

Sustainability Reporting by Water Corporations

May 2026

Independent assurance report to Parliament
2025–26: 20

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Sustainability Reporting by Water Corporations

Independent assurance report to Parliament

Published by order, or under the authority,
of the Parliament of Victoria

May 2026

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Maree Edwards MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Sustainability Reporting by Water Corporations*.

Yours faithfully



Andrew Greaves
Auditor-General
20 May 2026

The Victorian Auditor-General's Office (VAGO) acknowledges the Traditional Custodians of the lands and waters throughout Victoria. We pay our respects to Aboriginal and Torres Strait Islander communities, their continuing culture, and to Elders past and present.

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Audit snapshot

Is metropolitan water corporations' sustainability reporting complete and reliable?

Why we did this audit

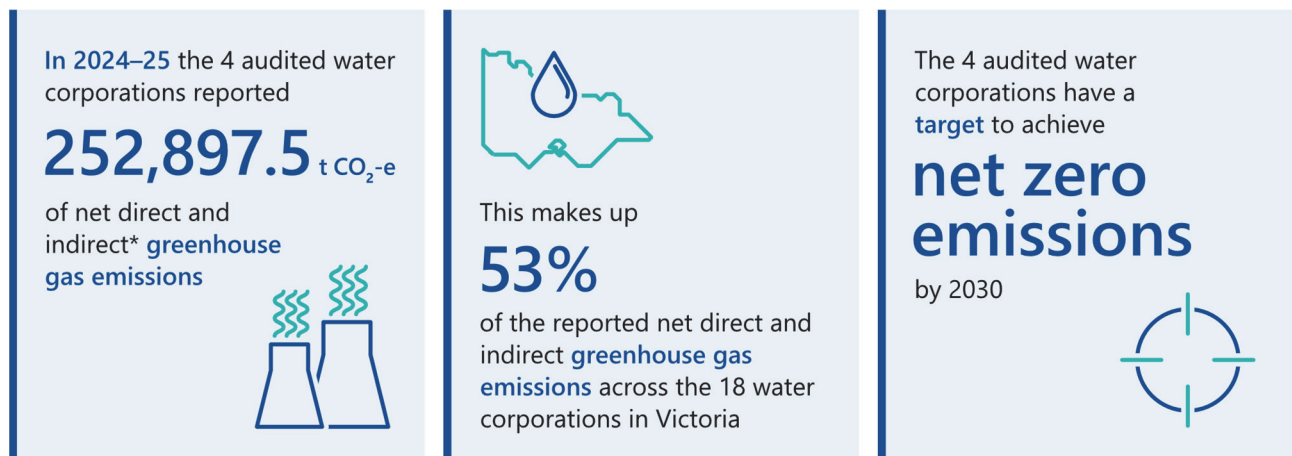
Victoria's metropolitan water corporations have committed to achieving net zero emissions by 2030.

To track this, they publicly report sustainability information, such as their greenhouse gas emissions and climate risks.

The Victorian Government has signalled that sustainability reporting requirements for the public sector will be changing. It is important that water corporations have robust reporting processes to prepare for this.

In this audit we assessed 4 metropolitan water corporations' sustainability reporting to see if it was complete and reliable.

Key background information



Note: t CO₂-e stands for tonnes of carbon dioxide equivalent.

*Indirect emissions are produced by the electricity an entity uses. They do not include other indirect emissions, such as emissions from a commercial flight taken by an employee for business travel.

Source: VAGO.

What we concluded

Water corporations report each year against hundreds of sustainability indicators. This provides transparency on their progress towards the government's climate and sustainability commitments.

Water corporations' sustainability reporting in 2024–25 was incomplete and inconsistent. None of the 4 water corporations we audited met all their mandatory reporting requirements. The level of detail they reported and format they used varied significantly. We also found some errors.

However, some reporting requirements are complex and overlap. And the Department of Energy, Environment and Climate Action's guidance is not always clear. This makes it challenging for water corporations to transparently and consistently report against some indicators.

The government uses some of the sustainability information water corporations report. However, the effort it takes to collect and report it may not be proportionate to its overall impact.

The government does not have an overarching framework to assure the information water corporations report is complete, accurate or even comparable. This makes it difficult for the public to understand if they are on track to meet their net zero targets.

1.

Our key findings

What we examined

Our audit followed one line of inquiry:

1. Is sustainability reporting underpinned by accurate information and effective internal processes?

To answer this question we examined 2024–25 sustainability reporting by the 4 metropolitan water corporations:

- Greater Western Water
- Melbourne Water
- South East Water
- Yarra Valley Water.

Identifying what is working well

In our engagements we look for what is working well – not only areas for improvement.

Sharing positive outcomes allows other public agencies to learn from and adopt good practices. This is an important part of our commitment to better public services for Victorians.

Terms used in this report

t CO₂-e

t CO₂-e stands for tonnes of carbon dioxide equivalent. This is a standard unit used to measure greenhouse gas emissions.

Indicator

In this report an indicator is information an entity must report under a sustainability reporting framework.

Metric

In this report a metric is a quantitative measure that assesses an entity's sustainability performance, progress or outputs.

Background information

Water corporations' emissions

Water corporations provide water and sewerage services to homes and businesses across Victoria.

Providing clean drinking water and treating sewerage requires a large amount of energy. This makes them a major source of the state's greenhouse gas emissions.

The state's 18 water corporations reported they produced over 475,000 t CO₂-e in net emissions in 2024–25. These emissions largely come from wastewater treatment plants, electricity used to power treatment plants and car travel.

