



FINANCIAL AUDIT

10 November 2021

Water 2021

Report 3: 2021–22

As the independent auditor of the Queensland public sector, including local governments, the Queensland Audit Office:

- provides professional audit services, which include our audit opinions on the accuracy and reliability of the financial statements of public sector entities
- provides entities with insights on their financial performance, risk, and internal controls; and on the efficiency, effectiveness, and economy of public service delivery
- produces reports to parliament on the results of our audit work, our insights and advice, and recommendations for improvement
- supports our reports with graphics, tables, and other visualisations, which connect our insights to regions and communities
- conducts investigations into claims of financial waste and mismanagement raised by elected members, state and local government employees, and the public
- shares wider learnings and best practice from our work with state and local government entities, our professional networks, industry, and peers.

We conduct all our audits and reports to parliament under the *Auditor-General Act 2009* (the Act). Our work complies with the *Auditor-General Auditing Standards* and the Australian standards relevant to assurance engagements.

- Financial audit reports summarise the results of our audits of over 400 state and local government entities.
- Performance audit reports cover our evaluation of some, or all, of the entities' efficiency, effectiveness, and economy in providing public services.

Learn more about our publications on our [website](#).

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

10 November 2021

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Report on a page

This report summarises the audit results of six entities in Queensland’s water sector: Seqwater, Sunwater, Urban Utilities, Unitywater, Gladstone Area Water Board, and Mount Isa Water Board.

Seqwater is no longer liable for damages from the 2011 South East Queensland floods class action

In February 2021, Sunwater and the Queensland Government agreed to pay \$440 million in relation to the 2011 South East Queensland floods class action. Seqwater successfully appealed against the court judgement, which means it is no longer liable to pay damages to the group members of the class action. That decision does not impact on the settlement being paid by Sunwater and the Queensland Government.

Financial statements are reliable

All entities’ financial reports are reliable and comply with relevant laws and standards. They have been prepared in a timely manner and are of good quality.

Weaknesses in information systems continue

We continue to identify weaknesses in the information systems water entities use to prepare financial statements. These weaknesses allowed a cyber breach to occur at one entity and remain undetected for nine months. Entities need to establish stronger processes for monitoring access to systems.

Profits and shareholder returns have increased

Sunwater’s settlement as part of the 2011 South East Queensland floods class action was \$80 million lower than it estimated in 2019–20. Previously, Sunwater recognised a liability (and matching expense) of \$330 million based on its best estimate of the obligation at that time. The reduced settlement adjusted its profit and the combined profit of the sector. While shareholder returns were higher than in previous financial years, the floods class action adjustment did not flow through to dividends.

However, continuing improvements to assets involving significant infrastructure investment are likely to impact on the sector’s returns to shareholders over the next decade.

Drought, the sustainable supply of water, and dam improvement programs continue to pose challenges

The ongoing drought in Queensland—particularly in the Central and South East regions—highlights that projects that contribute to the reliable provision of an acceptable quality and quantity of water are a priority. The drought increases operating costs, and entities also need to fund projects to make water supply more sustainable.

We are undertaking a performance audit that will provide insights on the Department of Regional Development, Manufacturing and Water’s framework for ensuring dams are managed safely.



Recommendations for entities

Information systems recommendation requiring immediate action

Our only recommendation for the water entities this year is that they address the security of their information systems. This was one of our three recommendations in *Water 2020* (Report 9: 2020–21), and has become even more important this year as several entities have introduced new systems and there has been a recent cyber breach in one of the water entities.

We continue to identify significant control weaknesses in the security of information systems. All entities must have strong security practices to protect against fraud or error, and significant reputational damage.

Prior year recommendations addressed

Water entities have taken appropriate action in relation to two of the three recommendations made in our report last year:

- Urban Utilities and Unitywater have improved the timely recognition of donated assets (charges paid by developers through the donation of assets such as water and sewerage infrastructure). Given the time lag between building applications and receiving donated assets, historical issues causing delays in revenue recognition may still happen throughout the year. However, no new issues have been identified that indicate an ongoing underlying risk.
- All entities have implemented appropriate processes to understand complex employee arrangements arising from the interaction of employee contracts with enterprise agreements.

We have included a full list of prior year recommendations and their status in [Appendix C](#).

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant entities. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the entities are at [Appendix A](#).



1. Overview of entities in this sector

Figure 1A
Major state and local government owned entities of the Queensland water sector

Department of Regional Development, Manufacturing and Water

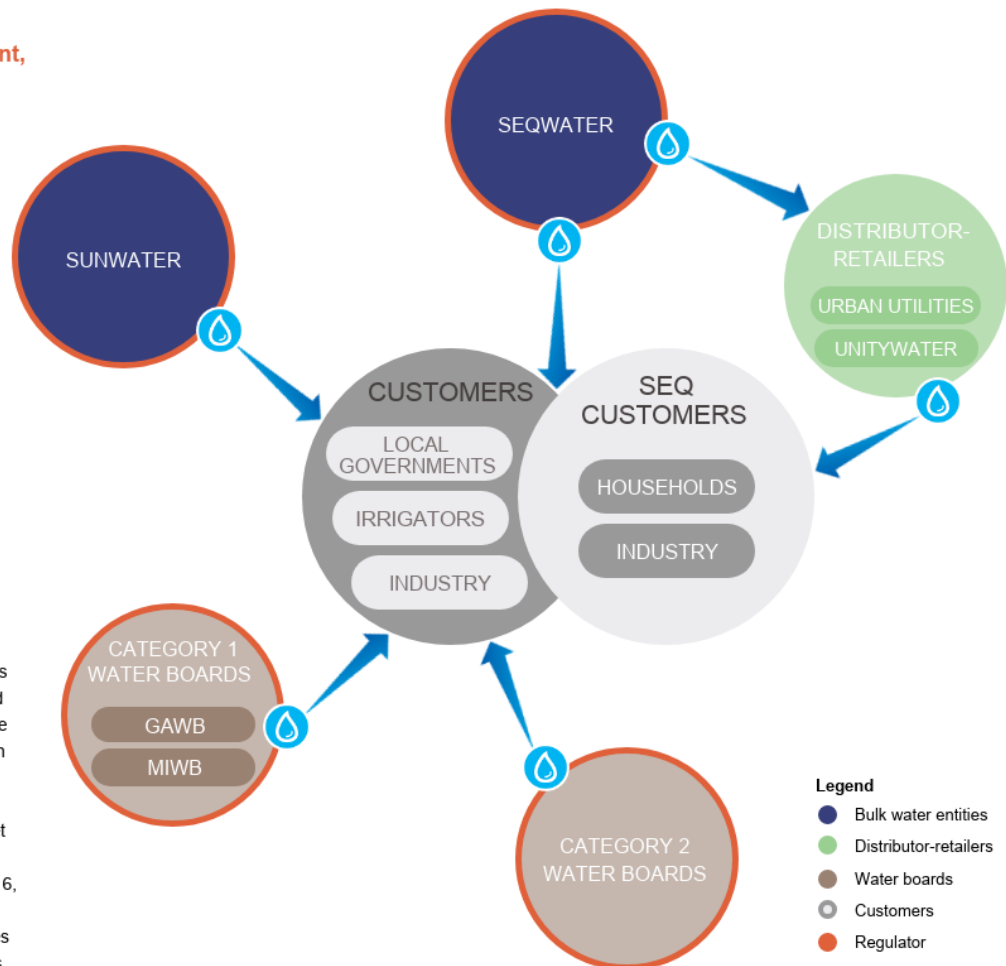
Regulates the safety of referable dams and oversees Category 1 and 2 water boards.

Department of Resources

Manages several non-commercial dams and weirs.

Queensland Competition Authority

Reviews South East Queensland bulk water prices and rural irrigation prices and calculates how much revenue entities should earn based on prudent and efficient supply costs. This informs the bulk water and irrigation prices set by the Queensland Government. Prior to 2015–16, the Queensland Competition Authority monitored the prices set by the distributor-retailers.



- Legend**
- Bulk water entities
 - Distributor-retailers
 - Water boards
 - Customers
 - Regulator

Notes:

- Distributor-retailers are entities established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* to purchase and distribute water; deliver water and wastewater services; charge customers for relevant services; manage customer enquiries, service requests and complaints; perform functions relating to trade waste and seepage; and perform planning and development assessment functions under the *Planning Act 2016*.
- A dam is referable if a failure impact assessment demonstrates there would be two or more people at risk if the dam was to fail.
- Bulk water entities are entities that provide bulk water services to water service providers (for example, distributor-retailers, or local governments). Bulk water means a large quantity of water. It is supplied in a wholesale arrangement between water providers, with the recipient then distributing to final customers according to a bulk water supply agreement.
- Seqwater, Sunwater, and the water boards also directly supply water to local governments that operate their own retail businesses. Like distributor-retailers, these local governments on-sell water to households or industries. Local governments are excluded from this report.
- South East Queensland (SEQ) customers refers to household and industry customers in the Brisbane, Ipswich, Somerset, Lockyer Valley, Scenic Rim, Moreton Bay, Sunshine Coast and Noosa council areas.
- Category 1 water boards are for-profit authorities established under the *Water Act 2000*. GAWB—Gladstone Area Water Board; MIWB—Mount Isa Water Board.
- Category 2 water boards are smaller water authorities and are outside the scope of this report.

