

# NORTHERN VICTORIA IRRIGATION RENEWAL PROJECT



**NVIRP**  
waterforgrowth

Annual Report 2007/08

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# WATER FOR GROWTH



Torrumbarry gates in operation

## Minister for Water



The State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as Northern Victoria Irrigation Renewal Project (NVIRP) reports to the Minister for Water in the Victorian Government and during the reporting period was a portfolio agency under the Department of Sustainability and Environment.

The Hon. Tim Holding was appointed Minister for Water in August 2007.

## Chairman and Chief Executive Officer Report

It gives us great pleasure to present the first Chairman and CEO report for the newly formed State Owned Enterprise Northern Victoria Irrigation Renewal Project, or NVIRP as it is now known.

The concept of modernisation of the irrigation infrastructure in Northern Victoria was born out of a regional community-driven belief enunciated in the Food Bowl Modernisation Steering Committee's report to the Victorian Government. They recognised that water savings could be captured and shared, if ageing irrigation infrastructure was replaced by modern technology throughout the Goulburn Murray Irrigation District (GMID).

Under the Victorian Government's "Our Water Our Future" – *The Next Stage of The Government's Water Plan*, NVIRP has been entrusted to deliver a modernised irrigation system more suited to the twenty-first century. This is the largest investment in irrigation infrastructure of its kind in Australia.

Stage 1 of the project has been funded to the value of \$1 Billion with the Victorian Government contributing \$600 Million, Melbourne Water \$300 Million and Goulburn Murray Water \$100 Million. The water savings of 225GL (Long Term Cap Equivalent) will be shared equally between irrigators, the environment, and Melbourne via the Sugarloaf Pipeline.

Although NVIRP is only five months old, it has commenced the Early Works winter refurbishment program in all five areas of the Goulburn Murray Irrigation District (GMID) for which we have responsibility. This has created an economic stimulus within the Goulburn Valley region with many local contractors involved in the works.

This task of modernisation is ambitious and we could not have undertaken such an immediate start without the cooperation of the Board and staff of Goulburn-Murray Water (G-MW). Together we have developed twelve principles upon which the two organisations have based our working partnership.

One of our greatest challenges will be in the consultation process we have with irrigators. The benefits to their businesses may not instantly be recognised, but by adopting new technology they will be able to operate their farm businesses more efficiently than ever before. We have regularly consulted with G-MW's Water Service and Reconfiguration Committees, as they are the irrigation leaders that will assist us through the early planning. However, we also recognise the need to consult widely throughout the community, and as our project progresses.



NVIRP has identified the locations for channel automation sites, and we have already installed many of the computerised regulating gates (1000 are scheduled to be installed this winter) as well as laying five kilometres of channel lining where identified losses occurred in the Central Goulburn district.

This modernised system will provide irrigators with their share of water savings and a world class water distribution system. This project has already attracted new investment and jobs, boosted regional economic growth, as well as benefiting the environment and overall is enhancing Victoria's export capability.

In January I was joined by five other independent directors who each bring considerable knowledge and experience to the table, and I thank them for all the preparatory work and advice they have given during the formation stages of this important entity.

We were charged initially with three roles to appoint a Chief Executive Officer to manage the business and establish the organisation, to write the business plan and to monitor the Early Works program which had already been commenced by G-MW's FutureFlow Alliance partners.

After an extensive search, in May we appointed our Chief Executive Officer Murray Smith, and I would like to acknowledge the assistance in the decision process given by Peter Harris the Secretary of the Department of Sustainability and Environment (DSE). Our head office has been temporarily located in Tatura but soon we will move to our new offices in Shepparton. By then we will have engaged the additional Executive Directors to support the CEO.

On behalf of the Board, I would also like to acknowledge the guidance and advice of David Downie, the General Manager, Office of

Water DSE, for his encouragement and assistance in the year to date. We would also like to express our thanks to Mrs Suzie Ewart and her very professional team at DSE in Melbourne who have painstakingly developed the process by which this entity will do business.

The Commonwealth Government has shown its strong commitment to this irrigation renewal project and discussions are in progress regarding the further \$1 Billion promised to Victoria for Stage 2.

As I write this report I am acutely aware of the impact the continued drought is having on our GMID communities. The drought especially has sharpened our focus on water savings in our own homes and on the farm. Evidence has shown us that we can improve the irrigation efficiency of the GMID from 70% to 85%. We have the technology and the capital and with communities working together great things will be achieved.



Richard Guy OAM.  
**Chairman**

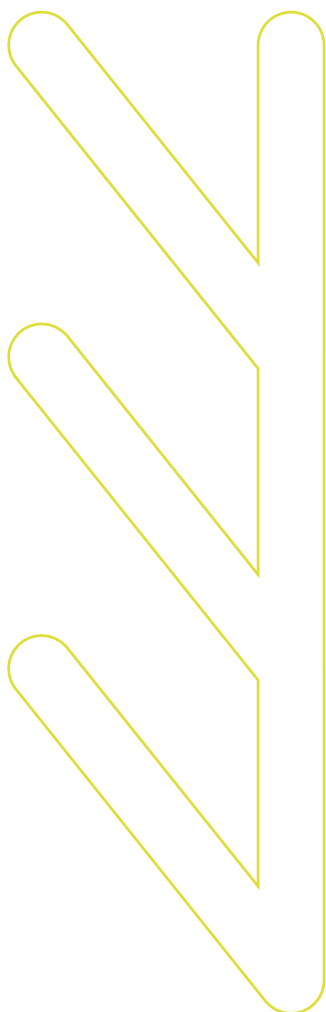


Murray Smith, CEO  
Richard Guy, Chairman

# The Board of Directors

NVIRP is an independently governed authority led by an independent, skills-based Board that has been appointed for a two-year term.

The Board is composed of six members with a broad range of experience in infrastructure and business development.



**Richard Guy OAM (Chair)** is Chairman of Bendigo-based Crystal Industries Group. He is also a Director of Bendigo Mining Ltd. He is an engineer by training and plays a prominent role in various community and charitable organisations. He chaired the Bendigo Bank for nearly 20 years through a period of rapid growth including the conversion to Bank status in 1995. He retired from the Bendigo Bank Board in August 2006.



**Barry Steggall** is the former State Deputy Leader of the National Party and Member for Swan Hill (1983 – 2002). Mr Steggall specialised in water, environment and food industry issues during his Parliamentary career. He is a member of the Victorian Water Trust Advisory Council and is Chairman of the La Trobe Groundwater Reference Committee.



**Miranda Douglas-Crane** has more than 30 years experience in the transport infrastructure, automotive financial and services industries. She is Executive General Manager Operations of the RACV, a Director of Intelomatics Australia Pty. Ltd, and a Fellow of the Australian Institute of Company Directors.



**Terry Francis** has international and national experience in road and infrastructure engineering, project management and corporate banking. He is a Director of the Emergency Services Telecommunications Authority, Nylex, RMIT University and Boom Logistics. He is also Chairman of the Southern and Eastern Integrated Transport Authority.



**Peter McCamish** has been a Goulburn Valley horticulturist for 34 years. He is a Director of SD Reid Holdings, a Tasmanian cherry grower and exporter, and a former Director of SPC Ardmona Ltd. He is a member of the Shepparton Irrigation Implementation Committee and a Director of Water for Rivers.



**Geoff Akers** is the former Chair of the VFF Water Council and Murray Dairy and has a strong interest in research and development. He is currently a Board member of Dairy Australia, has a Bachelor of Applied Science, Advanced Diploma of Agriculture and is a dairy farmer at Tallygaroopna milking 500 cows.

# WATER FOR GROWTH







## Our Vision

To deliver a modernised irrigation system that will help secure the economic, social and environmental future of Northern Victoria.

### Objectives

NVIRP will deliver the Project against some significant goals; goals that will keep Victoria at the leading edge of productive and sustainable resource management. To achieve this NVIRP has committed to a number of core objectives:

- Cost effectively spend \$1 Billion on irrigation water supply modernisation by June 2013.
- Undertake the Project in consultation with all water users.
- Improve on farm water use efficiency and farm viability to support regional economic development opportunities and increase irrigation related productivity.
- Develop an irrigation water supply environment that will retain water entitlements and attract new customers, more irrigation water and “green field” development to the region.
- To improve the water delivery efficiency across the Goulburn Murray Irrigation District (GMID) in Long-Term Cap Equivalent terms, and deliver an estimated long-term average water savings of 225GL by December 2012. These savings will be shared equally between the environment, irrigators and Melbourne.
- Within the Project area, (GMID) deliver an automated backbone for the water distribution system.
- Complete the renewal and rationalisation of all supply points on the backbone by December 2012 with the renewal of 25% of delivery share to the backbone through the participation of willing customers, through the Connections Program.
- Upgrade metering (including real time measurement) on up to half of the January 2008 supply points, by December 2012.
- Develop tariffs which reflect the different standards of service and the relative cost.

### Guiding Core Principles

The Project will adhere to the following seven core guiding principles which formed part of the Food Bowl Modernisation Project Steering Committee report that was endorsed by the Victorian Government on 30 November 2007:

1. Focus on economic development.
2. Strive for efficiency in both water supply and farm watering systems.
3. Provide different levels of service to meet the needs of different customers and customer types.
4. Strive for an on demand water delivery service.
5. Develop system components that ensure cost and service competitiveness in water supply.
6. Develop policies to support and guide decisions.
7. The delivery of the Project shall be staged to match funding availability.