The 4 metropolitan water corporations we audited have committed to achieving net zero emissions by 2030.

Victorian Government sustainability reporting requirements

The Minister for Water sets reporting requirements for all 18 water corporations in a letter of expectations. The letter has 8 priority areas, including one for climate change.

We looked at the indicators in the climate change priority area. Water corporations report on these indicators in their annual reports.

The minister requires water corporations to report:

- their direct and indirect emissions
- how much electricity they produce and use
- their emissions from transport
- how their organisation is adapting to climate change.

Water corporations must also comply with *FRD 24: Reporting of environmental data by government entities* (FRD 24). Some of the minister's requirements overlap with FRD 24.

Direct and indirect emissions

Water corporations are required to report emissions they:

- directly produce, such as emissions from a company vehicle or treating wastewater
- indirectly produce, such as emissions from the electricity that powers their offices or pumps drinking water.

Australian Government reporting requirements

The National Greenhouse and Energy Reporting Scheme (National Scheme) is Australia's national climate reporting framework. It requires corporations that meet certain thresholds to report their:

- energy use and production
- greenhouse gas emissions.

The 4 audited water corporations are National Scheme reporters. They report this data to the Clean Energy Regulator, which uses it to develop national policies and programs and inform international reporting.

Future sustainability reporting requirements

The Australian Accounting Standards Board's *AASB S2 Climate-related Disclosures* (AASB S2) came into effect on 1 January 2025. It requires certain private sector entities to report their:

- governance processes and controls
- climate-related risks and opportunities and how they impact their strategy
- risk management processes
- performance against climate-related metrics and targets.

Public sector entities, including the 4 audited water corporations, are not required to report under AASB S2.

The Department of Treasury and Finance (DTF) and the Department of Energy, Environment and Climate Action (DEECA) are considering how AASB S2 could apply to Victorian public sector entities.

In January 2026, the International Public Sector Accounting Standards Board released climate-related reporting requirements specifically for public sector entities. Australia does not formally adopt International Public Sector Accounting Standards Board standards, so these requirements do not apply directly to Victorian entities. However, they provide a public-sector framework that may help inform how climate-related disclosure requirements similar to AASB S2 could be interpreted and applied in the Victorian public sector.

Victoria's sustainability reporting frameworks will continue to evolve and public bodies must be ready to respond.

Roles and responsibilities

Figure 1 outlines the key sustainability reporting entities for Victoria.

Figure 1: Key sustainability reporting entities

Entity	Responsibilities
DEECA	<ul style="list-style-type: none">Provides guidance and tools to help water corporations report against FRD 24 and the minister's letter of expectationsSupports the minister by reviewing water corporations' annual reports before tabling
DTF	Issues FRD 24 under the <i>Financial Management Act 1994</i>
Clean Energy Regulator	Regulates the National Scheme as an independent statutory authority

Source: VAGO.

What we found

This section focuses on our key findings, which fall into 3 areas:

1. Water corporations' 2024–25 reporting was incomplete, but this may be due to overlapping requirements and inconsistent guidance.
2. We found material misstatements in 3 water corporations' 2024–25 reporting.
3. There are no formal processes or frameworks to assure water corporations' reporting is reliable.

The full list of our recommendations, including the water corporations' responses, are at the end of this section.

Consultation with entities

When reaching our conclusions, we consulted with the audited entities, DEECA and DTF and considered their views. You can read their full responses in Appendix A.

Key finding 1: Water corporations' 2024–25 reporting was incomplete, but this may be due to overlapping requirements and inconsistent guidance

Incomplete reporting

None of the 4 water corporations reported against all mandatory indicators in their 2024–25 annual reports.

For example:

	require(s) water corporations to ...	but ...
FRD 24	explain which sites, assets and facilities their reporting covers	Greater Western Water, South East Water and Yarra Valley Water did not do this.
FRD 24 and the letter of expectations	report how many kilometres their staff travelled on commercial airlines	Greater Western Water did not report this.
FRD 24 and the letter of expectations	report how many vehicles they own by category (for example, passenger vehicles or goods vehicles)	Yarra Valley Water did not segment this information.

They also did not include commentary for some of the 59 indicators where they are required to explain their results. While their reporting was incomplete, these gaps are not significant enough to affect how users might view or use their annual reports.

Overlapping requirements

Water corporations are responsible for making sure their reporting is complete.

However, many requirements in FRD 24 and the letter of expectations overlap. Water corporations must report against 277 mandatory indicators in the letter of expectations and 29 indicators in FRD 24.

The letter of expectations indicators overlap with 18 of the 29 FRD 24 indicators.

For example, both FRD 24 and the letter of expectations require water corporations to report their total electricity use. While both require them to segment their electricity use by source, the letter of expectations also requires them to report:

- their electricity use for the previous reporting period
- written commentary to explain each value.

In addition to National Scheme reporting, the volume and level of detail water corporations must include creates a substantial reporting burden. This may be one of the reasons why their reporting was incomplete in 2024–25.

Inconsistent guidance

The letter of expectations requires water corporations to annually report how they are integrating climate change adaptation and risk into their decision-making.

However, DEECA's guidance on this requirement does not clearly explain the level of detail they must include.

DEECA also told us that a water corporation does not need to report this information again if it has published it in a previous annual report or other public document.

We saw some instances where South East Water and Yarra Valley Water referred to other public plans and documents for information about their climate adaptation performance instead of publishing it in their annual report. This contradicts the letter of expectations and makes it difficult for users to easily access, understand and compare their performance.