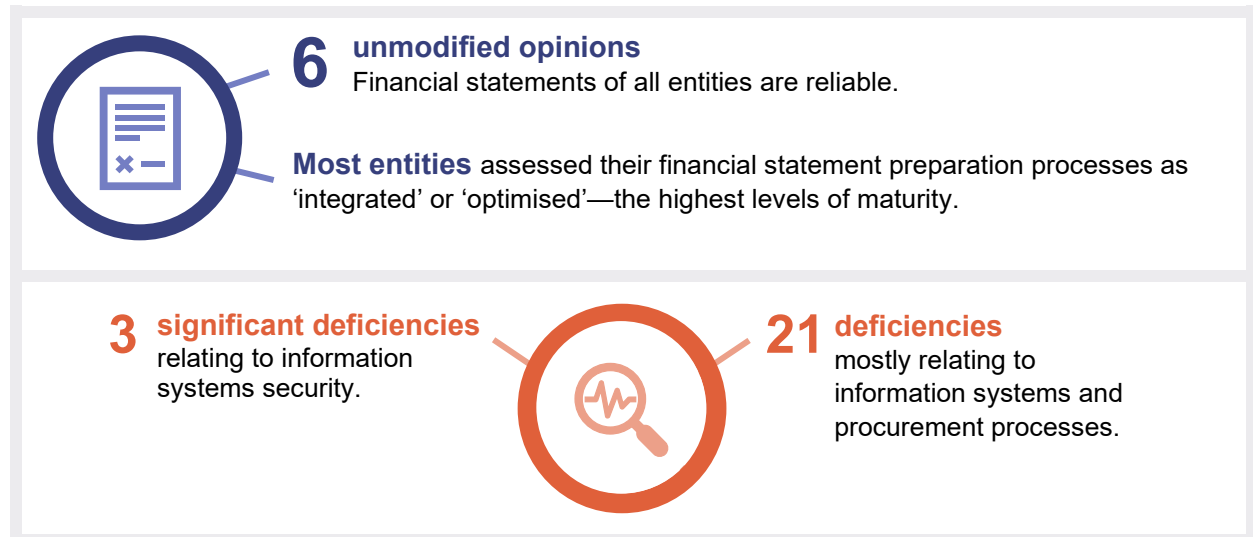
Source: Compiled by the Queensland Audit Office.



2. Results of our audits

This chapter provides an overview of our audit opinions for the entities in the water sector. It also evaluates the effectiveness of the systems and processes (internal controls) the entities use to prepare financial statements.

Chapter snapshot



Audit opinion results

We issued unmodified audit opinions to all six entities, meaning their financial statements can be relied on. Five out of six water entities met their legislative deadline of 31 August 2021. Seqwater's financial statements were certified on 21 September 2021.

In 2019–20, we qualified our opinion on Seqwater for not recording a liability and matching expense as a result of the unfavourable court judgement relating to the 2011 South East Queensland floods class action.

Seqwater's successful appeal against the court judgement was announced on 8 September 2021—before its financial statements were published in its annual report. We subsequently issued an unmodified opinion on its 2020–21 financial statements on 21 September 2021 based on this new information.

[Appendix D](#) provides details about the audit opinions we issued in 2021.

Most water entities have self-assessed their financial statement preparation as 'integrated' or 'optimised'—the highest levels in the Queensland Audit Office's financial statement preparation maturity model. This means they believe their processes for preparing financial statements are efficient and provide high-quality information in a regular, timely manner. The results of our audits support their assessments.

DEFINITION

We express an **unmodified opinion** when financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards.

We express a **qualified opinion** when financial statements are fairly presented, with the exception of a specified area.

Entities not preparing financial statements

Not all Queensland public sector water entities produce financial statements. [Appendix E](#) provides a full list of those who do not, and the reasons why.

Liabilities from the 2011 South East Queensland floods class action

A class action relating to the 2011 South East Queensland floods was brought against Seqwater, Sunwater, and the Queensland Government through the Supreme Court of New South Wales (the Court). A judgement was handed down in favour of the plaintiff in November 2019 and the Court determined the percentage of liability to be allocated between Seqwater (50 per cent), Sunwater (30 per cent) and the Queensland Government (20 per cent) in May 2020. This created a financial obligation to the group members of the class action that could be estimated and was likely to require payment.

DEFINITION

A **class action** is a court proceeding where the claims of a group or 'class' of persons are brought by one or a small number of named representatives.

In February 2021, Sunwater and the Queensland Government agreed to pay \$440 million, and the Court approved the settlement in May 2021. Sunwater and the Queensland Government have progressed to settling the claims against them, including costs and interest. Sunwater has appropriately recognised a liability, payable in the next 12 months.

In September 2021, the New South Wales Court of Appeal overturned the Court's November 2019 decision, which had found Seqwater was negligent in relation to the 2011 South East Queensland floods. As a result, Seqwater is no longer liable to pay damages.

This decision has no impact on the settlement agreement approved by the Court in May 2021 in respect to Sunwater and the Queensland Government.

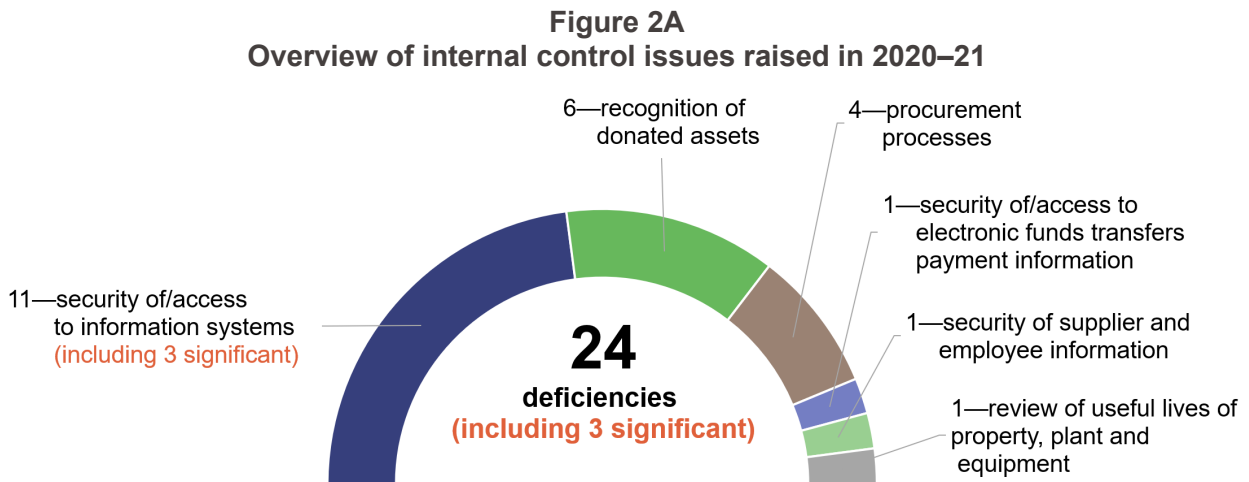
Internal controls are generally effective

We assess whether the internal controls used by entities to prepare financial statements are reliable, and report any deficiencies in their design or operation to management for action. Those simply rated as deficiencies are of lower risk and can be corrected over time. Those rated as significant deficiencies are of higher risk and require immediate action by management.

Overall, we found the internal controls the water sector entities have in place to ensure reliable financial reporting are generally effective, but they can be improved. One entity's control environment was assessed as ineffective due to three significant deficiencies identified during the audit.



In addition to these, we also reported 21 deficiencies in internal controls across the sector this year. Figure 2A shows the types of deficiencies we identified.



Source: Compiled by the Queensland Audit Office.

We have received responses from each entity on planned corrective action for the internal control issues raised. We are satisfied with the responses and proposed implementation time frames. However, we continue to identify significant control weaknesses in the security of information systems. This is a critical issue for water sector entities and should be addressed as soon as possible.

Immediate action needs to be taken to address ongoing security weaknesses in information systems

Water entities rely on information technology systems to operate their businesses and prepare financial statements. They must have strong controls over who has access to the systems and the information in them. Weaknesses in information technology controls increase the risk of undetected errors or potential financial loss, including fraud.

In our water report last year, we found that the security of information systems was the most common internal control weakness across the public sector. We made the same recommendation across all our sector reports for entities to strengthen the security of their information systems.

Not all the water entities have fully addressed this recommendation. We identified control weaknesses in information system security at three of the six entities this year. [Appendix C](#) provides the full recommendation and status as at 30 June 2021.

Weaknesses in user access to systems

Monitoring access to systems in a timely manner is essential. Any unauthorised access could result in fraud or error and significant reputational damage. For one entity, we raised three significant deficiencies relating to management of user access across multiple systems (financial, invoicing, and payroll). Entities should only assign employees the minimum access required to perform their jobs.

Security weaknesses exposed by a cyber breach

A cyber breach (between August 2020 and May 2021) resulting in unauthorised access to an entity's web server was identified during the year. Threat actors (those conducting malicious activities against entities) targeted an older and more vulnerable version of the system. The web server that stores customer information contained suspicious files that increased visitor traffic to an online video platform. This did not result in lost customer or financial information. The entity implemented a number of measures to address the breach, including updating software, using stronger password practices, and monitoring incoming and outgoing network traffic.

