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## Water Entities: 2014–15 Audit Snapshot

**Tabled: 10 December 2015**

For the financial year ended 30 June 2015, 15 water entities received clear audit opinions for both their financial and performance reports. The four metropolitan water entities received modified audit opinions for their financial reports, due to errors with the valuation of their infrastructure assets. These errors led to a combined overstatement to the value of infrastructure assets of \$1.3 billion at 30 June 2015. Modified opinions were also issued on the performance reports for these entities as the errors also impacted the calculation of three financial performance indicators.

Our review of the financial sustainability risks of the water sector shows that, despite an increase in the sector's net profit before income tax as compared to the prior year, there are short-term liquidity risks for the metropolitan and regional urban water entities given the amount of short-term debt held at 30 June 2015. There are also longer-term financial sustainability risks associated with the water sector's ability to replace and renew assets, and to repay debt.

The water entities continue to have a significant dependency on debt to finance capital projects, and other obligations, as they don't generate sufficient revenue from operations to be able to fund this investment.

Over the past five years the Victorian water sector has increased their level of debt by 29 per cent. At 30 June 2015, the water sector had borrowings of \$10.4 billion. This also represents a quarter of all borrowings held by the state at this date.

Further, over the past five years, over 70 per cent matured loans (equating to \$2.7 billion) have not been repaid by the sector—they have been rolled over. Eight entities across the sector did not repay any debt over this period, and only three water entities have a formal debt management plan or strategy. Longer-term financial risks exist for the sector if this situation continues.

VAGO - Water Entities: 2014–15 Audit Snapshot  



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