Reporting burden

The government uses some sustainability data reported by the public sector to inform its *Whole of Victorian Government emissions reduction pledge 2026–30*.

However, beyond this and other ad hoc use cases, it is unclear if the government uses sustainability reporting to monitor and report against its climate change commitments or for other purposes.

This suggests the effort required to report this information may not be proportionate to its overall impact.

Addressing this finding

To address this finding we made 2 recommendations to DTF and DEECA about:

- streamlining sustainability reporting requirements
- revising FRD 24's definition of materiality.

We also made one recommendation to DEECA about strengthening guidance for water corporations.

Key finding 2: We found material misstatements in 3 water corporations' 2024–25 reporting

Material misstatements

We assessed if the metrics water corporations reported in 2024–25 are accurate and reliable.

When we recalculated their results, we found material misstatements in 3 water corporations' reporting.

Both Greater Western Water and South East Water excluded some facilities we assessed as under their operational control from their National Scheme reporting. This led to material understatements in their emissions and electricity use metrics.

We found one material overstatement in Melbourne Water's reporting due to a calculation error.

Material misstatement

A material misstatement is an error or omission that could impact how a user understands a report. For example, an inaccurate calculation or missing result.

Manual processes

Water corporations need to collect a large volume of data from multiple sources to meet their reporting requirements.

All water corporations use Excel workbooks to compile this data, which staff manually check and maintain. These manual processes increase the risk of material misstatements, especially with the amount of data they capture, compile and maintain.

We saw many instances of hard-coded values and manual calculations, which further increases the risk of human error.

Two of the 4 water corporations did not keep adequate records to support their 2024–25 reporting. However, the other 2 had more mature practices that documented how they prepared their sustainability reporting.

Hard-coded values

A hard-coded value is a number that has been manually entered into a workbook cell instead of being linked to a source document or reference dataset.

Addressing this finding

To address this finding we made one recommendation for water corporations to investigate opportunities to strengthen their sustainability reporting processes.

Better practices for sustainability reporting

Appendix D outlines practices that water corporations and other public entities could adopt to strengthen their sustainability reporting.

It provides examples to help entities make complete and accurate disclosures as their sustainability reporting frameworks continue to mature.

Key finding 3: There are no formal processes or frameworks to assure water corporations' reporting is reliable

DEECA's checks

Part of DEECA's role is to support the minister by reviewing water corporations' annual reports before tabling. It also has a role in providing guidance and working with water corporations on sustainability reporting issues.

DEECA checks each water corporation's annual report to make sure it covers relevant requirements. It told us its role is not to provide assurance to water corporations or check the accuracy of their reporting.

However, inconsistent advice from DEECA has led to some water corporations misunderstanding its role and the extent of its checks. This means they may rely on DEECA's checks to identify accuracy and completeness issues.

No broader framework

The government does not have an overarching assurance framework for sustainability reporting. This means it does not know if water corporations' sustainability reporting is complete, accurate or comparable.

Working well: Independent reviews

Melbourne Water engaged an external firm to verify the accuracy of its 2024–25 National Scheme reporting.

It also engaged an external law firm to review sustainability information in its 2024–25 annual report. The law firm assessed if the information it reported could be considered misleading or deceptive.

Working well: Readiness for future reporting requirements

South East Water has been doing internal audits that focus on climate change since 2018. This has helped it identify areas for improvement and mature in this reporting space.

Greater Western Water, South East Water and Yarra Valley Water have also assessed their readiness for potential future reporting obligations.

Addressing this finding

To address this finding we made:

- one recommendation to DEECA about clarifying its role in the annual reporting process for water corporations
- one recommendation to DTF and DEECA about working with the government to develop and implement an assurance framework for sustainability reporting.

2.

Our recommendations

We made 5 recommendations to address our findings. The relevant entities have accepted the recommendations in full, in part or in principle. The Department of Treasury and Finance did not accept one recommendation.

		Entity responses	
Department of Energy, Environment and Climate Action and Department of Treasury and Finance	1	Review and streamline sustainability reporting requirements for water corporations by considering their intended purpose and use (see Section 3).	Accepted by Department of Energy, Environment and Climate Action Accepted in principle by Department of Treasury and Finance
Department of Energy, Environment and Climate Action	2	Provide clearer and more authoritative guidance, including clarifying that the Department of Energy, Environment and Climate Action does not provide assurance, to support water corporations to fully and consistently meet their sustainability reporting requirements (see sections 3 and 5).	Accepted by Department of Energy, Environment and Climate Action
Department of Treasury and Finance and Department of Energy, Environment and Climate Action	3	Revise the definition of materiality in <i>FRD 24: Reporting of environmental data by government entities</i> to focus on users' information needs (see Section 3).	Accepted in principle by Department of Energy, Environment and Climate Action Accepted in principle by Department of Treasury and Finance
Department of Treasury and Finance and Department of Energy, Environment and Climate Action	4	Work with the government to develop and implement an assurance framework for sustainability reporting at a whole-of-government and entity level (see Section 5).	Accepted in principle by Department of Energy, Environment and Climate Action Not accepted by Department of Treasury and Finance
Greater Western Water, Melbourne Water, South East Water, and Yarra Valley Water	5	Adopt better practices to improve the consistency, reliability and transparency of their sustainability reporting (see Appendix D).	Partially accepted by South East Water Accepted by all other audited water corporations

3.

Completeness of sustainability reporting

None of the 4 water corporations met their mandatory reporting requirements for their 2024–25 annual reports.