As entities use more cloud-based services (which provide remote access to systems), cyber risk vulnerabilities and exposures must be continuously assessed. Entities need to make sure their users are aware of their responsibilities in managing cyber risks. We have previously presented two reports to parliament on this—[Managing cyber security risks](#) (Report 3: 2019–20) and [Security of critical water infrastructure](#) (Report 19: 2016–17).

Improve timely recognition of donated assets

Distributor-retailers collect infrastructure charges (developer contributions) from developers. Developer contributions are settled through cash contributions or donated assets (for example, water and sewerage infrastructure). In 2019–20, we reported on control weaknesses affecting the timely recognition of donated assets.

During 2020–21, distributor-retailers undertook an independent review to amend data inconsistencies. As a result, weekly compliance checks of all donated assets were implemented to ensure completeness and accuracy of data. Entities will ensure new controls are operating effectively. Processes are also in place to identify historical issues (similar to those identified previously) that may persist in future years. Trends in developer contributions and building approvals are shown in [Appendix F](#).

Assessment tools for internal controls

We are developing new assessment tools for internal controls relevant to public sector entities. They will provide the entities with greater insight into the strength of their internal control processes.

These tools focus on asset management, change management, culture, governance, grants management, information systems, monitoring, procure-to-pay (the whole procurement process), record keeping, and risk management.

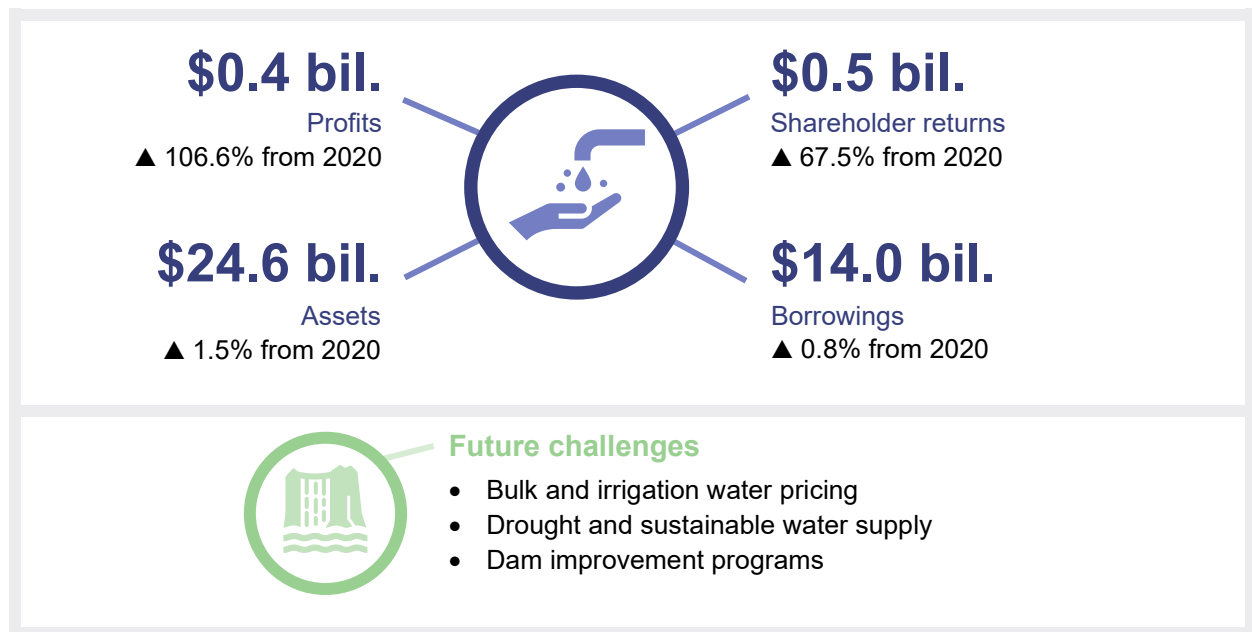
We are currently consulting with our clients on these tools and intend to begin using them in our audits from 2021–22. Our reporting on internal control deficiencies will not change.



3. Financial results and challenges

This chapter analyses the key financial results and challenges faced by the water sector.

Chapter snapshot



Rising profits and shareholder returns

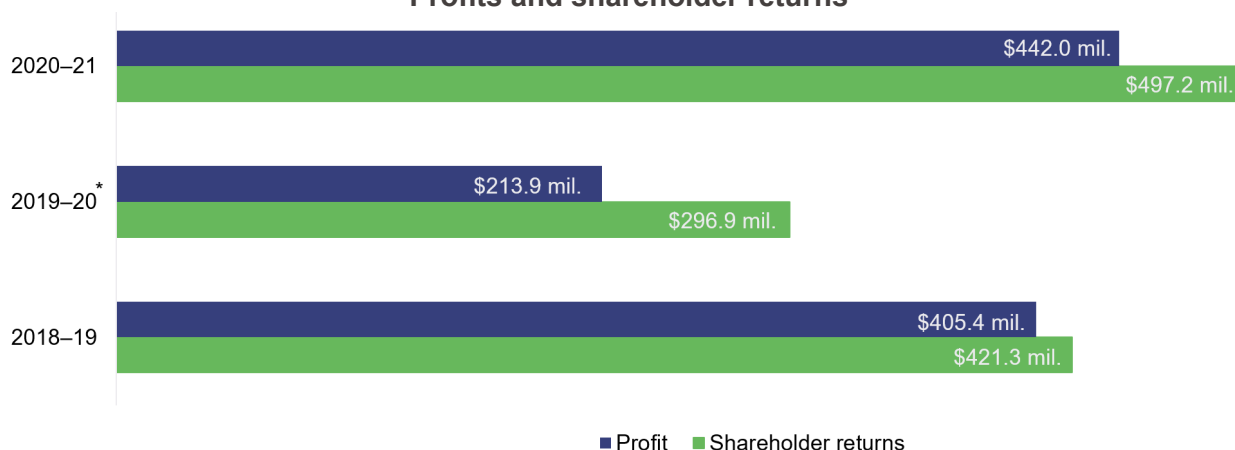
The water sector's profits increased by \$234.7 million (106.6 per cent) in 2020–21. The largest impact was an adjustment to Sunwater's profit in relation to the 2011 South East Queensland floods class action. The settlement between Sunwater and group members of the class action was \$80 million less than originally estimated in 2019–20.

Seqwater successfully appealed against the original judgement. The New South Wales Court of Appeal's decision on this, in September 2021, means Seqwater is no longer required to pay damages to the class action members. This decision did not have an impact on Seqwater's results for 2020–21.

Seqwater did not pay a dividend in 2020–21 despite reporting a profit. From 2021–22, it will start repaying principal and interest on its debt to the Queensland Government.

Shareholder returns were higher than in the prior year, due to the sector's increased profits. The sector's total shareholder returns of \$497.2 million were made up of dividends (a share of profits paid to Queensland Government shareholders), participation returns (a portion of a distributor-retailer's profits paid to participating local governments), and income tax equivalents (which are paid by commercial operations in government instead of tax and include deferred tax components). Details on financial flows to and from government are provided in [Appendix J](#).

Figure 3A
Profits and shareholder returns



Notes:

- Profit is after income tax equivalents.
- Shareholder returns are made up of dividends (a share of profits paid to Queensland Government shareholders), participation returns (a portion of a distributor-retailer’s profits paid to participating local governments), and income tax equivalents (which are paid by commercial operations in government instead of tax and include deferred tax components).
- *Shareholder returns have moved from those reported last year due to prior period adjustments for donated assets.

Source: Compiled by the Queensland Audit Office from water sector entities’ financial reports.

Bulk and irrigation water pricing

In response to COVID-19, the Queensland Government decided to defer the Queensland Competition Authority’s (QCA) review of the South East Queensland bulk water (wholesale) prices to 2021–22. This resulted in the bulk water price for 2020–21 being rolled forward for one additional year (2021–22), with the government recently directing the same 3.5 per cent increase that was applied in 2020–21.

The QCA is currently reviewing Seqwater’s bulk water pricing practices, and will recommend bulk water prices to apply from 1 July 2022 to 30 June 2026. The QCA expects to recommend prices to the Queensland Government (in March 2022) that will allow Seqwater:

- sufficient revenue to recover prudent and efficient costs of providing bulk water supply services
- repay its price path debt by 2027–28.

The government continues to pay community service obligation payments to compensate Sunwater and Seqwater where the government has set irrigation prices below the cost of supply. This includes where prices are below costs as a result of the 15 per cent discount due to the government’s 2020 election commitment to provide discounts on irrigation prices. Discounts on irrigation water prices continue to 2023–24.

Community service obligation payments for 2020–21 amounted to \$19.7 million (2019–20: \$9.7 million).

DEFINITION

Price path is a 20-year period established by the Queensland Government in 2008 for the annual increase in bulk water prices to gradually repay debt and achieve a common bulk water price across all South East Queensland councils.

Price path debt was incurred when bulk water prices charged were less than the cost of treatment and supply—water cost more than was charged to customers.

Irrigation water is the supply of water or drainage services for irrigation of crops or pastures.