Murray Valley



Central Goulburn



Torrumbarry



Rochester



Pyramid Boort







NWIRP

P6-7 Before & After photos for each of the five Early Works regions



## About the Northern Victoria Irrigation Region

Victoria's northern irrigation region - the Goulburn Murray Irrigation District (GMID) is one of Australia's richest agricultural regions. High quality and secure supply of agricultural commodities from the region has underpinned the investment made by many of Australia's largest food processing companies such as:

- SPC Ardmona (now owned by Coca-Cola Amatil)
- Simplot Australia
- Unilever
- Heinz Watties
- Campbells Soups Australia
- Fonterra
- Murray Goulburn Co-Operative

The District is a hub of food production, producing:

- 22% of the Nation's milk, sold either as fresh milk or value added in the form of butter, cheese, yoghurt and dried milk products;
- Nearly 96% of Victoria's tomatoes by weight;
- 90% of Victoria's stone fruit by weight;
- 12% of Victoria's grapes; and
- \$1.94 Billion worth of Victoria's \$8.3 Billion worth of agricultural commodities, accounting for 24% of the total Victorian value.

Sources:  
*2005/06 Production Data, Department of Primary Industries.*  
*2006/07 Production Data, Dairy Australia.*

There are about 14,000 farmers harvesting a huge range of quality food products, including dairy, deciduous fruits, grains, olives, beef and oilseeds.

While agricultural and food production are major components of the Goulburn Murray Irrigation District region's economy there are



other businesses, which also depend upon these two sectors such as stockfeed, fertilizer, chemicals, agricultural machinery and processing equipment, package, transport and logistic sectors.

Since 2001, food and related industries have grown with more than \$665 Million of new investment and the creation of more than 1,650 jobs. To maintain this growth, particularly with less rainfall, strategic investment in Victoria's irrigation infrastructure is necessary.

It is essential that Victoria becomes better at food production and food processing through innovation if we are to maintain our competitiveness with other large food producing nations. Modernised infrastructure can also deliver productivity gains from efficient delivery of water.





## The Benefits are Real

NVIRP will generate many opportunities for new and existing businesses within the region. An independent report, undertaken by *Deloitte*, found that construction during Stage 1 of the irrigation renewal project will inject about \$381 Million into the regional economy and create more than 680 new jobs. The Early Works program has already increased demand for products and resources and has boosted employment opportunities throughout the region.



A wide range of business activities will see long-term growth as a result of renewing the system:

- On-farm efficiency improvements will help drive innovation in the community and industry.
- New opportunities will stimulate growth of the already significant water technology industry in the Goulburn Murray area.
- Communities will be more confident in meeting the challenges of climate change and growth.
- New jobs will see some people relocate permanently and contribute long-term to the local community.

### Irrigator Benefits

NVIRP is creating a world class irrigation system and providing water security to ensure the region can continue to be prosperous and competitive with more water available for

farming and improving river health. NVIRP's benefits will go well beyond the farm – a more efficient system will bring confidence to the whole region.

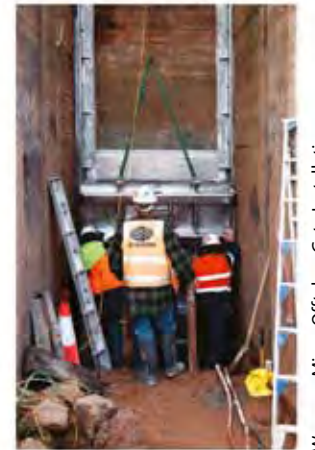


### Environmental benefits

One third of the Stage 1 water savings of 225 GL (Long Term Cap Equivalent) is for the environment, some of which will be stored in Lake Eildon. This water will be released into stressed rivers and streams when required. This means that 75GL of saved water losses can be used at a time when it is most needed and provide maximum benefit for the environment.

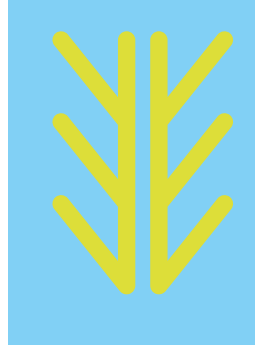
### Melbourne benefits

The Government's "Our Water Our Future" – *the Next Stage of the Government's Water Plan* identified various actions to secure Melbourne's future water supply. These include expanding Victoria's water grid to connect Melbourne to the Goulburn River by building the Sugarloaf Pipeline, a new \$3.1 Billion desalination plant and upgrading the Eastern Treatment Plant to generate 100 billion litres of recycled water by 2012 that can be used for industry and other purposes, freeing up potable drinking water supplies. Melbourne will pay for its share of water savings from the modernisation project through Melbourne Water passing on the cost to its customers of the \$300 Million contribution to our Project.



Waranga Minor Offtake - Gate Installation





# Performance Statement

## Background to The Project

The Project is one of five key actions announced as part of the Victorian Government's "Our Water Our Future" – *The Next Stage of the Government's Water Plan* (the Water Plan) released in June 2007. The Water Plan describes a \$4.9 Billion investment in major water infrastructure projects that will provide Victoria with water security for the State's growing population and economic development.

The cost to modernise the entire GMID on the delivery side (i.e. excluding on-farm works) has been estimated at \$2.2 Billion. In addition to the funding of \$1 Billion provided by the Victorian Government (\$600M), Melbourne Water (\$300M) and Goulburn-Murray Water (\$100M), the Commonwealth Government has agreed in-principle to contribute up to 90% of the project costs up to \$1 Billion, for Stage 2 which is expected to deliver a further 200GL of water savings. This Stage 2 investment is subject to a due diligence assessment and delivery of half the gains as additional flows to the Murray River, with the other half being returned to irrigators.

NVIRP will work with the Department of Sustainability and Environment and other Government Departments to participate in the development of an agreed State/Commonwealth plan that recognises the need to integrate modernisation, water purchase/trading, on-farm investment and industry adjustment programs to optimise outcomes in the region.

Victoria is currently experiencing a severe and prolonged drought, with rainfall significantly below the long-term average. The current drought has had a serious impact on water flowing to rivers and water storages, resulting in:

- Record low levels for Melbourne's water storages resulting in risk to the security of water supply to Melbourne.
- Cutbacks in allocations to irrigators who depend on the reliable delivery of water for productive use.
- Reductions in environmental flows to our already highly stressed rivers and wetlands in Northern Victoria.

The Victorian Government has identified investing in the modernisation of the GMID as a critical action to mitigate the risk to security of water supplies for agribusiness (and the communities in the GMID), Melbourne and the environment.

The benefits of the project revolve around both the value of water to be saved together with the broader economic upsides to irrigators, the Victorian economy and the environment.

The Project has been designed to be implemented in two stages.

## Stage 1 of The Project (NVIRP)

The first stage of the Project will secure estimated long-term savings of up to 225GL annually, with the second stage to capture the remaining 200GL. The first available savings from the Project will partly contribute to the 75GL delivered to Melbourne in Stage 1 of the project, from 2010, via the new 70 kilometre Sugarloaf Pipeline, which will link Melbourne to the Goulburn River.

### Objectives of Stage 1:

- Deliver an estimated long term average water savings of 225GL by December 2012 to be shared equally between the environment, irrigators and Melbourne.
- By June 2010, partly contribute to the 75GL of saved water from early modernisation work that will be transferred to Melbourne.
- Deliver a renewed backbone for the water distribution system.
- 25% of delivery shares not on the backbone will be modernised by the end of 2012.
- Upgrade metering (including real time measurement) on up to 50% of customer supply points, by December 2012.

### Stage 2

Further modernisation of irrigation infrastructure in the Goulburn Murray Irrigation District will provide a unique opportunity for the State and Commonwealth to combine resources to deliver water savings beyond the first 225GL.

### What Is Modernisation?

Irrigation modernisation means using leading technology to create a world's best practice irrigation system.

A Total Channel Control ® (TCC®) system will be utilised to fully automate the main delivery channels (backbone) of the Goulburn Murray Irrigation District's open channel delivery systems. This technology stems from extensive, award-winning research undertaken in partnership between Rubicon Systems Australia Pty Ltd and Melbourne University.

TCC® transforms manually operated open channel systems from labour intensive, conservatively operated, high water loss irrigation supply systems into responsive, flexible and efficient systems that enable irrigators to get water at the flow rate and time they require.

It is estimated that up to 900GL (Long Term Cap Equivalent) of water in the Goulburn Murray irrigation system is lost through leaks, evaporation and other inefficiencies. Renewal will improve water delivery management and irrigation services and recover much of the water now being lost.



Rochester Channel 14



Modern channel automation technology is sensitive enough to detect discrepancies in water delivery and to identify where maintenance is required. Critical water level and flow monitoring via automated gates ensure precise amounts of water are delivered when and where they are needed, shortening ordering times and providing more consistent and reliable delivery of water to irrigators.

### What are we doing? 'Automating' Channels

Turning a 'manually' operated channel system to an automated system allows better measurement of water flows.

Manual flow control structures in channels and outdated flow meters at farms will be replaced with meters that accurately measure flows, provide real time measurement data and, in most cases, are automated. In turn, this allows channel renewal to be targeted based on where the worst seepage and leakage losses are occurring.

Automation of gates that provide water to farms allows water to be delivered without irrigators needing to manually operate the gate and allows interaction with on-farm automation equipment, facilitating best practice irrigation on farms. Irrigators also benefit from constant flows and having water near on demand.

By improving the way irrigators order, receive and manage their water, channel automation delivers water savings for Victoria and provides labour and capital savings for irrigators.

### Pipes and channels

By lining, remodelling or piping parts of the channel system, much of the 30% of wastage associated with our open channel system will be saved.



Commencement of Central Goulburn channel lining

### Metering upgrade

Northern Victoria's irrigation system contains about 18,000 Dethridge wheels used to measure diversions onto irrigation properties.

