

Audited Financial Statements

The Office of Water no longer has published audited Financial Statements in its own right; rather, the NOW numbers are included within the Department of Environment Climate Change and Water (DECCW) numbers. Hence there has been no formal sign off by audit for the Office of Water. However all 2009-10 figures used in the submission and associated cost models have been drawn from the same source as the NOW component of the DECCW audited financial statements and have been subject to cross checks and reconciliations to ensure accounting integrity. The NOW audited (but not formally cleared) operating expenses are provided at Attachment 2 and a full reconciliation of the monopoly service expenditure to the NOW audited operating expenses is provided at Attachment 3. Full audit trails can be provided if required.

Historical Operating Expenditure (Opex) and Revenue

Attachment 4 provides detailed cost information by valley, activity and water source as per the requirements of the 2006 Determination.

Operating expenditure excludes depreciation and MDBRC and BRC costs.

A summary of the historical and budgeted costs is as follows:

	2009/10	
	Budgeted	Actual
	\$m	\$m
Regulated streams	18.5	22.7
Unregulated streams	15.8	17.1
Groundwater	11.6	13.5
Total	45.9	53.3
Revenue	29.6	25.1

Note: Groundwater forecast costs in 2009-10 given by two zones only, viz Inland and Coastal. This reflects NOW's view that the valley by valley costs are inappropriate for groundwater and that the Inland/Coastal division is more relevant.

The following matters should be noted in relation to the historical costs.

- This model shows expenses excluding depreciation, MDBA costs and BRC costs.
- The Office of Water's budget for water management and licence transaction processing has been assumed to be the IPART allowed expenditures.

Variances from budgeted costs

In order to address the expenditure shortfall which occurred in the first three years of the determination and to ensure the targets were met over the Determination period as a whole, priority has been given to a range of Water Management activities in 2009-10.

The key variations were:

- An increase in groundwater quantity monitoring activities because of the need for greater focus on managing groundwater quantity as a result of increased demand for this resource during the drought
- General reduction in expenditure on surface water quantity and quality monitoring and asset management as result of staff vacancies in these areas for that year.
- Increase in blue-green algae management as a result of the significant algal bloom during the year.
- A substantial increase of \$3.5 million in water sharing plan development activity.
- A substantial increase in consents administration because of the drought and the greater focus on ensuring water is taken according to licence conditions.

The following should also be noted in relation to budget variances:

- The activity model is too detailed and the combinations arising from the valley by water source approach too numerous for any meaningful explanation of individual variances to be determined. Variances will be inevitable both because the original budgets are only estimates and because many unforeseen circumstances have arisen in the intervening period, causing changes in priorities.
- It is also extremely difficult when performing some tasks for the first time, such as Water Sharing Plans, to accurately predict the complexity of each task at the valley level.
- The drought also influenced priorities and required a flexible response in terms of water management activities.
- In addition the Office of Water no longer conducts its operations on a regional basis and all activities and resources are managed on a state-wide basis.

Water availability reports

Please refer to the following web site <http://waterinfo.nsw.gov.au/ac/allocation.shtml>

Environmental water

An environmental water register has been established by the NSW Office of Water according to the requirements under the National Water Initiative (NWI) to provide information for water users and the general public and is available on the Office's website at <http://ewr.water.nsw.gov.au/ewr/main/ewrHome>

The *Water Management Act 2000 (section 8)* defines environmental water as comprising:

- water that is committed by management plans for fundamental ecosystem health or other specified environmental purposes, either generally or at specified times or in specified circumstances, and that cannot to the extent committed be taken or used for any other purpose (**planned environmental water**),
- water that is committed by the conditions of access licences for specified environmental purposes, either generally or at specified times or in specified circumstances (**adaptive environmental water**).

This register provides a record of:

- Water access licences dedicated as a source of adaptive environmental water (AEW);
- Environmental water set aside as 'rules' in water sharing plans;
- Adaptive Environmental Water Use Plans approved by the Minister.

The register also provides reports on:

- the assignment of water allocations to and from AEW access licences; and
- changes in the share component of AEW access licences over time.

The register only identifies licences with an adaptive environmental water condition. Licences purchased by the Commonwealth for environmental purposes are not conditioned as AEW and are not included on the Register as directed by the Commonwealth.

Allocation of expenditure across Valleys and Water Sources

Allocation of costs to water sources and valleys has been undertaken in accordance with the method proposed by NOW in its 2009 submission.

Full absorption costing principles have been adopted in providing the reported costs information.