Community service obligations are government payments to ‘for-profit’ entities to provide services that are not sustainable otherwise.

Drought and sustainable water supply

Queensland continues to experience extreme weather conditions, with 34 councils (64.7 per cent of the state) fully drought-declared. Prolonged drought has led to reduced water storage levels, increased operational costs, and the need for increased capital investment in water security projects (which contribute to the sustainable provision of an acceptable quality and quantity of water). Details of drought-declared areas are provided in [Appendix G](#).

Infrastructure projects to ensure sustainable water supply

The sector has several projects underway to address the issue of water supply in drought-declared areas across Queensland. For communities that are experiencing severe drought, interim solutions are in place to help them receive continuous supplies of water.

For example, several off-grid (not fully dependent on public utilities) communities in the Scenic Rim, Somerset, and Moreton Bay regions entered into various levels of water restrictions in October 2020. All except a community in the Moreton Bay region (Dayboro) came off restrictions following rain in mid-December 2020. Dayboro required periodic carting of water to maintain supply until early February 2021. In March 2021, Rockhampton Regional Council started carting 20 trucks of water from Gracemere to Mount Morgan each day. This is equivalent to about 160 litres per person per day. The projects shown in Figure 3B are expected to contribute to long-term water security for drought-declared regions.

Figure 3B
Long-term water security projects

Central Queensland regions have experienced below average rainfall since September 2020, as a result of extreme weather conditions. The Rookwood Weir Project (south-west of Rockhampton) is a critical piece of water infrastructure that will provide water security and support agricultural and industrial development in this region.

Rookwood Weir Project

- Aims to provide up to 86,000 megalitres (ML) of extra water supply, provide opportunities for increased agricultural and industrial development in Central Queensland, and boost urban water security for Central Queensland.
- Early works construction commenced in 2020.
- In-river and main construction works commenced in 2021.
- Expected completion is in 2023.

Stanthorpe relied on full-time water carting (costing the Department of Regional Development, Manufacturing and Water \$11.6 million) from January 2020 to March 2021. However, favourable rainfall in the Southern Downs region resulted in water restrictions lifting. The Granite Belt Irrigation Project (south-west of Stanthorpe) is expected to provide a new water storage to support agricultural development in the region and a contingent supply for Stanthorpe.

Granite Belt Irrigation Project

- Aims to expand irrigation for agricultural and horticultural industries in the Southern Downs region and provide a contingency supply for Stanthorpe.
- Pre-construction planning activities for Emu Swamp Dam commenced in 2020 and are currently progressing.
- Granite Belt Water's tender process for the design and construction of Emu Swamp Dam closed in late September 2021.
- Construction is subject to final consideration of the outcomes of tender and other pre-construction activities.

The Southern Downs Regional Council continues to work with the Queensland Government to progress a drought resilience package announced in April 2021. One of the activities to safeguard the future of this region's drinking water security is to undertake detailed design and cost estimates for a proposed pipeline from Toowoomba to Warwick.

Toowoomba to Warwick Water Pipeline Project

- Aims to meet Warwick's drought contingency water supply needs by constructing new capital works (for example, groundwater bores, and/or works to access Leslie Dam water at lower water levels) to extend the water supply for Warwick and surrounding towns.
- Seqwater has been appointed to undertake preparatory works to deliver the final design of the Toowoomba to Warwick Water Pipeline Project—a 108-kilometre raw water pipeline from Wivenhoe Dam to Warwick via Toowoomba and satellite communities of Toowoomba such as Clifton. Raw water is proposed to be treated locally.
- Time frame for construction, once the final design is approved, is 18 months.

Source: Compiled by the Queensland Audit Office from Department of State Development, Infrastructure, Local Government and Planning and Department of Regional Development, Manufacturing and Water information.

All other long-term water security projects are in the early stages of planning or feasibility studies (which take technical, environmental, and economic assessments into account). These projects are important to ensuring sustainable water supply during drought, but they will take time and resources to plan and construct.

Maintaining water supply in South East Queensland

Seqwater’s *South East Queensland’s Water Security Program 2016–2046* includes drought responses that are triggered when the combined total of the region’s 12 major dams (the water grid) reduces to predetermined levels. The region’s 60 per cent drought response trigger has been reached twice over the past two years (November 2019 and September 2020). South East Queensland’s water grid is currently at 60.2 per cent (at 30 June 2021), with medium-level water restrictions due to come into place when the water grid level falls to 50 per cent. At 60 per cent, the Gold Coast Desalination Plant goes to full production, while recommissioning of the Western Corridor Recycled Water Scheme commences.

Figure 3C outlines the annual maintenance and operating costs for the water security programs along with how much water they have contributed to the South East Queensland water grid.

Figure 3C
Manufactured water assets—annual maintenance and operating costs, and production



**Gold Coast
Desalination Plant**
\$23.3 million | 19,486 ML



**Western Corridor
Recycled Water Scheme**
\$18.3 million | 2,923 ML

Note: ML—Megalitres.

Source: Compiled by the Queensland Audit Office from Seqwater data.

The Western Corridor Recycled Water Scheme—a water recycling scheme that treats wastewater effluent from Brisbane and Ipswich at three water treatment plants—remained in ‘care and maintenance’ mode (which means it was not used at full capacity) throughout 2020–21. Purified, recycled water from the scheme was used in power stations in place of water from dams. Its assets become fully operational when the region’s water grid level falls to 40 per cent, subject to required government and regulatory approvals.

Since November 2019, Seqwater has maximised production from the Gold Coast Desalination Plant to supplement the water grid during a period of extended drought.

DEFINITION

Manufactured water assets relate to climate-resilient water infrastructure assets.

Dam improvement programs

Each dam owner is responsible for improvements to their dam/s and must ensure they manage safety risks in accordance with the provisions of the *Water Supply (Safety and Reliability) Act 2008* (the Act). We are undertaking a performance audit that will provide insights on the Department of Regional Development, Manufacturing and Water’s framework for ensuring dams are managed safely.

Dam owners regularly monitor and assess their dams to maintain public safety and to secure water supply. The department conducts desktop assessments of the reports and notifications to ensure owners are complying with the requirements of the Act. The significant cost of dam improvement programs continues to be a challenge to entities, and the full extent of the cost is usually unknown until actual works commence. Until then, estimates could vary. The costs are funded through additional borrowings, funding from the state or federal government, and current and future water prices.

As an example of the complexity of dam improvement projects, Lake Macdonald Dam (Six Mile Creek), which provides drinking water storage for the Noosa region, requires an upgrade to meet the standards and performance requirements of dam safety regulations. Improvements were originally scheduled to begin in 2020–21. During the procurement stage in December 2020, it became known that the project costs would be greater than the approved \$127 million budget (based on a detailed design completed in late 2019). The potential cost increase is due to a more thorough understanding of the project, based on:

- the detailed design of the dam wall structures
- the construction complexity
- additional risk mitigation activities required due to approval conditions.

Seqwater is reassessing the upgrade options to ensure dam safety, water security, and environmental and community objectives are met. A decision is expected to be made by the board in 2021–22.

Completion of the upgrade is required by 2035.

The sector's returns to shareholders are likely to be impacted as asset improvement programs continue to involve significant infrastructure investments.

DEFINITION

A **dam improvement program** is a program to upgrade a portfolio of referable dams to meet industry recommended standards. A dam is referable if a failure impact assessment demonstrates there would be two or more people at risk if the dam was to fail.



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A. Full responses from entities

As mandated in Section 64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to the:

- Treasurer and Minister for Trade and Investment
- Minister for Regional Development and Manufacturing and Minister for Water
- Under Treasurer, Queensland Treasury
- Director-General, Department of Regional Development, Manufacturing and Water.

We also provided a copy of the report to the following entities with an invitation to respond:

- Premier and Minister for the Olympics
- Director-General, Department of the Premier and Cabinet
- chief executive officers of
 - Seqwater
 - Sunwater
 - Urban Utilities
 - Unitywater
 - Mount Isa Water Board
 - Gladstone Area Water Board
 - Queensland Competition Authority.

This appendix contains the detailed responses we received.

The heads of these entities are responsible for the accuracy, fairness, and balance of their comments.



Comments received from Under Treasurer, Queensland Treasury



Queensland Treasury

Our Ref: 04791-2021

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Email: QAO.Mail@qao.qld.gov.au

Dear Mr Worrall

Thank you for providing the Queensland Audit Office (QAO) draft Water 2021 Report (the Report) summarising the audit results of six entities in Queensland's water sector.

A key objective for the Queensland Government is ensuring that these enterprises operate as efficiently as possible to ensure they continue to provide safe, secure and cost-effective water services to the communities they operate in, supporting Queensland's economic recovery from the COVID-19 pandemic.

I note that the QAO provided unmodified audit opinions of the 2020-21 financial statements for the six water entities and the QAO's recommendation for entities to continue to strengthen the security of their information systems.

I also note the QAO's observations regarding future challenges for the sector, including Queensland's recent experience of extreme weather conditions, with 37 councils drought declared. In particular, the Report acknowledges the impact of prolonged drought on water storage levels and operational costs and in response, the water sectors planned capital investment in water security projects and Government's ongoing support for the irrigation sector. While these drought response actions come at a cost, the ongoing support provided to the water sector by the Queensland Government remains crucial to help sustain our economic recovery.