Dethridge wheels become inaccurate through general wear-and-tear and commonly under-measure water delivery by approximately 8%. As such, they will not meet the impending new national metering standards, which will require a maximum of plus or minus 5% measurement accuracy.



Dethridge Wheel

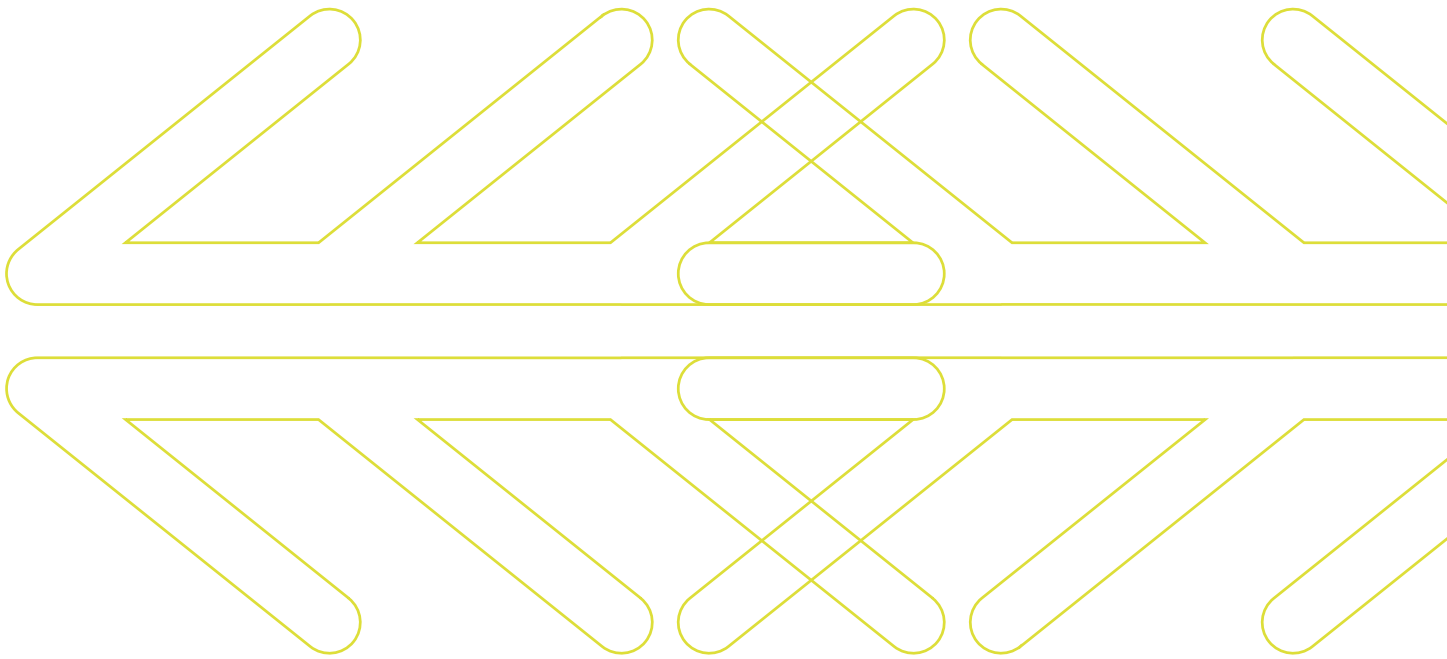
In the order of 9000 Dethridge wheels are being replaced with more accurate devices such as solar-powered electromagnetic flow meters and FlumeGate™, depending on what best suits the needs of the site.

## Reconfiguration

Renewing the delivery system may require reconfiguring farm systems that connect to the new system. As an example, a farm with six outlets may choose to move to just one or two outlets under the modern system, requiring an adjustment of farm layout. The benefit for the irrigator is that this reconfiguration will result in increased confidence in the reliability of their watering and ultimately, greater on-farm productivity.

## Definitions

<b>Backbone</b>	Larger channels (the carriers and trunks) that form the “backbone” of a modernised water supply system to efficiently transport large volumes of water direct to customer supply points
<b>Connections:</b>	Public or private piped or open channel that allows individual properties, or a cluster of properties, to be connected to the backbone
<b>Customer supply point:</b>	Point on the public water supply system where a customer receives water, usually through a meter
<b>Long Term Cap Equivalent (LTCE):</b>	Represents the long term average likely total water diversion from the respective streams
<b>Standard of Service:</b>	Nominated level of service a connection is to provide based on customers’ delivery share and desired Flow Rate, Command, Supply Duration, Delivery Period and Delivery Reliability





# Working Closely with Goulburn Murray Water

**The needs and knowledge of water users** will drive the design and implementation of the Project. The following 12 principles have been agreed by NVIRP and Goulburn-Murray Water (G-MW) to provide a framework for engagement with customers, local communities and other stakeholders. These principles will provide greater confidence and certainty for irrigators and their communities.

## 1. Timing

We recognise that NVIRP is tasked with modernising the irrigation network within an ambitious timeframe. We also recognise that many of the decisions customers will need to make as part of this project will impact on their water delivery arrangements for decades to come.

- NVIRP and G-MW will allow adequate time for customers to seek relevant advice and make informed decisions on aspects that will determine their future water delivery arrangements.

- NVIRP and G-MW will provide certainty for customers by communicating decisions and project developments in a timely manner.

## 2. Channel Management

NVIRP offers customers the opportunity to define the service and access requirements they need to grow their enterprise. To maximise these opportunities customers should not be forced to join a pre-determined form of channel management.

- NVIRP and G-MW will work

with customers to develop options that can meet customers' current and future service, supply and management needs.

## 3. The Network

Every customer who wishes to be connected to the network must be given the opportunity to do so. Cost sharing or price differentiation will be transparent. One of the project's goals is to rationalise infrastructure – not customers nor their access to the system.

## 4. Cost

NVIRP and G-MW are conscious of the need to minimise costs and to maximise operational efficiency.

- NVIRP and G-MW will communicate decisions and project developments that will impact on future system costs in a timely manner.

## 5. Service Levels

The term 'service level' does not apply to the level of water in a channel. Some channel levels may be reduced to save water. The term 'service level' refers to the ability of customers to access water at

the time, volume and flow rate of their choice. The projects currently under way seek to maximise choice of service level for all customers.

- NVIRP and G-MW will work with customers to develop options that can meet customers' current and future service and supply needs.

## 6. Reconfiguration

Reconfiguration is part of the White Paper and is Government policy. We regard it as an essential component of system Modernisation. We expect that reconfiguration committees will form an important part of the extensive consultation that will be required for successful completion of Modernisation. Reconfiguration programs should harmonise with Modernisation programs, and the Pyramid Boort Water Service Committee (WSC) provides a good example of how this may be achieved.

## 7. Tariffs

Tariffs and prices are endorsed by the Essential Services Commission (ESC). G-MW will continue to



develop tariffs and pricing policies in consultation with Water Service Committee's (WSC). G-MW will not initiate any change in tariffs or prices without first consulting WSCs.

### 8. Metering

More accurate metering is a component of NVIRP's task and is required to meet national metering standards that will take effect from 2009.

- NVIRP and G-MW will aim to provide customers with options for meter type, size and location
- Customer will have opportunity to make an informed decision supported by access to relevant technical advice.

### 9. Connection to the backbone

We recognise the complexity of decisions that need to be made in relation to the type of connection, the place of connection and on-farm works. We recognise that a range of on-farm works may be necessary to enable new connections and will require the engagement of consultants and contractors. We also recognise that redefined connections must be matched by satisfactory cost sharing arrangements.

- NVIRP and G-MW will aim to provide customers with

opportunity to make an informed decision supported by access to relevant technical and on-farm advice.

- NVIRP and G-MW will work with customers to develop works programs that have adequate regard for the need for on-farm works to complement new delivery arrangements.

### 10. Modernisation, Reconfiguration and the Food Bowl Principles

NVIRP in partnership with G-MW and customers will build an irrigation network that can meet the on-farm plans of irrigators and equip our region to meet future challenges including drought and/or climate change. This process will engage and reflect the needs and knowledge of customers and we recognise that irrigation areas will find different pathways to the best outcome.

- NVIRP and G-MW will work with existing customers committees including G-MW WSCs and reconfiguration working groups to find the best outcomes in terms of costs, cost sharing and customer service.

### 11. Balancing certainty with opportunity for continuous learning

NVIRP is already building on

the knowledge, technical ability and innovative solutions developed through existing modernisation, reconfiguration and rationalisation projects in our region and from further a field. NVIRP and G-MW fully support a continuous learning approach and expects many aspects of the project will continue to evolve over the course of the project to take advantage of growing systems knowledge, and the evolving plans of our customers. We also recognise that this approach limits our ability to provide certainty and defined outcomes for customers.

- NVIRP and G-MW will communicate decisions and project developments in a timely and transparent manner.
- NVIRP and G-MW will encourage the sharing of customer experiences and solutions among all customers.

### 12. Informed choice

NVIRP and G-MW will provide resources to ensure that customers are well informed about all of the choices available to them and to support early adoption.

## About the Early Works Program

In December 2007 the Victorian Government agreed to fund an Early Works program, committing \$113 Million for works to be commenced during winter 2008.

Given the status of NVIRP's development, the Early Works were managed through a funding agreement between the Department of Sustainability and Environment (DSE) and Goulburn-Murray Water (G-MW). NVIRP has participated in the governance and monitoring arrangements associated with the Early Works program.

The Early Works program covers Central-Goulburn channels 5-9, Murray Valley channels 1-2, Torrumbarry channel 1, Pyramid Boort channel 1 and Rochester channel 14. Work started on Central-Goulburn channel 9 in May, 2008.

The works will:

- Generate water savings through the installation of 1000 automated regulator gates, metering and channel remediation works.