Water corporations are responsible for making sure their reporting is complete and reliable. However, overlapping requirements in FRD 24 and the minister’s letter of expectations create a significant reporting burden.

DEECA’s unclear guidance also contributes to reporting gaps, which make it difficult for the government and the public to understand and compare results.

It is unclear how the government uses the information water corporations report.

Covered in this section:

- Water corporations did not meet their mandatory reporting requirements in 2024–25
- Overlapping requirements and DEECA’s inconsistent guidance contribute to reporting gaps

Water corporations did not meet their mandatory reporting requirements in 2024–25

Reporting requirements

Water corporations must report against 306 mandatory indicators, including:

- 29 indicators from FRD 24
- 277 indicators in the letter of expectations.

Eighteen of the FRD 24 indicators overlap with the letter of expectations indicators.

2024–25 reporting

None of the 4 water corporations reported against all 306 indicators in their 2024–25 annual reports.

While their reporting was incomplete, the indicators they missed would likely not affect how users understand their sustainability performance.

For example, one indicator in the letter of expectations requires water corporations to provide written commentary to explain their reported renewable and non-renewable energy use from fuels. However, none of them explained all the figures they reported.

Another example is FRD 24 requires entities to include information on their organisational boundary. But Greater Western Water, South East Water and Yarra Valley Water did not do this.

Climate adaptation reporting

The letter of expectations requires water corporations to demonstrate how they are reasonably progressing to integrate climate change adaptation and risk into planning and decisions across all aspects of their business.

According to DEECA’s guidance, water corporations must explain:

- the governance and decision-making processes they use to manage climate risks
- the key climate risks they have identified
- how they identified key risks
- actions they have taken to manage risks, including any case studies
- metrics they use to measure success, for example, adaptation outcomes, progress against adaptation plans, strategies or frameworks.

Water corporations must provide a written summary to address each of these points.

Completeness of climate adaptation reporting

As Figure 2 shows, in 2024–25 water corporations did not meet all their climate adaptation reporting requirements.

Figure 2: Completeness of water corporations’ 2024–25 climate adaptation reporting

Reporting area	Greater Western Water	Melbourne Water	South East Water	Yarra Valley Water
Governance and decision-making	No	Yes	No ¹	Yes
Identified key climate risks	No	Yes	No ¹	Yes ²
Approach to identify risks	No	Yes	No ¹	No ¹
Risk management actions	Yes	Yes	No ¹	Yes
Metrics to measure success	No	Yes ²	No ¹	Yes ²

Notes: ¹The water corporation did not include this information in its 2024–25 annual report. Instead, its report referred to other publicly available documents that addressed the requirement.
²The water corporation included this information in its 2024–25 annual report but it is not consolidated and appears across different sections.
 Source: VAGO.

Responsibility for complete reporting

Water corporations are responsible for making sure their reporting is complete and meets user needs.

Water corporations use checklists, internal reviews and DEECA’s proformas to meet their reporting requirements.

We saw evidence that senior management and the board at Melbourne Water, South East Water and Yarra Valley Water reviewed and signed off on their 2024–25 annual reports, including their sustainability reporting.

Melbourne Water also used a compliance checklist to map where it addressed each reporting requirement in its report.

Greater Western Water provided evidence that its board approved its annual report. But it could not show that it internally reviewed its sustainability reporting before the board approved it.

While water corporations have some documented review processes and other controls, they did not pick up all of the gaps in their 2024–25 reporting.

Working well: South East Water’s managing director approves National Scheme reporting

South East Water demonstrates better practice with its National Scheme reporting by:

- clearly documenting its internal reviews
- getting its managing director to formally sign off on it.

Proforma

A proforma is a structured template that shows how to present information for a report or other document.

Overlapping requirements and DEECA’s inconsistent guidance contribute to reporting gaps

DEECA’s guidance and tools

DEECA provides guidance and tools to help water corporations report against FRD 24 and the letter of expectations, including:

- the Annual Reporting Indicator Handbook, which provides guidance about letter of expectations indicators
- annual report proformas
- the Environmental Data Reporting Tool, which is a workbook for collecting data and reporting on FRD 24 indicators
- guidance about FRD 24 reporting
- a model report for FRD 24, which includes guidance and examples.

Inconsistent guidance

DEECA’s Annual Reporting Indicator Handbook does not align with one of its proformas.

The handbook says entities must report their projected total emissions for each year leading up to their net zero target in 2030. However, the example in the proforma shows a graph ending in 2024–25.

In their annual reports, Greater Western Water, South East Water and Yarra Valley Water only showed their emissions until 2024–25 instead of 2030.

Guidance for climate adaptation reporting

DEECA has not specified how much detail water corporations need to include about their climate adaptation performance and how to report it.

As a result, they often provide different levels of detail and disperse information across multiple sections of their annual reports.

For example, demonstrating better practice, Yarra Valley Water reported the key actions it took in 2024–25 to manage its climate-related risks. However, South East Water only noted it is continuing to deliver the goals and actions in its 2022–27 *Climate Adaptation Action Plan* without saying what these goals and actions are.

DEECA told us it does not require a water corporation to include information about climate adaptation in its annual report if it has reported it in a previous year or in another public document.

However, this conflicts with the minister's expectation that they annually report against this indicator. It also makes it difficult for annual report users to get a full picture of water corporations' performance and compare their progress over time.

DEECA told us that from 2025–26 this indicator will change to seek information on key climate risks and metrics.