The performance, sustainability and internal control environments of State water entities will continue to be monitored to ensure continued improvement, prudent investment and the delivery of water services.

If you require any further information, please contact

[Redacted], who will be pleased to assist.

Yours sincerely

Leon Allen
Under Treasurer

27/11/2021

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Website www.treasury.qld.gov.au
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Comments received from Director-General, Department of Regional Development, Manufacturing and Water

Our ref: CTS 21391/21



- 1 NOV 2021

Department of
**Regional Development,
Manufacturing and Water**

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
53 Albert Street
BRISBANE QLD 4000

Email: qao@qao.qld.gov.au

Brendan
Dear Mr Worrall

Thank you for your correspondence of 8 October 2021 regarding the results of the 2020-21 water entities' financial audits, and for providing a draft copy of the "Water 2021" Report.

I have no material concerns with the draft Report, which I believe reflects a fair and accurate view of publicly owned water entities in Queensland.

I note the Report identifies a cyber security breach which occurred during the reporting period and recommends water entities continue to improve the security of their information systems. The Department of Regional Development, Manufacturing and Water (DRDMW) will follow up with relevant water entities to determine what actions they are undertaking to ensure the Report's specific recommendations are adequately addressed.

I appreciate the opportunity for DRDMW to review the draft Report and provide feedback ahead of its tabling in Parliament.

If you require any further information, please contact [redacted] who will be pleased to assist.

Yours sincerely

Graham Fraine
Graham Fraine
Director-General

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Comments received from Chief Executive Officer, Urban Utilities



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3 November 2021

The Auditor-General
Queensland Audit Office
53 Albert Street
Brisbane QLD 4000

Via email – qao@qao.qld.gov.au

Dear Auditor-General,

Urban Utilities' Response to Queensland Audit Office Water Report 2021

We thank you for the opportunity to respond to the Queensland Audit Office's (QAO) 2021 report on the state of the water sector in Queensland which addresses important cross sector issues including the ongoing importance of water security, and the sustainable supply of water.

Urban Utilities is working constructively with the bulk water supply authority Seqwater to ensure the long-term security and sustainability of water supply and water security in South East Queensland. The decade since the end of the Millennium Drought has seen significant planning to ensure the water security to our shared communities.

Recent water reliability modelling prepared for the new Water Security Plan indicates that impacts on water grid reliability resulting from climate change and increasing population growth in South East Queensland, has seen the investment in the next water source move from post 2040 to the early 2030. To ensure water security into the future, Urban Utilities continues to progress active discussion with key stakeholders and communities for all options for water security to be on the table to ensure climate independent water sources, such as purified recycled water for drinking, are progressed.

While meeting the water supply challenges of the future, it's also vital that the water sector continues to deliver affordable services to our customers and community. For this reason, Urban Utilities will continue to work with Seqwater to take a comprehensive and integrated approach to assessing investment decisions. The approach will consider broader objectives, including, but not limited to, social, economic, environmental and community benefit outcomes, and will optimise these outcomes across the water sector.

Nationwide, there remains opportunities to fully integrate the urban water cycle and achieve the full suite of water security, public health, environmental and urban amenity outcomes that our communities expect. In uniting the sector through collaborative projects, such as Water for SEQ, Seqwater and other

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Distributor-Retailers in our region are seeking to shape future strategic and operational decisions for the region with a whole-of-system, multidisciplinary approach that aims to optimise the entire urban water cycle across the delivery of water, wastewater and recycled water services.

Central to this work is transparency of the cost drivers for water and sewerage services, derivation of an integrated set of measures of success and an “all options on the table” approach to addressing the affordability and liveability challenges that the water sector will face into the future. Bulk water represents approximately 40% of the average water bill for customers in our service area and are increasing at costs higher than inflation. The likely impact of drought during the coming periods will further escalate these costs. Ensuring cross sector efficiencies remains critical to the overall affordability of water prices to customers.

Recognising our role in providing critical water services for our customers in a sustainable manner, Urban Utilities is also working to ensure that we prudently manage our own financial sustainability. We have recently completed a capital structure review that balances reasonable returns to shareholders, our ability to service the community requirements for growth at the appropriate customer service levels and our long-term financial sustainability objectives.

Thank you for the opportunity to raise these important cross-sector issues. Please don’t hesitate to contact me to discuss any of these matters further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Louise Dudley".

Louise Dudley
Chief Executive Officer
Urban Utilities



B. Legislative context

Frameworks

Water entities prepare their financial statements in accordance with the following legislative frameworks and reporting deadlines.

Figure B1
Legislative frameworks for the water sector

Entity type	Entities	Legislative framework	Legislated deadline
Statutory bodies	<ul style="list-style-type: none"> Queensland Bulk Water Supply Authority (trading as Seqwater) Central SEQ Distributor-Retailer Authority (trading as Urban Utilities) Northern SEQ Distributor-Retailer Authority (trading as Unitywater) Gladstone Area Water Board Mount Isa Water Board 	<ul style="list-style-type: none"> <i>Water Act 2000</i> <i>Financial Accountability Act 2009</i> Financial and Performance Management Standard 2019 <i>Statutory Bodies Financial Arrangements Act 1982</i> Unitywater and Urban Utilities only: <ul style="list-style-type: none"> <i>South-East Queensland Water (Distribution and Retail Restructuring) Act 2009</i> Seqwater only: <ul style="list-style-type: none"> <i>South East Queensland Water (Restructuring) Act 2007</i> 	31 August
Government owned corporations	<ul style="list-style-type: none"> Sunwater Limited 	<ul style="list-style-type: none"> <i>Government Owned Corporations Act 1993</i> <i>Corporations Act 2001</i> Corporations Regulations 2001 	31 August

Source: Compiled by the Queensland Audit Office.

Accountability requirements

The *Financial Accountability Act 2009* requires statutory bodies to:

- achieve reasonable value for money by ensuring the operations of the entity are carried out efficiently, effectively, and economically
- establish and maintain appropriate systems of internal control and risk management
- establish and keep funds and accounts that comply with the relevant legislation, including Australian accounting standards.

The *Government Owned Corporations Act 1993* establishes four key principles for government owned corporations:

- clarity of objectives
- management autonomy and authority
- strict accountability for performance
- competitive neutrality (meaning they should not have a competitive advantage over the private sector because they are owned by the government).

C. Status of prior recommendations

Our report, *Water 2020* (Report 9: 2020–21), identified the following recommendations for water sector entities. These entities have taken appropriate action for two of the three recommendations. However, we continue to identify significant control weaknesses in the security of information systems. This is a critical issue for water sector entities and must be addressed as soon as possible.

Figure C1
Status of recommendations from prior year’s report

Strengthen the security of information systems (all entities)		Further action needs to be taken*
REC 1	<p>We recommend all public sector entities strengthen the security of their information systems. They rely heavily on technology, and increasingly, they have to be prepared for cyber attacks. Any unauthorised access could result in fraud or error, and significant reputational damage.</p> <p>Their workplace culture, through their people and processes, must emphasise strong security practices to provide a foundation for the security of information systems.</p> <p>All entities across the public sector should:</p> <ul style="list-style-type: none"> • provide security training for employees so they understand the importance of maintaining strong information systems, and their roles in keeping them secure • assign employees only the minimum access required to perform their job, and ensure important stages of each process are not performed by the same person • regularly review user access to ensure it remains appropriate • monitor activities performed by employees with privileged access (allowing them to access sensitive data and create and configure within the system) to ensure they are appropriately approved • implement strong password practices and multi-factor authentication (for example, a username and password, plus a code sent to a mobile), particularly for systems that record sensitive information • encrypt sensitive information to protect it • patch vulnerabilities in systems in a timely manner, as upgrades and solutions are made available by software providers to address known security weaknesses that could be exploited by external parties. <p>Entities should also self-assess against all of the recommendations in our report—<i>Managing cyber security risks</i> (Report 3: 2019–20)—to ensure their systems are appropriately secured.</p>	<p>We continue to identify several control deficiencies relating to information systems. Cyber attacks continue to be a significant risk, with ongoing changes in entities’ working environments due to COVID-19.</p> <p>Entities have undertaken the following to strengthen the security of information systems:</p> <ul style="list-style-type: none"> • implemented security monitoring systems to detect and report on potential security threats and events • enabled multi-factor authentication on all external systems available to the public • implemented strong password practices in line with the state’s recommendations (for example, a minimum of eight-character passwords) • implemented mandatory cyber security awareness training • implemented policies and processes to identify critical security vulnerabilities. <p>We recommend all water entities continue implementing policies and processes to strengthen the security of information systems.</p>



Improve timely recognition of donated assets (distributor-retailers)		Fully implemented*
REC 2	<p>Distributor-retailers (Urban Utilities and Unitywater) need to:</p> <ul style="list-style-type: none"> engage more closely with developers to determine whether assets themselves are complete obtain engineering drawings and other information in a timely manner closely monitor development application registers for completeness of recorded assets identify and address causes of delays in processing engineering drawings. 	<p>Distributor-retailers have undertaken the following activities to improve timely recognition of donated assets (charges paid by developers, either in cash or in assets such as water and sewerage infrastructure):</p> <ul style="list-style-type: none"> performed independent reviews to amend data inconsistencies performed weekly compliance checks of all donated assets to ensure completeness and accuracy of data monitored adherence to new processes to ensure controls are operating effectively. <p>Legacy issues may happen throughout the year, due to the time lag between building applications and the recognition of developer contributions. However, no new issues have been identified that indicate an ongoing, underlying risk.</p>
Understand complex employee arrangements (all entities)		Appropriate action has been taken*
REC 3	<p>As part of the negotiation process for enterprise agreements, entities should ensure they understand how these arrangements interact with employee contracts.</p>	<p>Water entities have undertaken the following to help in understanding complex employee arrangements:</p> <ul style="list-style-type: none"> engaged external experts to advise on the development of enterprise agreements reviewed compliance obligations (for example, annualised salaries and hours of work in accordance with employee contracts) updated payroll and human resource policies and procedures to ensure practices are compliant and understood undertaken periodic reconciliations of individual employment contracts to ensure the entity is compliant with all employee obligations conducted internal reviews in collaboration with external experts to obtain assurance that employees are being paid in accordance with their specific employment arrangements. <p>No new issues have been identified across the sector that indicate an ongoing, underlying risk that requires reporting to parliament.</p>

Note: *Refer to [‘Recommendation status definitions’](#).