- Plan, establish and implement the support processes and tools to facilitate the connection of customers to the backbone.

### FutureFlow

Goulburn-Murray Water had formed an alliance to deliver a program of modernisation works for the Shepparton Irrigation Area, Central Goulburn channels 1-4 and NVIRP's Early Works Program. This alliance, known as FutureFlow is made up of Goulburn-Murray Water, Transfield Services (Australia Pty Ltd), Comdain Civil Constructions Pty Ltd and Sinclair Knight Merz. The FutureFlow Alliance comprises leading water engineers, designers, construction companies and risk managers.

### Connecting to the backbone

Early Works centre on the backbone in the irrigation areas where the largest water savings are likely to be generated. Work has been based on targeting channel losses (outfall, meters and leakage).



### Types of meters to be used

Two basic types of meters will be used:

1. Magnetic flow meters that measure the induced voltage of water passing through a magnetic field; and
2. FlumeGates™ that measure the flow of water through a defined area based on measurements of upstream and downstream water levels and the angle of the gate using ultrasonic sensors.

All automated meters will be solar-powered and use rechargeable batteries.

### Operating the system

The channel flow automation system will be utilised to fully automate the backbone of the Goulburn Murray Irrigation District's open channel delivery systems. This technology stems from extensive, award-winning research undertaken in partnership between Rubicon Systems Australia Pty Ltd and Melbourne University.

Channel automation transforms manually operated open channel systems from labour intensive, conservatively operated, high water loss irrigation supply systems into responsive, flexible and efficient systems that enable irrigators to get water onto their farms at the flow rate and time they require. It assists the planning, scheduling and mechanisation strategies being adopted by progressive irrigation authorities around the globe and it enables water to be supplied as and when required. This award winning technology is revolutionising irrigation.

### Planning and Development

NVIRP has undertaken an extensive planning and design process for the balance of Stage 1 of the Project. This includes the following elements:

1. Backbone.
2. Metering.
3. Connections Program.
4. Budgeting and Financial Planning.
5. Estimated Water Savings.



## Review of Operations

<b>Financial Information</b>	
	<b>2008</b>
	<b>\$'000</b>
Revenue from Government	6,494
Other income and revenue	23
Total income	6,517
Total expenses	(2,263)
Net result of the period	4,254
Net cash flow from operations	6,652
Total Assets	6,802
Total Liabilities	2,548

The results shown above are from the period of operation being 21 December 2007 to 30 June 2008. No comparative information is available as this is the first period of operation.

### Significant Changes in Financial Position

There were no matters which changed our financial position during the reporting period.

### Subsequent Events

At the date of this report there were no material subsequent events to be disclosed.

### Risk Management Attestation

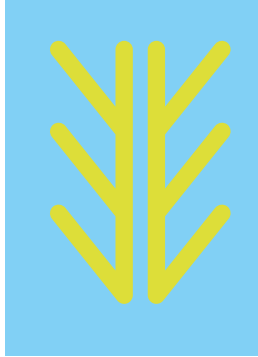
I, Richard Guy certify that the Northern Victoria Irrigation Renewal Project (NVIRP) has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures.

The Audit and Risk Committee verifies this assurance and that the risk profile of NVIRP has been critically reviewed within the last 12 months.



Richard Guy OAM  
Chairman





# Governance

## Establishment

The State Owned Enterprise for Irrigation Modernisation in Northern Victoria, trading as Northern Victoria Irrigation Renewal Project (“NVIRP”) is a State Body which was established under the State Owned Enterprise Act 1992 by an Order in Council dated 20 December 2007.

## Functions

The function of NVIRP is to plan, design and deliver the Program, being the Foodbowl Modernisation Program for modernising the Goulburn and Murray irrigation systems as described in “Our Water Our Future”- *The Next Stage of the Government’s Water Plan*, announced by The Victorian Government in June 2007.

## Powers

- (1) State Owned Enterprise for Irrigation Modernisation in Northern Victoria has the power, to the extent permitted by law, to do all things necessary or convenient to be done for, or in connection with, or incidental to the performance of its functions and powers under this Order, the Act or any other Act or regulation.
- (2) Without limiting its powers under subclause (1), for the purpose of performing its functions State Owned Enterprise for Irrigation Modernisation in Northern Victoria may:
  - (a) enter into contracts, agreements, leases and licences for the provision of services and facilities;
  - (b) employ staff or engage such persons as are necessary for the performance of its functions.
- (3) State Owned Enterprise for Irrigation Modernisation in Northern Victoria may by instrument under its official seal, delegate any of its functions or powers, other than this power of delegation, to:

- (a) a director or employee of State Owned Enterprise for Irrigation Modernisation in Northern Victoria; and
- (b) with the consent of the Minister, any other person.

## Duties

- (1) State Owned Enterprise for Irrigation Modernisation in Northern Victoria must:
  - (a) perform its functions and exercise its powers in a manner that is consistent with the water policy and priorities of the Victorian Government;
  - (b) develop, in a form approved by the Minister and Treasurer, a plan for the Program and its sub-projects and submit the plan to the Minister and Treasurer for approval prior to its implementation;
  - (c) establish formal relationships with Goulburn-Murray Rural Water Corporation and other relevant agencies of the Victorian Government in relation to the Program;
  - (d) participate in the co-ordination of activities in relation to the Program across agencies of the Victorian Government;
  - (e) notify the Minister and Treasurer if it proposes to enter into any contract or agreement that is within a class or category specified by the Minister and the Treasurer to State Owned Enterprise for Irrigation Modernisation in Northern Victoria from time to time for the purposes of this paragraph; and
  - (f) include in its annual report information on its progress towards securing water savings and enabling the sharing of those water savings through the implementation of the Program.

- (2) In performing its functions, exercising its powers and carrying out its duties, State Owned Enterprise for Irrigation in Northern Victoria has the business objective that it must act as efficiently as possible consistent with commercial practice.
- (3) The board must comply with a direction given to it under section 16C of the Act.

The Project Office was established in December 2007 to provide support to the NVIRP Board during the start-up phase of the State Owned Enterprise (SOE). The NVIRP project team has been setting up a corporate governance structure for the entity and planning the implementation of the Project through the development of the Business Case.

Commencing 21 December 2007 until 31 May 2007 the accounting transactions for NVIRP, including payments, have been made by the Department of Sustainability and Environment (DSE) on behalf of NVIRP. From 1 June 2008 NVIRP operated its own financial system. Details of the transactions made within the DSE system were transferred to the NVIRP financial system and are shown as NVIRP transactions within this report. Operational funding for NVIRP flowed from DSE to NVIRP from 1 June 2008.

Capital funding for the period to 30 June 2008 in relation to the early phases of the modernisation program is not recorded in the financial statements of NVIRP as the Capital funding deed and resulting payments was between DSE and G-MW. At 30 June 2008 DSE had paid \$76 Million to G-MW within the terms and conditions of the funding deed. Funds of \$3.6 Million were provided in 2007/08 for the establishment of NVIRP. Accounting for those funds is recorded within the financial statements of the Department of Sustainability and Environment.

The establishment of the entity involves:

- Creating an organisational structure to deliver the project and commencing the recruitment of key roles including the CEO, Executive Director roles and senior staff.
- Establishing a separate finance system for NVIRP, which became operational on 1 June 2008.
- Establishing a corporate governance charter for NVIRP including the establishment of an Audit and Risk Committee and a Nomination and Remuneration Committee.
- Defining the roles between NVIRP and its key stakeholders, including Goulburn Murray Water, Department of Sustainability and Environment, Department of Treasury and Finance, Regional Development Victoria, Department of Primary Industry and Department of Premier and Cabinet.
- Establishing committees to guide the development of the Project, such as a Technical Advisory Group, a joint sub-committee of NVIRP and G-MW Board Directors and an Inter Agency Committee between Government Departments.

The Office has been supported by a number of contractors and advisors during the reporting period. The high-level tasks performed by each of the positions are detailed on the following page.



Left-right: Geoff Akers, Terry Francis, Miranda Douglas-Crane, Richard Guy, Hon. Tim Holding, Murray Smith, Barry Stegall, Suzie Ewart, Peter McCamish, Harry DeJong

- Project Director
- Board Support & Governance
- Program Management
- Communications and Risk
- Finance Manager
- Early Works Project Manager
- Capital Works Delivery Advisors
- Technical & Engineering Advisors
- Connections Program Advisors
- Risk Advisors
- Legal Advisors

#### Chief Executive Officer

Mr Murray Smith was appointed Chief Executive Officer (CEO) in mid May 2008 from his position as Chief Executive Officer of Coleambally Irrigation Co-operative Limited (CICL) in NSW where he



delivered a program of works based on the principles that shape NVIRP. Mr Smith previously worked for the Queensland Department of Natural Resources and Mining in several roles including Water Planning and Design, Resource Management and State Water Projects. He is passionate in his quest to work with irrigators and the community to identify the best ways to deliver water savings and ensure the efficient use of resources.

NVIRP is currently transitioning between the Interim Project Office and the establishment of its workforce, based in Shepparton. The immediate priority is to operationalise NVIRP through the recruitment of its work force.

Noting that the CEO has already commenced, the prioritised list of key tasks involve:

- Recruitment of NVIRP Executive Directors including:
  - Executive Director Communications;
  - Executive Director Irrigation Modernisation;

- Executive Director Capital Program Delivery;
- Executive Director Finance and Business services; and
- Executive Director Governance and Planning.
- Recruitment of Connection Managers
- Recruitment of Water Savings Manager
- Recruitment of other NVIRP positions below the Executive Director level, including administrative support, project and contract managers, finance officers, environmental managers and communication support.