Overlapping and onerous requirements

Many requirements in FRD 24 and the letter of expectations overlap. According to DEECA's handbook, when indicators overlap, a water corporation does not need to report against both in its annual report.

However, there are instances where overlapping indicators have different reporting requirements. For example, both the letter of expectations and FRD 24 require water corporations to report how much electricity they use each year.

FRD 24 requires entities to report their energy use in megawatt hours and segment their use by source.

In addition to FRD 24's requirements, the letter of expectations requires water corporations to report:

- how much electricity they used in the previous reporting year for all sources
- written commentary on their total electricity use and use by source.

In this example, if a water corporation chose to only report against the FRD 24 indicator it would not meet the letter of expectations' additional requirements.

Of the 306 mandatory indicators, water corporations must provide written commentary to explain each result for 59.

In addition to their National Scheme reporting, this level of commentary makes it repetitive and at times onerous for water corporations to meet their obligations. It also reduces accessibility for readers, who may have to read through repetitive or overlapping information.

Balancing reporting effort with its value

DEECA told us it uses water corporations' reporting to inform its sustainability policies and prioritise its work program.

The government used some collated sustainability data from across the public sector to inform its *Whole of Victorian Government emissions reduction pledge 2026–30*.

Beyond this and other ad hoc use cases, it is unclear if the government uses public sector entities' sustainability reporting to systematically monitor and report against its climate change commitments or for other purposes.

FRD 24 states its purpose is to provide transparency on sustainability performance and promote continuous improvement in the public sector's sustainability reporting.

The Commissioner for Environmental Sustainability Victoria uses FRD 24 data reported by departments to audit their environmental management systems.

In its 2022–23 report, the commissioner noted there is no single database for analysing FRD 24 data across the broader public sector. This means it may not be feasible to assess and compare data for the more than 300 entities required to report under FRD 24.

Collecting and reporting sustainability information can be a significant administrative burden for some entities. And the government's current approach for collecting, storing and using this information limits its practical value. This suggests the effort required is not proportionate to its overall impact on the government's decisions and accountability for climate change.

Materiality threshold for FRD 24

Under FRD 24, if an activity makes up more than 1 per cent of an entity's total scope 1 and 2 emissions it is considered material and the entity must separately report it.

Compared with the industry threshold of 5 per cent used in the National Scheme, the FRD 24 threshold is low.

As many Victorian public sector entities only contribute a small share of the state's total emissions, the 1 per cent threshold requires them to measure, monitor and report many minor emission sources.

The administrative effort required for this level of reporting is disproportionate to its overall impact.

In addition, using a 1 per cent materiality threshold may set a low tolerance for error and elevate immaterial issues.

Revising FRD 24's materiality threshold would:

- focus reporting on activities that are meaningful to understanding an entity's total emissions and broader sustainability impact
- align FRD 24 with contemporary sustainability reporting
- balance the administrative effort for public sector entities with the value and usefulness of the data.

Scope 1 and 2 emissions

Scope 1 emissions are emissions an entity directly releases into the atmosphere through its own activities. For example, emissions from fuel burned in an entity's vehicles.

Scope 2 emissions are emissions an entity indirectly releases through its electricity use. For example, emissions produced by a power station that supplies electricity to its office.

4.

Accuracy of sustainability metrics

We found material misstatements in Greater Western Water's, South East Water's and Melbourne Water's 2024–25 sustainability metrics.

Water corporations have immature processes for collecting data and cannot always readily access underlying source data.

They also use manual processes and tools to collate data and calculate their results. This:

- increases the risk of human error
- makes it difficult to verify data
- reduces transparency over the completeness and accuracy of their results.

Covered in this section:

- We found material misstatements in 3 water corporations' 2024–25 reporting
- Water corporations use manual processes for their reporting, which increases the risk of errors and reduces transparency

We found material misstatements in 3 water corporations' 2024–25 reporting

Material misstatements

We recalculated the sustainability metrics water corporations reported in 2024–25 to check if they are accurate and reliable.

We found material misstatements in 3 water corporations' reporting.

Both Greater Western Water and South East Water excluded some facilities we assessed as under their operational control from their National Scheme reporting. This led to material understatements in their emissions and electricity use metrics.

We also found one material overstatement in Melbourne Water's reporting due to a calculation error.

We consider an error or omission to be material if the variance is equal to or greater than 5 per cent of the entity's total emissions or energy. We determined this threshold based on industry thresholds, including the threshold National Scheme auditors use.

See Appendix C for more information about our method.

Operational control

Under the *National Greenhouse and Energy Reporting Act 2007* an entity is required to report emissions and energy use for all the sites and facilities it operationally controls.

The Act considers a facility under an entity's operational control when it has the authority to set its health and safety, operating and sustainability policies.

If more than one entity has this authority (and one has not been formally nominated as the operational controller) then the entity with the greatest authority has operational control. Entities must document their operational control assessments.

We found material misstatements in both Greater Western Water's and South East Water's 2024–25 National Scheme reporting due to missing documentation about facilities under their operational control.

Greater Western Water's material misstatements

Greater Western Water excluded the Sunbury Recycled Water Plant from its 2024–25 National Scheme reporting.

The water corporation told us Downer Group has operational control of the site. But it could not provide a documented operational control assessment to support this.

In the absence of this documentation, we assessed the site as under Greater Western Water's operational control because it:

- holds the Environmental Protection Authority licence for the site
- has a project deed with Downer Group that says it must review all policies it prepares for the facility.

