS Conference and Residential Colleges Limited	Vol 2 2010
Total State Sector Accounts	Vol 4 2009	uwsconnect Limited	Vol 2 2010
Tourism, Minister for	Vol 10 2009	V	
TransGrid	Vol 4 2010	Valley Commerce Pty Limited	Vol 5 2010
Transport, Minister for	Vol 10 2009	Veterinary Practitioners Board	Vol 10 2009
Transport, Ministry of	Vol 10 2009	Vocational Education and Training Accreditation Board, NSW	Vol 4 2008
Transport Infrastructure Development Corporation	Vol 10 2009	W	
Transport Services Overview	Vol 10 2009	Warren Centre for Advanced Engineering Limited, The	Vol 2 2010
Treasurer	Vol 6 2010	Waste Recycling and Processing Corporation	Vol 1 2010
Treasury, The	Vol 5 2010	Water and Energy, Department of	Vol 7 2009
Treasury Corporation Division of the Government Service	Vol 5 2010	Water Industry Overview	Vol 7 2009
Trustees of the ANZAC Memorial Building	Vol 2 2010	Water, Minister for	49
Trustees of the Farrer Memorial Research Scholarship Fund	Vol 2 2010	Wayahead Pty Limited	Vol 2 2010
Trustees of the Museum of Applied Arts and Sciences	Vol 9 2009	Wentworth Annexe Limited	Vol 2 2010
U		Wentworth Park Sporting Complex Trust	Vol 9 2009
U@MQ Limited	Vol 2 2010	Western Catchment Management Authority	99
Ucom Sixteen Pty Limited	Vol 2 2010	Western Research Institute Limited	Vol 2 2010
UNE Foundation Ltd	Vol 2 2010	Western Sydney, Minister for	Vol 9 2009
UNE Foundation	Vol 2 2010	Western Sydney Buses Division	Vol 10 2009
UNE Partnerships Pty Limited	Vol 2 2010	Western Sydney Parklands Trust	Vol 9 2009
UniCentre Conferences and Functions Pty Limited	Vol 2 2010	Whitlam Institute Within the University of Western Sydney Limited	Vol 2 2010
UNILINC Limited	Vol 2 2010	Whitlam Institute Within the University of Western Sydney Trust	Vol 2 2010
Uniprojects Pty Limited	Vol 12 2009	Wild Dog Destruction Board	Vol 2 2010
United States Studies Centre Limited	Vol 2 2010	Wild Dog Destruction Board Division	Vol 2 2010
Universities Admissions Centre (NSW & ACT) Pty Limited	Vol 12 2009	Wine Grapes Marketing Board	Vol 2 2010
Universities Overview	Vol 2 2010	Wollongong Sportsground Trust	Vol 9 2009
University of New England	Vol 2 2010	Wollongong Sportsground Trust Division	Vol 9 2009
University of New England Professorial Superannuation Fund	Vol 2 2010	Wollongong UniCentre Limited	Vol 2 2010
University of New England Sports Association	Vol 2 2010	WorkCover Authority, Office of the	Vol 1 2010
University of New South Wales	Vol 2 2010	WorkCover Authority of New South Wales	Vol 1 2010
University of New South Wales Foundation	Vol 2 2010	Workers Compensation Commission of New South Wales	Vol 1 2010
University of New South Wales Foundation Limited	Vol 2 2010	Workers Compensation Nominal Insurer (trading as The NSW WorkCover Scheme)	Vol 1 2010
University of New South Wales International House Limited	Vol 2 2010	Workers' Compensation (Dust Diseases) Board	Vol 1 2010
University of New South Wales Press Limited	Vol 2 2010	Wyong Water Supply Authority	93
University of Newcastle	Vol 2 2010	Y	
University of Sydney, The	Vol 2 2010	Youth, Minister for	Vol 9 2009
University of Sydney Professorial Superannuation System	Vol 2 2010		
University of Technology, Sydney	Vol 2 2010		
University of Western Sydney	Vol 2 2010		
University of Western Sydney Foundation Limited	Vol 2 2010		
University of Western Sydney Foundation Trust ..	Vol 2 2010		
University of Wollongong	Vol 2 2010		
University of Wollongong Recreation Aquatic Centre Limited	Vol 2 2010		
UNSW & Study Abroad - Friends and U.S. Alumni, Inc.	Vol 2 2010		
UNSW (Thailand) Limited	Vol 2 2010		
UNSW Global (Singapore) Pte Limited	Vol 2 2010		