#### Workforce Data

As at 30 June 2008, NVIRP had one permanent employee. As NVIRP was in start up mode during the reporting period there is no additional meaningful data to be included in the current report.

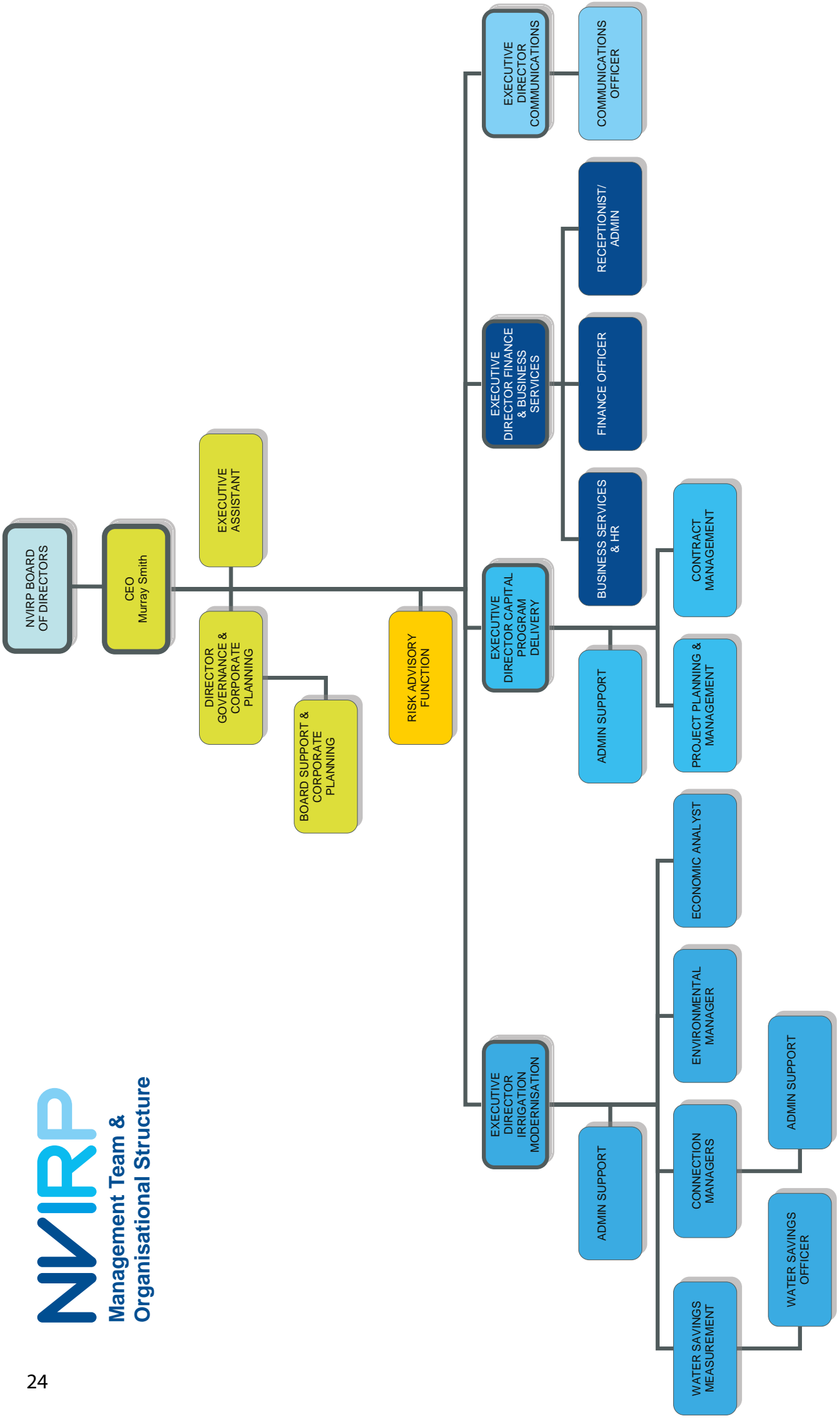
#### Human Resource Management

As part of the establishment of the entity a formal framework for occupational health and safety matters will be developed. Staff operated within the OHS frameworks of their base offices during the reporting period.

NVIRP's Management Team and organisational structure is shown on the following page.

# NVIRP

Management Team &  
Organisational Structure





## Directors' Attendance at Board and Committee Meetings

BOARD MEETINGS			NVIRP/G-MW BOARD COORDINATION COMMITTEE	
DIRECTORS	HELD	ATTENDED	HELD	ATTENDED
Richard Guy (Chair)	12	11		
Geoff Akers	12	11	6	5
Miranda Douglas-Crane	12	10		
Terry Francis	12	4*		
Peter McCamish	12	12	6	6
Barry Steggall	12	11		

\*leave of absence was approved in accordance with Clause 9 of the SOE Order for the period 18/01/2008 to 15/05/2008.

Note: Both the Audit and Risk Committee and the Nomination and Remuneration Committee met as a full board during the reporting period.

### Audit and Risk Committee

Membership: Terry Francis (Chair)  
Miranda Douglas-Crane  
Richard Guy

### Nomination and Remuneration Committee

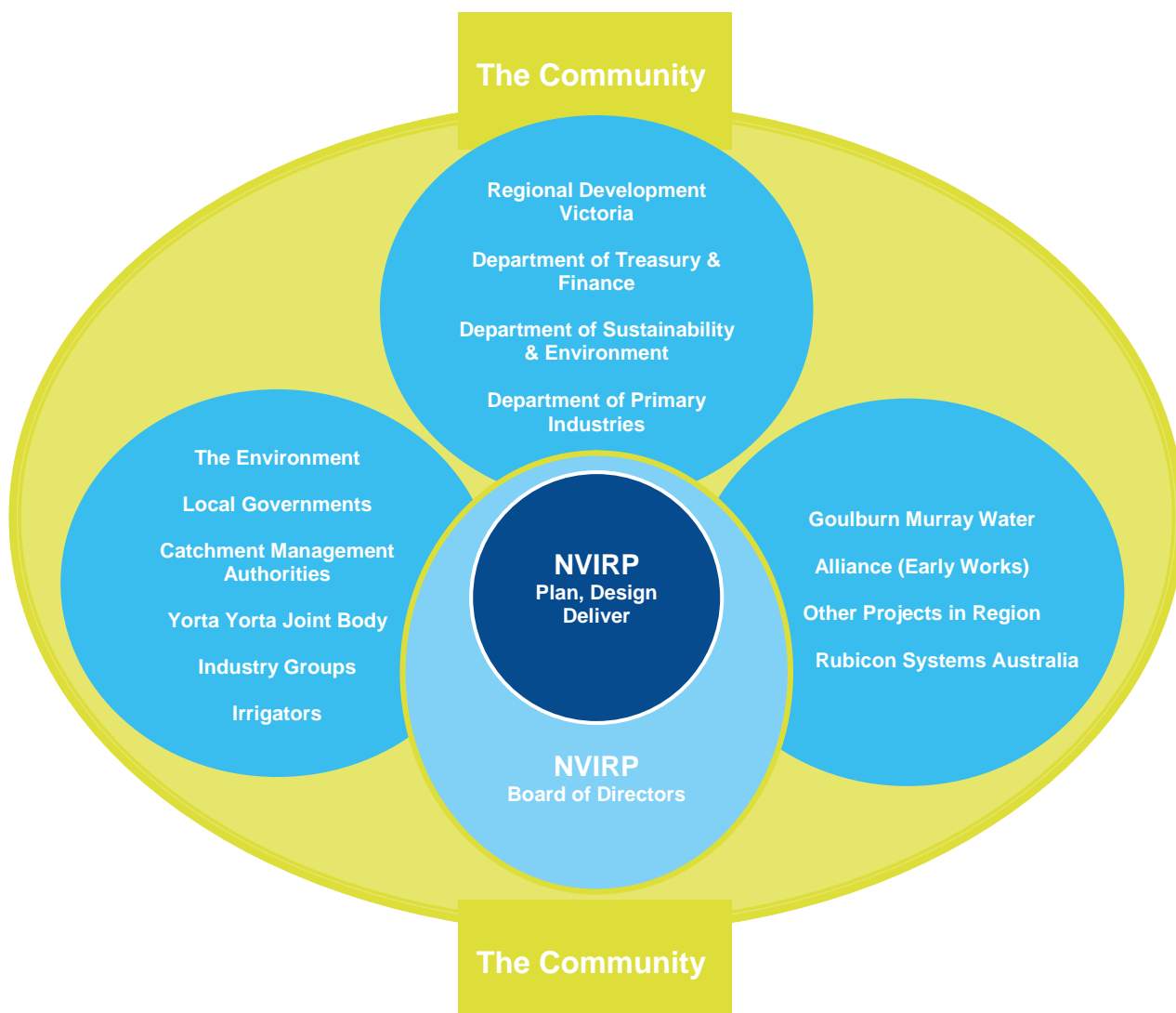
Membership: Richard Guy (Chair)  
Miranda Douglas-Crane  
Peter McCamish

### NVIRP/Goulburn Murray Water Board Co-Ordination Committee

Geoff Akers (NVIRP)  
Peter McCamish (NVIRP)  
Catherine Scott (G-MW)  
Craig Cook (G-MW)



## Stakeholder Map in Groups



### Working with our Stakeholders

In order to achieve the objectives of the modernisation program we recognise that a strong partnership approach will be required with Goulburn Murray Water, irrigators and all our other key stakeholders to optimise the benefits the Project will bring to the Region. The Project will have a significant impact on communities in the GMID by providing a more sustainable future for the region and by facilitating, assisting and supporting regional development.