Greater Western Water should have included the Sunbury site in its 2024–25 National Scheme reporting. As Figure 3 shows, this led to 2 material misstatements.

Figure 3: Material misstatements in Greater Western Water's 2024–25 National Scheme reporting

Metric	Greater Western Water result	Our recalculated result	Variance	Total reported energy consumption and scope 2 emissions	Variance (percentage of total)
Electricity consumption (GJ)	115,699	130,726	15,027	170,064	8.8%
Scope 2 emissions* (t CO ₂ -e)	24,747	27,961	3,214	24,677	13.0%

Note: *Scope 2 emissions are emissions an entity indirectly produces through its electricity use. GJ stands for gigajoule. Source: VAGO.

South East Water's material misstatements

South East Water excluded the Boneo Water Recycling Plant from its 2024–25 National Scheme reporting. A John Holland–SUEZ–Beca joint venture manages the site.

South East Water told its managing director it did not include emissions from the site in its reporting because it believes it does not have operational control. However, it could not provide a documented operational control assessment to support this.

In the absence of this documentation, we assessed the site as under South East Water's operational control because the joint venture agreement refers to South East Water's authority in several areas, including processes for approving policies and site access.

We saw evidence that SUEZ (on behalf of the joint venture) reported 2024–25 emissions from the site in its National Scheme reporting.

South East Water should have included the recycling plant in its 2024–25 National Scheme reporting. As Figure 4 shows, this led to 3 material misstatements.

Figure 4: Material misstatements in South East Water’s 2024–25 National Scheme reporting

Metric	South East Water result	Our recalculated result	Variance	Total reported energy consumption and scope 1 and 2 emissions	Variance (percentage of total)
Electricity consumption (GJ)	89,439	105,894	16,455	161,750	10.2%
Scope 2 emissions (t CO ₂ -e) ¹	19,130	22,650	3,520	19,130	18.4%
Scope 1 emissions (t CO ₂ -e) ²	8,732	10,874	2,142	11,603	18.5%

Notes: ¹Scope 2 emissions are emissions an entity indirectly produces through its electricity use.

²Scope 1 emissions are emissions an entity directly releases into the atmosphere. In this figure they are emissions produced by handling wastewater. GJ stands for gigajoule.

Source: VAGO.

Melbourne Water’s material misstatement

We found one material misstatement in Melbourne Water’s 2024–25 annual report.

Melbourne Water published figures for an FRD 24 metric that did not match its source calculations. As Figure 5 shows, this led to a material misstatement.

The figures reported for landfill and recycling should add up to the total units of waste disposed, but there is a 1,286.3 kg variance. This means that Melbourne Water overstated the total kilograms of waste it disposed.

The individual recycling waste streams (FOGO, paper and cardboard and mixed recyclables) should also add up to the total recycling figure, but there is a 329.7 kg variance. This is an immaterial misstatement.

Figure 5: Material misstatement in Melbourne Water’s 2024–25 annual report

Metric	Calculated result	Published figure	Variance (kg)	Variance as a percentage of total waste
Total units of waste disposed (kg)	18,592.5	19,878.8	1,286.3	6.9%
Landfill (kg)	10,856.0	10,856.0	-	-
Recycling (kg)	7,736.5	8,066.2	329.7	1.8%
• FOGO (kg)	3,260.4	3,260.4	-	-
• Paper and cardboard (kg)	3,490.0	3,490.0	-	-
• Other mixed recyclables (kg)	986.1	986.1	-	-

Note: FOGO stands for food organics and garden organics.

Source: VAGO.

Audit opinions for future reporting

The Victorian Government has signalled it is reviewing the state’s sustainability reporting framework in response to AASB S2.

Entities that must report under AASB S2 are subject to audits and/or reviews. Their reporting is independently checked to make sure it is accurate, complete and prepared properly.

We prepared an illustrative ‘short-form’ audit opinion for each water corporation based on:

- their FRD 24, letter of expectations and National Scheme reporting
- the material misstatements we identified.

See Appendix E for these audit opinions.

Water corporations use manual processes for their reporting, which increases the risk of errors and reduces transparency

Manual processes

Water corporations need to collect a large volume of data from multiple sources to meet their reporting requirements.

However, their processes for collecting and storing data are relatively immature.

At all 4 water corporations, data is collected by different business areas and compiled in Excel workbooks that staff check and maintain.

We saw many instances of hard-coded values, which makes it difficult to trace and replicate calculations.

This manual approach:

- increases the risk of human error
- may lead to incomplete, inconsistent or unreliable data
- makes it difficult to access, validate and audit source data.

It also does not align with the more structured systems and controls entities typically use for corporate reporting, such as financial reporting.

We experienced this firsthand when water corporations could not always readily provide us with data.

Our data analysis

As part of this audit we planned to assess if water corporations' reported information was complete and reliable.

However, in some cases they could not provide all the data we requested.

For example, we obtained reasonable assurance over all 4 water corporations' electricity consumption data. They gave us all the information we needed to assess the data's completeness and reliability.

However, we could only obtain limited assurance over Greater Western Water, Melbourne Water and Yarra Valley Water's water consumption data. These water corporations could not give us information about their original data sources or how they collected the data.

Due to these gaps, we could only obtain limited assurance over their reporting and had to rely on the information they provided.

Reasonable assurance

We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an auditee's performance. This enables us to draw a conclusion against an objective with a high level of assurance.

Limited assurance

We obtain less assurance when we rely primarily on an auditee's representations and other evidence generated by them. However, we aim to have enough confidence in our conclusion for it to be meaningful.