Source: Compiled by the Queensland Audit Office from Water 2020 ([Report 9: 2020–21](#)) and responses received from each water sector entity.



Recommendation status definitions

If a recommendation is specific to an entity or particular entities, we have reported on the action that entity has taken and whether the issue is considered to be *fully implemented*, *partially implemented*, *not implemented*, or *no longer applicable*.

Status	Definition
Fully implemented	Recommendation has been implemented, or alternative action has been taken that addresses the underlying issues and no further action is required. Any further actions are business as usual.
Partially implemented	Significant progress has been made in implementing the recommendation or taking alternative action, but further work is required before it can be considered business as usual. This also includes where the action taken was less extensive than recommended, as it only addressed some of the underlying issues that led to the recommendation.
Not implemented	Recommendation accepted No or minimal actions have been taken to implement the recommendation, or the action taken does not address the underlying issues that led to the recommendation.
	Recommendation not accepted The entity did not accept the recommendation.
No longer applicable	Circumstances have fundamentally changed, making the recommendation no longer applicable. For example, a change in government policy or program has meant the recommendation is no longer relevant.

If a general recommendation has been made for all entities to consider, we have assessed action on issues reported to specific entities in the prior year, as well as any further issues identified in the current year. On this basis, we have decided whether *appropriate action has been taken* across the sector, or if *further action needs to be taken* to address the risk identified.

Status	Definition
Appropriate action has been taken	Recommendations made to individual entities have been implemented, or alternative action has been taken that addresses the underlying issues and no further action is required. No new issues have been identified across the sector that indicate an ongoing, underlying risk to the sector that requires reporting to parliament.
Further action needs to be taken	Recommendations made to individual entities have not been fully implemented, and/or new recommendations have been made to individual entities, indicating further action is required by entities in the sector to address the underlying risk.



D. Audit opinions for entities preparing financial reports

Each year, Queensland state public sector entities must table their audited financial statements in parliament.

These financial statements are used by a broad range of parties, including parliamentarians, taxpayers, employees, and users of government services. For these statements to be useful, the information reported must be relevant and accurate.

The Auditor-General's audit opinion on these entities' financial statements assures users that the statements are accurate and in accordance with relevant legislative requirements.

We express an *unmodified opinion* when the financial statements are prepared in accordance with the relevant legislative requirements and Australian accounting standards. We *modify* our audit opinion when financial statements do not comply with the relevant legislative requirements and Australian accounting standards and are not accurate and reliable.

The following table details the types of audit opinions issued, in accordance with Australian auditing standards, for the 2020–21 financial year.

Figure D1
Audit opinions issued in 2020–21

Entity type	Entity	Date audit opinion issued	Type of audit opinion issued
Bulk water suppliers	Queensland Bulk Water Supply Authority (trading as Seqwater)*	21.09.2021	Unmodified
	Sunwater Limited	16.08.2021	Unmodified
Water distributor-retailers	Central SEQ Distributor-Retailer Authority (trading as Urban Utilities)	16.08.2021	Unmodified
	Northern SEQ Distributor-Retailer Authority (trading as Unitywater)	20.08.2021	Unmodified
Category 1 water boards	Gladstone Area Water Board	26.08.2021	Unmodified
	Mount Isa Water Board	31.08.2018	Unmodified

Notes:

- * We issued an unmodified opinion after Seqwater's successful appeal with the New South Wales Court of Appeal on 8 September 2021.
- Category 1 water boards are for-profit authorities established under the *Water Act 2000*.

Source: Compiled by the Queensland Audit Office.

E. Entities not preparing financial reports

For each state public sector company, other than government owned corporations, the board of directors considers the requirements of the *Corporations Act 2001* and the company's constitution to determine whether financial statements need to be prepared. The board must revisit the assessment every three years or whenever a significant change occurs.

When entities are part of a larger group and are secured by a (deed of cross) guarantee with other entities in that group (that they will cover their debts), the Australian Securities and Investments Commission (ASIC) allows them to not prepare a financial report. In addition, dormant or small companies that meet specific criteria under the *Corporations Act 2001* are not required to prepare financial statements.

Accordingly, the Auditor-General will not issue audit opinions for the following controlled public sector entities for 2021, as they were not required to produce financial statements.

Figure E1
Water sector entities not preparing financial reports in 2020–21

Public sector entity	Reason for not preparing financial statements
Bulk water supplier	
Controlled entities of Sunwater Limited	
Burnett Water Pty Ltd	
Eungella Water Pipeline Pty Ltd	Deed of cross guarantee ASIC instrument
North West Queensland Water Pipeline Pty Ltd	
Distributor-retailer	
Controlled entities of Northern SEQ Distributor-Retailer Authority (trading as Unitywater)	
Unitywater Properties Pty Ltd	Non-reporting (exemption under <i>Corporations Act 2001</i>)
Headworks Australia Pty Ltd	

Note: ASIC—Australian Securities and Investments Commission.

Source: Compiled by the Queensland Audit Office.

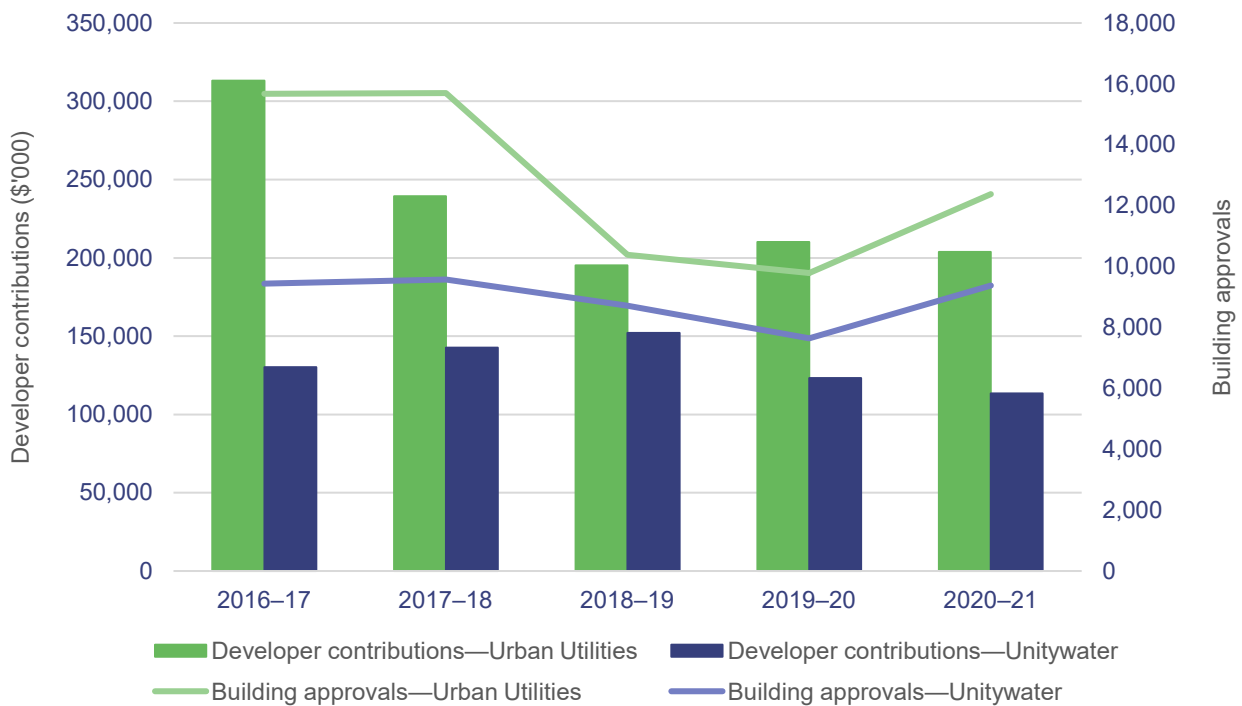


F. Developer contributions

Distributor-retailers collect infrastructure charges (developer contributions) from developers. These are calculated based on the size and type of development. Developer contributions are settled through cash contributions or donated assets (for example, water and sewerage infrastructure). Developer contributions are recognised when a connection certificate is issued for completed works that are compliant with laws and regulations. These contributions are intended to increase the capacity of the water and sewerage networks that are needed to support new developments.