## Water Savings Statement

Delivery of the target long term average water savings of 225GL per annum is a key objective underpinning the investment. It is assumed that water savings achieved throughout Stage 1 (interim savings) will be available in the irrigation season following installation of the works.

During the implementation of Stage 1, these independently audited interim net savings will be allocated in the year after the works have been done. This means that they will be allocated annually in the year after they have been measured and verified.

After the completion of Stage 1 of the project and an independent audit of savings, DSE (with the aid of system models) will convert the irrigators' one-third share into water shares. The water savings for Melbourne and the environment will be held under a Bulk Entitlement and an Environmental Entitlement respectively.

The first stage of works for the Program commenced in May 2008, (the Early Works Program). The Early Works Program has a total value of \$113 Million. The Early Works Program included supply and installation of 1000 automated gates, channel lining, and installation of 1047 meters. The works will be undertaken in the Central Goulburn channels 5-9, Murray Valley, Torrumbarry, Pyramid Boort and Rochester irrigation areas.

Due to the lead time required for the procurement of the irrigation infrastructure and the engagement of a civil works contractor, the contract for the Early Works Program was required to be entered into prior to the establishment of NVIRP. As a result, these works were contracted to, and performed by, an alliance established by G-MW, FutureFlow under a funding arrangement with DSE. Since NVIRP has been established, NVIRP

has been managing the on-going implementation of the Early Works Program, and has also been finalising its business case and procurement strategy for the 2008/09 works, with a view to formally contracting components of this work by the end of 2008.



Torrumbarry Channel 1









# State Owned Enterprise for Irrigation Modernisation in Northern Victoria – trading as NVIRP (Northern Victoria Irrigation Renewal Project) **FINANCIAL REPORT**

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## State Owned Enterprise for Irrigation Modernisation in Northern Victoria - Financial Report

### Operating statement for the period 20 December 2007 to 30 June 2008

	<i>Note</i>	<i>2008</i> \$
<b>INCOME</b>		
<b>Revenue</b>		
Government Grants	2(a)	6,494,000
Other revenue	2(b)	23,300
<b>Total income</b>		<b>6,517,300</b>
<b>EXPENSES</b>		
Employee benefits	3(a)	205,714
Depreciation and amortisation	3(b)	391
Supplies and services	3(c)	2,052,653
Finance costs	3(d)	559
Other expenses	3(e)	4,083
<b>Total expenses</b>		<b>2,263,400</b>
<b>Net result for the period</b>		<b>4,253,900</b>

The above Operating Statement should be read in conjunction with the accompanying notes



**Balance sheet**  
as at 30 June 2008

**Balance sheet**  
as at 30 June 2008

	<i>Note</i>	2008 \$
<b>Current assets</b>		
Cash and cash equivalents	13(a)	6,637,643
Receivables	4	150,935
<b>Total current assets</b>		<b>6,788,578</b>
<b>Non-current assets</b>		
Property, plant and equipment	5	14,144
<b>Total non-current assets</b>		<b>14,144</b>
<b>Total assets</b>		<b>6,802,722</b>
<b>Current liabilities</b>		
Payables	6	2,546,264
Provisions	7	2,103
<b>Total current liabilities</b>		<b>2,548,367</b>
<b>Non-current liabilities</b>		
Provisions	7	455
<b>Total non-current liabilities</b>		<b>455</b>
<b>Total liabilities</b>		<b>2,548,822</b>
<b>Net assets</b>		<b>4,253,900</b>
<b>Equity</b>		
Contributed capital		-
Accumulated surplus	14(a)	4,253,900
<b>Total equity</b>		<b>4,253,900</b>
Commitments for expenditure	10	
Contingent liabilities and contingent assets	11	

The above balance sheet should be read in conjunction with the accompanying notes.

**Statement of changes in equity**  
for the period 20 December 2007 to 30 June 2008

**Statement of changes in equity**  
**for the period 20 December 2007 to 30 June 2008**

<i>Note</i>	<i>2008</i>
	<i>\$</i>
<b>Net income recognised directly in equity</b>	
Net result for the period	4,253,900
<b>Total recognised income and expense for the period</b>	<b>4,253,900</b>
<b>Total equity at end of financial period</b>	<b>4,253,900</b>

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

## Cash flow statement

for the period 20 December 2007 to 30 June 2008

### Cash flow statement for the period 20 December 2007 to 30 June 2008

	Note	2008 \$
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Receipts from Government		7,113,183
Goods and Services Tax recovered from the Australian Tax Office		-
Interest received		23,278
Other receipts		22
<b>Total receipts</b>		<b>7,136,483</b>
<b>Payments</b>		
Payments to suppliers and employees		(483,783)
Goods and Services Tax paid to the ATO		-
Interest and other costs of finance paid		(522)
Other payments		-
<b>Total payments</b>		<b>(484,305)</b>
<b>Net cash flows from/(used in) operating activities</b>	13(b)	<b>6,652,178</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment		(14,535)
<b>Net cash flows from/(used in) investing activities</b>		<b>(14,535)</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital contributions by State Government		-
<b>Net cash flows from/(used in) financing activities</b>		<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>6,637,643</b>
<b>Cash and cash equivalents at the end of the financial year</b>	13(a)	<b>6,637,643</b>

There were no non-cash transactions during the period.

The above cash flow statement should be read in conjunction with the accompanying notes.



## Notes to the financial statements

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# Notes to the financial statements

for the financial period ended 30 June 2008

## Note 1. Summary of accounting policies

### (a) Basis of Accounting

#### *General*

The financial report is a general purpose financial report that consists of an Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements. The general purpose report complies with the requirements of the Financial Management Act 1994, applicable Australian accounting standards (AAS), which includes the Australian accounting standards issued by the Australian Accounting Standards Board (AASB) Urgent Issues Group Interpretations and other authoritative pronouncements.

The financial report also complies with the relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SD) authorised by the Minister for Finance. The financial report has been prepared on an accrual and going concern basis.

#### *Accounting Policies*

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

#### *Classification between current and non-current*

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid.

#### *Rounding of amounts*

Amounts in the financial report have been rounded to the nearest dollar, unless otherwise stated.

#### *Historical Cost Convention*

The financial report has been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets.

#### *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

#### *Reporting Period*

The Entity was established by an Order in Council dated 20 December 2007. The accounting period covered by this report is from 20 December 2007 to 30 June 2008.

## Note 1. Summary of accounting policies (continued)

### **(b) Reporting entity**

The financial report covers the State Owned Enterprise for Irrigation Modernisation in Northern Victoria trading as NVIRP, Northern Victoria Irrigation Renewal Project ("Entity") an individual reporting entity. The Entity is a State body, established pursuant to an Order in Council made under the State Owned Enterprise Act 1992. Its principal address is:

State Owned Enterprise for Irrigation Modernisation in Northern Victoria

Level 10

8 Nicholson St

East Melbourne VIC 3002

### **(c) Objectives and funding**

The Entity's objectives are to plan, design and deliver the Program for modernisation of the Goulburn and Murray irrigation systems. The Entity is predominantly funded by accrual-based Parliamentary appropriations for the provision of outputs. It does not provide fees for service.

### **(d) Revenue Recognition**

#### *Government Contributions*

Government grants and contributions are recognised as operating revenue on receipt or when an entitlement is established, whichever is the sooner, and disclosed in the operating statement as government contributions.

#### *Interest revenue*

Interest revenue is recognised when interest is earned.

### **(e) Expenses**

#### *Employee benefits*

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements and superannuation contributions. These are recognised when incurred.

#### *Depreciation and amortisation*

Depreciation is provided on plant and equipment. Depreciation is on a straight-line basis so as to allocate the cost, net of their residual values, over their expected useful lives, commencing from the time the asset is held ready for use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Note 5 provides details on the estimated useful lives that are used in the calculation of depreciation on plant and equipment.

#### *Supplies and services*

Supplies and services generally represent the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Entity. These items are recognised as an expense in the reporting period in which they are incurred.

### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank.



## Note 1. Summary of accounting policies (continued)

### **(g) Receivables**

Receivables consist predominantly of debtors in relation to accrued investment income and GST input tax credits recoverable.

Receivables are recognised initially at fair value and subsequently measured at amortised cost less any accumulated impairment.

### **(h) Recognition and measurement of assets**

#### *Acquisition*

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

#### *Valuations of non-current physical assets*

Plant and equipment are measured at cost.

### **(i) Leases**

#### *Finance Leases*

The Entity has no finance leases.

#### *Operating Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the operating statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

### **(j) Payables**

Payables consist predominantly of creditors and other sundry liabilities.

Payables are initially recognised at fair value and represent liabilities for goods and services provided to the Entity prior to the end of financial year that are unpaid, and arise when the Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

### **(k) Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

#### *Employee benefits*

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

## Note 1. Summary of accounting policies (continued)

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Regardless of the expected timing of settlements, provisions made in respect of employee benefits are classified as a current liability, unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability.

### (ii) Long service leave

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

- **Current liability - unconditional LSL** (representing 7 or more years of continuous service for VPS staff and 10 and more years of continuous service for executives) is disclosed as a current liability even where the entity does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- present value – component that the Entity does not expect to settle within 12 months; and
- nominal value - component that the Entity expects to settle within 12 months.
- **Non-current liability – conditional LSL** (representing less than 7 years of continuous service for VPS staff and less than 10 years of continuous service for executives) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

### (iii) Superannuation

The amount charged to the operating statement in respect of superannuation represents the contributions made by the Authority to the superannuation plan in respect of the current services of staff. Superannuation contributions made to the plans are based on the relevant rules of each plan. The Entity has no unfunded superannuation. Refer note 8.

### (iv) Employee benefits on-costs

Employee benefits on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they related are recognised as liabilities.

