

Water: 2017–18 results of financial audits

(Report 8: 2018–19).
Tabled 15 November 2018.

Slide 1: Welcome

This presentation summarises our report to parliament on the results of our 2017–18 financial audits of the six main state and local government owned water sector entities.

Please note that this is a summary. The full report can be read on our website.

Slide 2: Audit results

This year, we provided unmodified audit opinions on all water entities' financial statements within the statutory deadline. Readers can rely on the audited financial statements of these entities.

Slide 3: Audit results

We found that entities generally had effective year-end close processes. This allows them to produce quality financial statements in a timely manner. Asset valuation is a significant component of financial statement preparation for water entities.

Five of the six entities demonstrated continued emphasis on improving the quality and timeliness of asset valuations. All water entities ensured that asset valuations were completed early, along with pro forma financial statements being provided at or before the agreed milestone dates.

Slide 4: Financial performance

Five of the six water entities achieved operating profits in 2017–18. Seqwater continues to make an operating loss largely reflecting the historical under-recovery of the cost of water. Seqwater's operating loss also reflects its past acquisition of highly geared businesses including climate-resilient manufactured water assets.

Assets increased by \$637 million. This was due to a net revaluation increment of \$444 million, investment in infrastructure assets of \$580 million, and donated assets of \$170 million. This was partially offset by depreciation and amortisation of \$551 million.

Liabilities increased by \$194 million due to the deferred tax effect of Seqwater's revaluation increment, SunWater's dividends payable, and Gladstone Area Water Board's borrowings for new projects.

Slide 5: Internal controls

We assessed that the control environment of five of the six water entities was effective and we were able to rely on the internal control systems used to produce financial statements.

This year we noted an increased effort in the water sector to resolve prior year deficiencies. All deficiencies identified in 2016–17 (including two significant deficiencies noted at SunWater) have been resolved.

Slide 6: Future challenges and emerging risks

Dam improvement remains a major focus for SunWater. At 30 June 2018, SunWater estimated the future cost of its dam improvement program at \$1 billion. These projects are likely to significantly influence SunWater's financial performance and net flows to the government over the next 10 years.

Due to the unpredictable nature of climate change, Seqwater has developed a drought response plan that is ready for implementation if the trigger point is reached. Seqwater will need to fund the cost of these responses if they are required.

Slide 7: For more information

For more information on the results, financial performance, and future challenges and emerging risks highlighted in this summary presentation, please see the full report on our website.

Thank you.