In 2020–21, developer contributions of \$317.2 million were recognised, a decrease of 4.8 per cent from 2019–20. A decline in developer contributions may be linked to the timing between the approval of building applications and when the developer is issued a connection certification. This is despite a 24.8 per cent increase in building approvals in the same time period.

Figure F1
Trends in developer contributions and building approvals



Note: Building approvals do not include alterations, additions, and conversions.

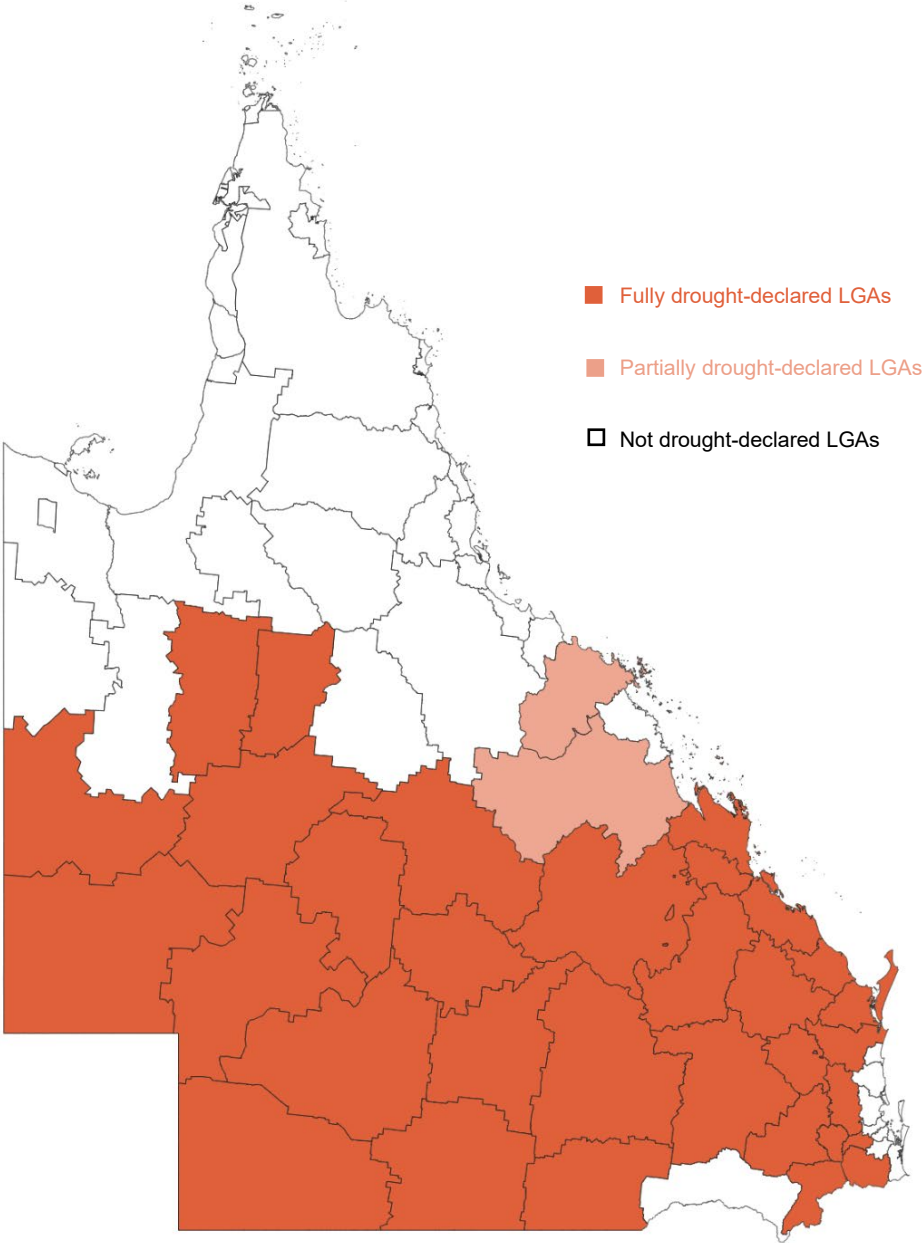
Source: Compiled by the Queensland Audit Office from Queensland Government Statistician’s Office, Urban Utilities, and Unitywater data.



G. Drought map

Figure G1 shows the drought status of Queensland local government areas as at 1 August 2021.

Figure G1
Queensland drought-declared areas



Note: LGA—local government areas.

Source: Compiled by the Queensland Audit Office from Department of Environment and Science information.



H. Dam improvement programs

Figure H1
Significant Seqwater dam improvement programs

Project	Status
Ewen Maddock Dam Upgrade	<ul style="list-style-type: none"> The upgrade of Stage 2A began in April 2020. Practical completion was achieved in April 2021, three months ahead of schedule.
Lake MacDonald Dam Upgrade	<ul style="list-style-type: none"> This was originally scheduled to begin in 2021. During the procurement stage, issues arose that significantly increased the ministerial-approved budget. Seqwater made the decision to not award the contract and to reassess options for the project. Work is in progress on an options assessment, and a decision will be made by the board in 2021–22 as to which option to proceed with.
North Pine Dam	<ul style="list-style-type: none"> A strategic assessment business case is nearing completion. Development of technical risk mitigation options, including consideration of delivery options, will begin in 2022. Construction is not expected to start until 2025, subject to government approvals.
Somerset Dam	<ul style="list-style-type: none"> A detailed business case is in progress, and investigation, design, and planning work is set to continue through 2022. The detailed business case will recommend the final delivery methodology. Commencement of any works is subject to government approvals. Construction of the dam upgrade is expected to take four to five years.

Notes:

- A 'detailed business case' aims to provide evidence for investing in the projects.
- Options assessment—Previously referred to as a 'preliminary business case', it aims to progress the concept documented in the feasibility study by generating options and assessments for more detailed analysis.

Source: Compiled by the Queensland Audit Office from Seqwater information.

Figure H2
Significant Sunwater dam improvement programs

Project	Status
Burdekin Falls Dam	<ul style="list-style-type: none"> • A combined detailed business case is underway for the Burdekin Falls Dam Improvement Project and Burdekin Falls Dam Raising project. • Detailed planning for construction of the improvement works is scheduled to start when the detailed business case is completed, subject to government approvals. • The final terms of reference for the environmental impact statement (EIS) were received in April 2021. • Progressing with the draft EIS for the raising project, together with a range of field surveys and technical studies.
Coolmunda Dam	<ul style="list-style-type: none"> • A comprehensive risk assessment (CRA) is underway to inform dam safety improvements and is forecast to be finalised by mid-2021–22.
Fairbairn Dam	<ul style="list-style-type: none"> • Stage 1—the spillway upgrade was completed in December 2016. • Stage 2—the replication of Stage 1 on the next section of the spillway was completed in September 2020. • Stage 3—the construction of new concrete gravity sidewalls was completed in December 2019. • Final close-out of the project is expected in September 2021 following a 12-month defect testing period.
Fred Haigh Dam	<ul style="list-style-type: none"> • Stage 1A—repairing scour damage from previous flooding was completed in December 2019. • Stage 1B—installation of a mass concrete slab across the spillway channel and anchors was completed in January 2021. • Stage 2 is currently underway, with target completion date for the comprehensive risk assessment in October 2021.
Leslie Dam	<ul style="list-style-type: none"> • A CRA is underway, with a decision to complete a preliminary business case once the CRA is completed.
Paradise Dam Essential Works and Improvement Project	<ul style="list-style-type: none"> • Essential works to lower the primary spillway were completed in September 2020. • Essential works associated with strengthening the upper half of the dam by installing a temporary concrete crest were completed in January 2021. • An options assessment prepared for Paradise Dam by the former Building Queensland was completed in March 2020. • The Queensland Government is expected to make a decision about the long-term future of Paradise Dam by the end of 2021, informed by the options assessment and evaluation.
Teemburra Dam	<ul style="list-style-type: none"> • A CRA and geotechnical investigations are underway to assess options for any dam improvement works. • Geotechnical investigation works around Saddle Dam 2 were completed in March 2021. • The preliminary business case is expected to be completed by mid-2022.

Notes:

- Comprehensive risk assessment (CRA)—staged process of systematically reviewing dam data, updating models and conducting a quantitative risk assessment on each dam.
- Geotechnical investigations—comprehensive assessment of geological conditions of a particular area where construction or installation of any kind needs to be undertaken.

Source: Compiled by the Queensland Audit Office from Sunwater information.