### (l) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value.

### (m) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

### (n) Goods and Services Tax (GST)

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

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

## Note 1. Summary of accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (o) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to condition which arose after the reporting date and which may have a material impact on the results of subsequent years.

### (p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises Departments and other entities of their applicability and early adoption where applicable.

As at 30 June 2008, a number of standards and interpretations had been issued that were not mandatory for financial year ending 30 June 2008. The Entity has not, and does not intend to, adopt these standards for this reporting period. Listed below are the standards which may have some applicability to the Entity and the possible impact on the financial statements.

<b>Standard / Interpretation</b>	<b>Summary</b>	<b>Applicable for annual reporting periods beginning or ending on</b>	<b>Impact on financial statements</b>
AASB 2007-09 <i>Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31</i>	An accompanying amendment standard to amend existing accounting standards as part of the short term review of AAS 27, AAS 29 and AAS 31 in December 2007.	Beginning 1 July 2008	Impact expected to be insignificant.
AASB 2007-3 <i>Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038].</i>	An accompanying amending standard, also introduced consequential amendments into other Standards.	Beginning 1 Jan 2009	Impact expected to be insignificant.
AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i>	Editorial amendments to Australian Accounting Standards to align with IFRS terminology.	Beginning 1 Jan 2009	Impact expected to be insignificant.



## Note 2. Income

	2008 \$
<b>Income</b>	
<b>(a) Revenue from Government</b>	
Government Grants	6,494,000
<b>Total revenue from Government</b>	<b>6,494,000</b>
<b>(b) Other revenue</b>	
Interest on bank deposits	23,278
Other	22
<b>Total other revenue</b>	<b>23,300</b>

## Note 3. Expenses

	2008 \$
<b>Expenses</b>	
<b>(a) Employee benefits:</b>	
Board Remuneration	165,144
Salaries and wages	40,570
<b>Total employee benefits</b>	<b>205,714</b>
<b>(b) Depreciation and amortisation</b>	
Depreciation of non-current assets	391
<b>Total depreciation and amortisation</b>	<b>391</b>
<b>(c) Supplies and services</b>	
Purchase of supplies and consumables	30,563
Purchase of services	2,022,090
<b>Total supplies and services</b>	<b>2,052,653</b>
<b>(d) Finance costs</b>	
Other finance costs	559
<b>Total finance costs</b>	<b>559</b>
<b>(e) Other expenses</b>	
Minimum Operating lease payments	4,083
<b>Total other expenses</b>	<b>4,083</b>

## Note 4. Receivables

	2008 \$
<b>Current receivables</b>	
Other receivables	150,935
<b>Total current receivables</b>	<b>150,935</b>

**(a) Nature and extent of risk arising from receivables**

Please refer to Note 12(c) for the nature and extent of credit risk arising from receivables.

## Note 5. Property, plant and equipment

### Movements in carrying amounts

	<i>Plant and equipment</i>	<i>Total</i>
	2008 \$	2008 \$
<b>Opening balance</b>	-	
Additions	14,535	14,535
Disposals	-	
Depreciation expense	(391)	(391)
<b>Closing balance</b>	<b>14,144</b>	<b>14,144</b>

**The following useful lives of assets are used in the calculation of depreciation:**

Plant and equipment 3-5 years

## Note 6. Payables

	2008 \$
<b>Current payables</b>	
Payables <sup>(a)</sup>	2,546,264
	<b>2,546,264</b>

*Notes:*

(a) The average credit period is 30 days. No interest is charged on the other payables for the first 30 days from the date of the invoice.

**(a) Maturity analysis of payables**

Please refer to table 12.5 in Note 12 for the ageing analysis of payables.

**(b) Nature and extent of risk arising from payables**

Please refer to Note 12 for the nature and extent of risks arising from payables.

## Note 7. Provisions

	2008 \$
<b>Current</b>	
Employee benefits <sup>(a)</sup> (Note 7(a))	
Unconditional and expected to be settled within 12 months <sup>(b)</sup>	2,103
Unconditional and expected to be settled after 12 months	-
	2,103
Provisions related to employee benefit on-costs	
Unconditional and expected to be settled within 12 months <sup>(b)</sup>	-
Unconditional and expected to be settled after 12 months	-
	-
<b>Total current provisions</b>	<b>2,103</b>
<b>Non-current</b>	
Employee benefits <sup>(a)</sup> (Note 7(a))	455
Provisions related to employee benefit on-costs	-
<b>Total non-current provisions</b>	<b>455</b>
<b>Total provisions</b>	<b>2,558</b>

### (a) Employee benefits<sup>(a)</sup> and related on-costs

	2008 \$
Current employee benefits	
Annual leave entitlements	2,103
Unconditional long service leave entitlements	-
Non-current employee benefits	
Conditional long service leave entitlements	455
<b>Total employee benefits</b>	<b>2,558</b>
Current on-costs	-
Non-current on-costs	-
<b>Total on-costs</b>	<b>-</b>
<b>Total employee benefits and related on-costs</b>	<b>2,558</b>

Note:

(a) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(b) The amounts disclosed are nominal amounts.



## Note 8. Superannuation

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

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Operating Statement of the Entity.

Contributions made by the Entity are as follows:

Fund	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2008		2008	
	\$		\$	
<b>Defined contribution plans:</b>	1,514		1,383	

**Notes:**

(a) The above amounts were measured as at 30 June

## Note 9. Leases

### Disclosures for lessees – operating leases

#### Leasing arrangements

Operating leases relate to temporary office accommodation with lease terms, with an option to extend for a further 2 years. The Entity does not have an option to purchase the leased asset at the expiry of the lease period.

	2008
	\$
<b>Non-cancellable operating leases payable</b>	
Not longer than 1 year	15,000
Longer than 1 year and not longer than 5 years	-
Longer than 5 years	-
	15,000

## Note 10. Commitments for expenditure

	2008 \$
<b>(a) Capital expenditure commitments</b>	
No commitments for capital expenditure existed at the date of this report.	-
<b>(b) Lease commitments</b>	
Non-cancellable operating lease commitments are disclosed in Note 11 to the financial statements.	-
<b>Total commitments for expenditure (inclusive of GST)</b>	-
Less GST recoverable for the Australian Taxation Office	-
<b>Total commitments for expenditure (exclusive of GST)</b>	-

## Note 11. Contingent assets and contingent liabilities

No contingent assets and liabilities existed at the date of this report.

## Note 12. Financial instruments

### (a) Significant accounting policies

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

### (b) Table 12.1: Categorisation of financial instruments

Financial assets	Note	Category	Carrying amount
			2008 \$
Cash and cash equivalents	-	N/A	6,637,643
Receivables <sup>(a)</sup>	4	Receivables (at amortised cost)	-
Financial liabilities	Note	Category	Carrying amount
			2008 \$
Payables	6	Financial liabilities measured at amortised cost	1,999,251
Interest bearing liabilities	-	Financial liabilities measured at amortised cost	-

Note:

(a) The amount of receivables disclosed here exclude statutory receivables (i.e. Amounts owing from Victorian Government and GST input tax credits recoverable)

## Note 12. Financial instruments (continued)

### (c) Credit risk

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

Credit risk associated with the Entity's financial assets is minimal because the majority of assets relate to GST on accrual raised.

Except as otherwise detailed in the following table, the carrying amount of financial assets recorded in the Financial Report, net of any allowances or losses, represents the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**Table 12.2: Maximum exposure to credit risk**

<i>Financial assets and other credit exposures</i>	<i>Maximum credit risk</i>
	2008
	\$
Other	-



## Note 12. Financial instruments (continued)

Table 12.3: Interest rate exposure and ageing analysis of financial assets<sup>(a)</sup>

	Weighted average effective interest rate %	Carrying amount \$	Interest rate exposure			Not past due and not impaired \$	Less than 1 Month \$	1-3 months \$	3 months – 1 year \$	1-5 years \$
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$					
Receivables:										
Cash & Cash Equivalents	7	6,637,643	-	6,637,643	-	6,637,643	-	-	-	
Other receivables	-	-	-	-	-	-	-	-	-	
	-	6,637,643	-	6,637,643	-	6,637,643	-	-	-	

Note:

(a) Ageing analysis of financial assets excludes types of statutory financial assets (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

## Note 12. Financial instruments (continued)

### (d) Liquidity risk

Liquidity risk arises when the Entity is unable to meet its financial obligations as they fall due. The Entity operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

The Entity's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities except as detailed in the following table:

**Table 12.4: Maximum exposure to liquidity risk**

<i>Financial liabilities and other liquidity exposure</i>	<i>Maximum liquidity risk</i>	
	2008	
	\$	
Other	-	
	-	

The following table discloses the contractual maturity analysis for the Entity's financial liabilities:

## Note 12. Financial instruments (continued)

Table 12.5: Interest rate exposure and maturity analysis of financial liabilities

	Weighted average effective interest rate	Interest rate exposure				Maturity dates <sup>(a)</sup>			
		Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing	Nominal amount	Less than 1 month	1-3 months	3 months – 1 year
<b>2008</b>	%	\$	\$	\$	\$	\$	\$	\$	\$
Payables:									
Amounts payable to other government agencies	-	-	-	-	-	-	-	-	-
Other payables	-	1,999,251	-	-	1,999,251	1,999,251	-	-	-
	-	1,999,251	-	-	1,999,251	1,999,251	-	-	-

Note:

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities



## Note 12. Financial instruments (continued)

### (e) Market risk

The Entity's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

#### *Interest rate risk*

The Entity has interest bearing asset with its exposure to interest rate risk not considered significant.

### (f) Fair value

The Entity does not have any financial assets or liabilities as at 30 June 2008 that are stated other than at fair value.