Figure 6: Level of assurance we obtained over water corporations' datasets

	Greater Western Water	Melbourne Water	South East Water	Yarra Valley Water
Electricity consumption	Reasonable	Reasonable	Reasonable	Reasonable
Electricity production	Limited	Reasonable	Limited	Reasonable
Wastewater handling	Limited	Limited	Limited	Reasonable
Transport fuels	Limited	Reasonable	Reasonable	Reasonable
Water consumption	Limited	Limited	Reasonable	Limited
Waste	Limited	Mix of reasonable and limited	Mix of reasonable and limited	Limited
Offsets	Mix of reasonable and limited	Reasonable	Reasonable	Reasonable

Source: VAGO.

Record keeping requirements FRD 24 and the minister's letter of expectations do not set explicit record keeping requirements.

However, under the *National Greenhouse and Energy Reporting Act 2007* an entity must keep records that support accurate reporting and allow the Clean Energy Regulator to assess if it meets its obligations.

The *National Greenhouse and Energy Reporting Regulations 2008* also requires entities to keep records in a format that is easy to access for audits and inspections.

The Clean Energy Regulator recommends that entities use a basis of preparation document to:

- help meet these record-keeping requirements
- document their processes to ensure calculations are repeatable.

A basis of preparation document records the methodology an entity used to prepare its National Scheme reporting. It typically explains:

- how the entity assessed operational control and its facilities' boundaries
- an entity's reportable activities, associated emissions and energy sources
- its calculation methods, including any sampling strategies
- quality assurance and review processes.

Beyond sustainability reporting, the *Public Records Act 1973* requires Victorian public offices to completely and accurately record their activities and decisions to meet their needs, the government's needs and the community's needs.

Record keeping for 2024–25 reporting Greater Western Water and Yarra Valley Water did not have a basis of preparation document or other appropriate records for their 2024–25 annual report and National Scheme reporting.

This made it difficult for us to access source data, understand their methods and replicate their calculations.

While they had developed some procedures, these were either out of date or incomplete.

South East Water told us it used the basis of preparation document it developed in 2022–23 for its 2024–25 reporting because it had not changed its underlying processes.

Working well: Melbourne Water’s basis of preparation document and standard operating procedures

After we started this audit Melbourne Water developed a basis of preparation document. It explains the processes, calculations and assumptions it used to prepare sustainability metrics for its 2024–25 annual report.

While Melbourne Water developed this document for annual reporting, it aligns with its National Scheme requirements as well.

Melbourne Water also has standard operating procedures that outline its operational control and processes to estimate emissions.

5.

Overarching assurance framework

DEECA checks water corporations' annual reports before tabling. It told us its role does not involve providing assurance or checking if their reporting is accurate.

However, some water corporations rely on DEECA's checks to assure their data is reliable and complete.

The government does not have an assurance framework for sustainability reporting.

Covered in this section:

- There are no formal processes or frameworks to assure water corporations' sustainability reporting is reliable

There are no formal processes or frameworks to assure water corporations' sustainability reporting is reliable

DEECA's reviews DEECA supports the minister by reviewing water corporations' annual reports before tabling.

It told us these reviews involve:

- assessing each report against the Annual Reporting Indicator Handbook to confirm it covers all mandatory indicators
- verifying line item values to check totals in tables add up
- crosschecking totals against the raw emissions data water corporations separately provide to DEECA.

Despite DEECA's reviews, the 4 water corporations tabled incomplete information in 2024–25. The only changes DEECA asked water corporations to make to their 2024–25 annual reports were updates to the disclosure index.

Inconsistent understanding of DEECA's role

DEECA told us its role does not involve providing assurance to water corporations or checking if their reporting is accurate.

However, we saw an instance where DEECA asked water corporations to review their calculations after identifying a potential issue.

We also found water corporations do not consistently understand DEECA's role and the extent of its compliance checks.

In a paper for its board, one water corporation said DEECA has a role in overseeing and coordinating its annual reporting process, including checking it complies with statutory requirements and providing feedback.

Another water corporation told us DEECA's role involves providing guidance and overseeing compliance. It said DEECA uses a quality assurance process to make sure its reports are in the correct format.

A third water corporation told us it submits its annual report to DEECA, which reviews it against reporting requirements and provides feedback. In prior years, DEECA told this water corporation that its reporting did not meet expectations and asked it to correct it.

DEECA's checks and feedback have contributed to a perception among water corporations that it provides assurance over their sustainability reporting.

As a result, some water corporations rely on DEECA's checks to assure their boards that their sustainability reporting is complete and reliable.

No overarching assurance framework

The government does not have a framework to check, monitor and compare water corporations' sustainability reporting.

Unlike financial reporting, sustainability reporting is not subject to independent assurance to confirm it is free from material misstatements before it is tabled in Parliament.

This makes it difficult for the government to:

- assess if the sustainability information water corporations report is complete and reliable
- identify areas for improvement
- compare results across the public sector
- inform the public on its progress towards net zero.

Without an assurance framework, users cannot have the same level of confidence in sustainability information that they do for financial information.

Additionally, given sustainability reporting informs the *Whole of Victorian Government emissions reduction pledge 2026–30*, the government cannot be confident it will meet the pledge's targets without an assurance framework.

6.

Appendices

There are 5 appendices covering responses from audited entities, information about how we perform our work, and better-practice guidance for Victorian public sector entities.