I. Financial results

Figure I1
For the year ended 30 June 2021

Amounts in \$'000									
Entity	Assets	Liabilities	Revenue	Expenses	Net profit (loss)	Shareholder returns	Finance costs	New borrowings	Repayments of borrowings
Seqwater	11,738,627	9,980,391	1,039,195	1,019,400	12,596	7,199	454,301	–	–
Sunwater	1,115,277	835,239	475,073	317,690	39,026	114,709	14,052	–	162
UU	6,651,051	3,042,673	1,435,702	1,101,550	233,332	259,820	95,097	207,000	95,000
Unitywater	4,193,352	1,932,989	723,830	525,914	138,578	94,528	64,693	95,821	95,821
GAWB	752,473	348,514	69,847	52,177	12,368	15,382	4,340	–	–
MIWB	174,291	32,342	27,224	20,421	6,109	5,581	51	–	294

Notes for Figures I1–I3:

- Shareholder returns are made up of dividends (a share of profits paid to Queensland Government shareholders), participation returns (a portion of a distributor-retailer's profits paid to participating local governments), and income tax equivalents (which are paid by commercial operations in government instead of tax and include deferred tax components).
- UU—Urban Utilities; GAWB—Gladstone Area Water Board; MIWB—Mount Isa Water Board.

Figure I2
For the year ended 30 June 2020

Amounts \$'000									
Entity	Assets	Liabilities	Revenue	Expenses	Net profit (loss)	Shareholder returns	Finance costs	New borrowings	Repayments of borrowings
Seqwater*	11,721,213	9,975,573	1,080,284	1,025,269	37,098	17,917	466,202	–	–
Sunwater	1,108,484	857,068	345,362	632,001	(202,642)	(83,997)	14,498	–	87
UU**	6,439,982	2,903,907	1,446,827	1,114,228	230,195	261,404	94,946	285,600	–
Unitywater***	4,053,397	1,896,422	730,069	525,320	143,410	94,187	70,264	87,021	87,021
GAWB	761,868	345,003	63,638	62,640	697	1,264	10,071	–	23,000
MIWB	172,906	33,128	26,442	19,327	5,152	6,085	64	–	281

Notes for Figure I2:

* Employee benefits were restated by the entity in its 2020–21 financial statements.

** Donated assets were restated by the entity in its 2020–21 financial statements.

*** Property, plant and equipment, including intangible assets, were restated by the entity in its 2020–21 financial statements.

Figure I3
For the year ended 30 June 2019

Amounts \$'000									
Entity	Assets	Liabilities	Revenue	Expenses	Net profit (loss)	Shareholder returns	Finance costs	New borrowings	Repayments of borrowings
Seqwater	11,649,926	9,968,311	988,247	1,032,049	(32,949)	(10,853)	507,712	–	–
Sunwater	1,042,496	585,516	343,820	270,865	51,224	72,995	14,365	–	38
UU	6,027,769	2,588,080	1,377,659	1,052,508	226,555	251,596	96,820	39,400	–
Unitywater	3,902,190	1,865,263	730,579	513,918	151,800	99,842	73,940	47,000	47,000
GAWB	791,497	370,833	64,608	60,929	2,644	3,151	10,182	–	–
MIWB	171,249	34,177	25,107	19,217	6,156	4,658	73	–	268

Source: Compiled by the Queensland Audit Office.

J. Financial flows to and from government

The following tables show the financial flows to and from government by entity.

Figure J1
For the year ended 30 June 2021

		Amounts in \$'000						
		Seqwater	Sunwater	UU	Unitywater	GAWB	MIWB	Total
Inflows	CSO*	1,602	18,138	–	–	–	–	19,740
	Grants	11,746	98,480	461	3,583	85	–	114,355
	Other	–	–	10,680	12,554	–	–	23,234
	Total	13,348	116,618	11,141	16,137	85	–	157,329
Outflows	Shareholder returns	(7,199)	(114,709)	(259,820)	(94,528)	(15,382)	(5,581)	(497,219)
	Competitive neutrality fee	–	(2,175)	–	–	(1,666)	–	(3,841)
	Interest	(453,988)	(10,205)	(92,012)	(64,566)	(2,270)	(48)	(623,089)
	Other	(5,215)	(3,078)	(4,767)	(846)	(559)	(92)	(14,557)
	Total	(466,402)	(130,166)	(356,599)	(159,940)	(19,877)	(5,722)	(1,138,706)

Notes for Figures J1–J3:

- * CSO—community service obligations (government payments to entities for services that would not otherwise be sustainable).
- UU—Urban Utilities; GAWB—Gladstone Area Water Board; MIWB—Mount Isa Water Board.
- Shareholder returns are made up of dividends (a share of profits paid to Queensland Government shareholders), participation returns (a portion of a distributor-retailer's profits paid to participating local governments), and income tax equivalents (which are paid by commercial operations in government instead of tax and include deferred tax components). 'Other' includes payroll tax, workcover, land tax, supplies and services expenses, and rates.

Figure J2
For the year ended 30 June 2020

		Amounts in \$'000						
		Seqwater	Sunwater	UU	Unitywater	GAWB	MIWB	Total
Inflows	CSO*	1,971	7,784	–	–	–	–	9,755
	Grants	12,500	21,681	407	3,799	85	–	38,472
	Other	–	–	10,462	18,793	–	–	29,255
	Total	14,471	29,465	10,869	22,592	85	–	77,482
Outflows	Shareholder returns**	(17,917)	83,997	(261,404)	(94,187)	(1,264)	(6,084)	(296,859)
	Competitive neutrality fee	–	(2,294)	–	–	(2,263)	–	(4,557)
	Interest	(465,868)	(10,628)	(91,797)	(69,921)	(7,425)	(61)	(645,700)
	Other	(5,053)	(2,738)	(8,107)	(1,783)	(196)	(59)	(17,936)
	Total	(488,838)	68,337	(361,308)	(165,891)	(11,148)	(6,204)	(965,052)

Note for Figure J2:

- ** Shareholder returns have moved from those reported last year due to prior period adjustments for donated assets.



Figure J3
For the year ended 30 June 2019

Amounts in \$'000							
	Seqwater	Sunwater	UU	Unitywater	GAWB	MIWB	Total
Inflows	CSO*	2,074	8,118	–	–	–	10,192
	Grants	11,721	40,772	235	3,998	85	56,811
	Other	–	–	9,544	14,384	–	23,928
	Total	13,795	48,890	9,779	18,382	85	90,931
Outflows	Shareholder returns	10,853	(72,955)	(251,596)	(99,842)	(3,151)	(421,349)
	Competitive neutrality fee	–	(2,292)	–	–	(2,443)	(4,735)
	Interest	(507,701)	(11,525)	(94,062)	(73,940)	(7,323)	(694,624)
	Other	(4,486)	(2,392)	(6,893)	(2,276)	(654)	(16,777)
	Total	(501,334)	(89,164)	(352,551)	(176,058)	(13,571)	(1,137,485)

The following tables reflect the revenue streams paid to local government by the respective distributor-retailers.

Figure J4
For the year ended 30 June 2021

Amounts in \$'000						
	Local government	Participation return	Income tax equivalent	Interest	Other	Total
UU	Brisbane City Council	135,161	67,682	–	4,093	206,936
	Ipswich City Council	19,433	9,731	–	543	29,707
	Lockyer Valley Regional Council	1,436	719	622	48	2,825
	Scenic Rim Regional Council	1,657	830	619	45	3,151
	Somerset Regional Council	1,313	658	822	35	2,828
	Total	159,000	79,620	2,063	4,764	245,447
Unitywater	Moreton Bay Regional Council	20,495	26,479	30,534	137	77,645
	Sunshine Coast Council	13,199	17,054	19,592	583	50,428
	Noosa Shire Council	1,496	1,932	2,219	126	5,773
	Total	35,190	45,465	52,345	846	133,846

Note for Figures J4–J6:

- 'Income tax equivalents' excludes deferred tax components. 'Other' includes supplies and services and land tax.

Figure J5
For the year ended 30 June 2020

Amounts in \$'000						
	Local government	Participation return	Income tax equivalent	Interest	Other	Total
UU	Brisbane City Council	135,161	69,846	–	7,278	212,285
	Ipswich City Council	19,433	10,042	–	569	30,044
	Lockyer Valley Regional Council	1,436	1,414	672	112	3,634
	Scenic Rim Regional Council	1,657	1,525	669	71	3,922
	Somerset Regional Council	1,313	1,309	630	78	3,330
	Total	159,000	84,136	1,971	8,108	253,215
Unitywater	Moreton Bay Regional Council	19,131	25,477	32,903	364	77,875
	Sunshine Coast Council	12,321	16,409	21,112	1,410	51,252
	Noosa Shire Council	1,396	1,859	2,392	9	5,656
	Total	32,848	43,745	56,407	1,783	134,783

Figure J6
For the year ended 30 June 2019

Amounts in \$'000						
	Local government	Participation return	Income tax equivalent	Interest	Other	Total
UU	Brisbane City Council	130,060	73,259	–	6,197	209,516
	Ipswich City Council	18,700	10,533	–	489	29,722
	Lockyer Valley Regional Council	1,381	778	693	58	2,910
	Scenic Rim Regional Council	1,595	898	690	53	3,236
	Somerset Regional Council	1,264	712	648	96	2,720
	Total	153,000	86,180	2,031	6,893	248,104
Unitywater	Moreton Bay Regional Council	20,373	23,153	33,987	143	77,656
	Sunshine Coast Council	13,121	14,912	21,807	2,103	51,943
	Noosa Shire Council	1,487	1,690	2,471	30	5,678
	Total	34,981	39,755	58,265	2,276	135,277

Source: Compiled by the Queensland Audit Office from the water entities' financial statements.



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