## Note 13. Cash flow information

### (a) Reconciliation of cash and cash equivalents

	2008 \$
Total cash and cash equivalents disclosed in the balance sheet	6,637,643
<b>Balance as per cash flow statement</b>	<b>6,637,643</b>

### (b) Reconciliation of net result for the period to net cash flows from operating activities

	2008 \$
<b>Net result for the period</b>	<b>4,253,900</b>
<b>Non-cash movements:</b>	
Depreciation and amortisation of non-current assets	391
<b>Movements in assets and liabilities:</b>	
(Increase)/decrease in current receivables	(187,020)
(Increase)/decrease in other current assets	-
(Decrease)/increase in current payables	2,582,349
(Decrease)/increase in current provisions	2,103
(Decrease)/increase in other current liabilities	-
(Decrease)/increase in non-current provisions	455
<b>Net cash flows from/(used in) operating activities</b>	<b>6,652,178</b>

## Note 14. Movements in equity

### (a) Accumulated surplus

	2008 \$
Balance at beginning of financial year	-
Net result	4,253,900
<b>Balance at end of financial year</b>	<b>4,253,900</b>
<b>Total equity at the end of the financial year</b>	<b>4,253,900</b>

## Note 15. Responsible persons

The names of persons who were Responsible Persons at any time during the period 20 December 2007 to 30 June 2008 are:

The Hon T Holding MP	Minister for Water
Mr Richard Guy (Appointed 17 January)	Chairman
Mr Geoffrey Akers (Appointed 17 January)	Board Member
Mrs Miranda Douglas-Crane (Appointed 17 January)	Board Member
Mr Terry Francis (Appointed 17 January)	Board Member
Mr Peter McCamish (Appointed 17 January)	Board Member
Mr Barry Steggall (Appointed 17 January)	Board Member
Mr Murray Smith (Appointed 12 May 2008)	Chief Executive Officer

### *Remuneration of Responsible Persons*

The numbers of Responsible Persons are shown below in their relevant income bands (excluding the Responsible Minister):

Remuneration Band	2008
\$0 to \$9,999	1
\$10,000 to \$19,999	4
\$30,000 to \$39,999	1
\$40,000 to \$49,999	1

In calculating the disclosures above income includes base salary and superannuation.

Total remuneration (including superannuation) received or due and receivable to the Responsible Persons from the reporting entity amounted to \$147,830. The Minister's remuneration is disclosed in the Financial Statements of the Department of Premier and Cabinet.

### *Transactions with Responsible Persons*

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

## Note 16. Remuneration of executives

During the period there were no executive officers other than those included under "Remuneration of Responsible Persons" thus there is no further information to disclose.

## Note 17. Remuneration of auditors

	2008 \$
<b>Victorian Auditor-General's Office and Audit of the financial report</b>	
Audit or review of the financial report	22,500
	<b>22,500</b>

## Accountable Officer's and Board's declaration

We certify that the attached financial report for the Entity has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes forming part of the financial report, presents fairly the financial transactions during the period ended 30 June 2008 and the financial position of the Entity at 30 June 2008.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial report for issue on 5 September 2008.



M Smith  
Chief Executive Officer

Melbourne  
5 September 2008



T Francis  
Board Member

Melbourne  
5 September 2008



## INDEPENDENT AUDITOR'S REPORT

### To the Board of State Owned Enterprise for Irrigation Modernisation in Northern Victoria

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2008 of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria which comprises the operating statement, balance sheet, statement of changes in equity, cash flow statement, a summary of accounting policies and other explanatory notes to and forming part of the financial report, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

#### *The Board's Responsibility for the Financial Report*

The Board of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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

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

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

## Independent Auditor's Report (continued)

### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial statements published in both the annual report and on the website of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria for the year ended 30 June 2008. The Board Members of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the State Owned Enterprise for Irrigation Modernisation in Northern Victoria web site.

### *Independence*

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

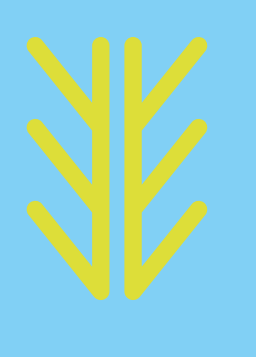
### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the State Owned Enterprise for Irrigation Modernisation in Northern Victoria as at 30 June 2008 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
9 September 2008



D D R Pearson  
Auditor-General



## General Information

### Consultancies

Consultant	Project	\$'000 Total approved NVIRP project fee	\$'000 Expenditure 2007-08	\$'000 Future Commitments
Evans & Peck	Business Case – Capital Program Delivery Advisor	387	158	229
Hydro Environmental Pty Ltd	Business Case – Engineering and Technical Advisor	279	80	199
KPMG	Business Case – Project Management Advisor	472	220	252
RMCG	Business Case – Customer Connections Advisor	320	178	142
PriceWaterhouseCoopers	Business Case – Risk Management Advisor	169	130	39

No consultancies of less than \$100,000 were awarded during the reporting period.  
The definition of consultancies is

- (a) an arrangement where an individual or organisation is engaged to:
- (i) provide expert analysis and advice which facilitates decision making;
  - (ii) perform a specific one off task; and
  - (iii) perform a task involving skills and perspective which would not normally be expected to reside within the entity.

They must meet all 3 of the criteria to be classified as consultants.

### **Freedom of Information Act**

The Freedom of Information Act 1982 allows the public a right of access to documents held by NVIRP.

NVIRP received one application under the Freedom of Information Act 1982.

The application was met in part. Information affecting personal privacy, commercial-in-confidence and public interest was not disclosed. The application went to internal review following which no further action was taken by the Applicant.

Application under the Freedom of Information Act 1982 including a fee of \$22.70 (current at the time of publication) should be made in writing, addressed to:

Mr Rick Orr  
FOI Officer  
NVIRP  
PO Box 1665  
Shepparton VIC 3632

### **Compliance with the Building Act 1993**

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

### **Whistleblowers Protection Act 2001**

The Whistleblowers Protection Act 2001 came into effect on 1 January 2002. The Act is designed to protect people disclosing information about serious wrongdoing in the Victorian Public Sector and to provide a framework for the investigation of these matters. The protected disclosure coordinator for the Department of Sustainability and Environment (DSE) acts as an agent for NVIRP to receive disclosures under the Act, and applies DSE procedures in managing disclosures. Disclosures of improper conduct by NVIRP or its employees may be made to:

Michael Guarna, Protected Disclosure  
Coordinator  
Department of Sustainability and Environment  
PO Box 500  
East Melbourne VIC 3002  
Telephone: 03 9637 8873  
Facsimile: 03 9637 8128  
Email: Michael.Guarna@dse.vic.gov.au

The Ombudsman Victoria  
GPO Box 469  
Melbourne VIC 3001  
Telephone: 03 9613 5212  
Toll free: 1800 500 509

### **National Competition Policy**

In 1995, all Australian Governments (Federal, State and Territory) agreed to review and, where appropriate, reform all existing legislative restrictions on competition. Under National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- The benefits of the restriction to the community as a whole outweigh the costs; and
- The objectives of the legislation can only be achieved by restricting competition.

NVIRP aims to comply with the requirements of the National Competition Policy.

### **Victorian Industry Participation Policy (VIPP)**

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

There were no tenders sought or awarded by NVIRP that required implementation of the policy.



### Availability of other information

In compliance with the requirements of Standing Direction 22B of the Minister for Finance, the additional items have been retained by NVIRP and are available on request (subject to Freedom of Information requirements, if applicable)

- A statement that DOPs were completed by all relevant officers.
- Shares held by a senior officer.
- Publications produced by the entity about itself, and how these can be obtained.
- Changes in prices, fees, charges, rates and levies charged.
- Major external reviews carried out on the entity.
- Major research and development activities undertaken.
- Overseas travel undertaken including a summary of the objectives and outcomes of each visit.
- Major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services.
- Assessments and measures undertaken to improve OHS of employees.
- A general statement on IR within the entity and details of time lost through industrial accidents and disputes, and
- A list of major committees sponsored by the entity, the purpose of each committee and the extent to which the purposes have been achieved.

The information is available on written request from:

Chief Executive Officer  
NVIRP  
PO Box 1665  
Shepparton VIC 3632

### Merit, Equity and Privacy

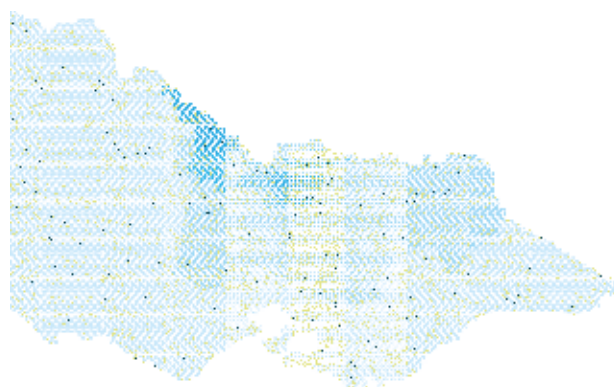
NVIRP is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are

assessed and evaluated fairly and equitably on the basis of key selection criteria and other accountabilities without discrimination.

As NVIRP develops its policies it will ensure that policies and programs consider issues relating to women, youth and people from indigenous and culturally and linguistically diverse backgrounds.

### NVIRP Auditors:

Victorian-Auditor Generals Office  
Level 24  
35 Collins Street  
Melbourne VIC 3000



## Disclosure Index

The 2007/08 Annual Report of the Northern Victoria Irrigation Renewal Project is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the authorities' compliance with statutory disclosure requirements.

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- FlumeGate™ (1000 installed)
- 5.3km of Plastic Lining