Appendix A: Submissions and comments

Appendix B: Abbreviations, acronyms and glossary

Appendix C: Audit scope and method

Appendix D: Better practices for sustainability reporting

Appendix E: Audit opinions for future reporting

Appendix A:

Submissions and comments

We have consulted with the 4 Victorian metropolitan water corporations, the Department of Energy, Environment and Climate Action and the Department of Treasury and Finance, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

Agency	Page
Department of Energy, Environment and Climate Action	A-2
Department of Treasury and Finance	A-5
Greater Western Water	A-8
Melbourne Water	A-10
South East Water	A-12
Yarra Valley Water	A-15



Department of Energy, Environment
and Climate Action

PO Box 500, East Melbourne,
Victoria 8002 Australia

SEC-260400067

Andrew Greaves
Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Auditor-General

Proposed report – Sustainability Reporting by Water Corporations

Thank you for your invitation to comment on the Victorian Auditor-General's Office's (VAGO's) proposed report for the performance engagement – *Sustainability Reporting by Water Corporations*, received on 2 April 2026.

The Department of Energy, Environment and Climate Action (DEECA) recognises the importance of accurate, complete and consistent sustainability reporting by water corporations and other public entities.

DEECA, in collaboration with the Department of Treasury and Finance, is currently updating the Victorian Government's approach to sustainability reporting at both the whole-of-government and entity level to reflect new international and Australian accounting standards. DEECA is also already progressing work to strengthen and streamline the emissions reduction framework for water corporations as an action under the *Water Sector Emissions Transition Plan*.

DEECA will incorporate insights from VAGO's report into these activities, and as part of its ongoing program of continuous improvement to guidance and reporting frameworks, including for Financial Reporting Direction 24: Reporting of environmental data by government entities (FRD 24) and the Minister for Water's Letter of Expectations (LOE).

Information reported under FRD 24 and LOE is essential to policy design and development, accountability and decision-making by government and entities, and monitoring of whole-of-government emissions.

DEECA accepts, or accepts in principle, the recommendations made in the proposed report and commits to the actions outlined in the enclosed action plan. I thank your staff for their work and welcome continued engagement with your office as we strengthen sustainability reporting across the sector.

Yours sincerely

Kate Houghton PSM
Secretary

21/04/2026

Encl. DEECA Action plan responding to VAGO's recommendations for *Sustainability Reporting by Water Corporations*



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Department of Energy, Environment and Climate Action

Action plan to address recommendations from VAGO's report: *Sustainability Reporting by Water Corporations*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Review and streamline sustainability reporting requirements for water corporations by considering their intended purpose and use (see Section 3).	Accept	<p>DEECA will review:</p> <ul style="list-style-type: none"> the reporting requirements for water corporations set out under the Minister for Water's Letter of Expectations Priority Area 1: Climate Change and Energy and advise the Minister on necessary amendments to reduce burden on water corporations. the reporting guidance in Financial Reporting Direction 24: <i>Reporting of environmental data by government entities</i> (FRD24) and advise the Department of Treasury and Finance (DTF) if any amendments are required. 	31 July 2028
2	Provide clearer and more authoritative guidance, including clarifying that the Department of Energy, Environment and Climate Action does not provide assurance, to support water corporations to fully and consistently meet their sustainability reporting requirements (see sections 3 and 5).	Accept	DEECA will amend its current guidance related to Minister for Water's Letter of Expectations Priority Area 1: Climate Change and Energy to clarify DEECA's role in water corporations' sustainability reporting.	31 July 2027
3	Revise the definition of materiality in FRD 24: Reporting of environmental data by government entities' to focus on users' information needs (see Section 3).	Accept in principle	DEECA will review the definition of materiality in FRD 24 with consideration given to users' information needs and provide advice to DTF on amendments.	31 July 2027

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No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
4	Work with the government to develop and implement an assurance framework for sustainability reporting at whole-of-government and entity level (see Section 5).	Accept in principle	<p>DEECA will:</p> <ul style="list-style-type: none"> • assess the opportunity for establishing a fit-for-purpose assurance framework for sustainability reporting at an entity level under FRD 24. • provide advice if required to DTF who leads the Victorian Government Climate-related Risk Disclosure Statement. 	31 July 2027



Department of Treasury and Finance

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Melbourne Victoria 3002 Australia
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dtf.vic.gov.au

CSEC-260400031

Andrew Greaves
Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000
enquiries@audit.vic.gov.au

Dear Auditor-General

PROPOSED REPORT: SUSTAINABILITY REPORTING BY WATER CORPORATIONS

Thank you for your letter dated 2 April 2026 inviting the Department of Treasury and Finance (DTF) to comment on the proposed report *Sustainability Reporting by Water Corporations*.

DTF notes the findings of the report and accepts in principle recommendations 1 and 3 to support the Department of Energy, Environment and Climate Action (DEECA) in its policy work and facilitate amendments to FRD 24 *Reporting of Environmental Data by Government Entities* and the accompanying guidance manual if required.

DTF does not accept Recommendation 4, and consider it is not appropriate to introduce any assurance framework in isolation at this time. DTF and DEECA are currently progressing a more holistic project aimed at further strengthening whole-of-government and entity-level climate reporting within the wider Victorian public sector. This project will also consider an appropriate assurance framework for climate risk disclosures. The action plan at Attachment A includes further detail.

I thank you for the opportunity to be engaged throughout this process.

Yours sincerely

Chris Barrett
Secretary



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17 / 04 / 2026

Attachments encl.: Attachment A: Department of Treasury and Finance action plan to address recommendation from *Sustainability Reporting by Water Corporations*

Page 2 of 3

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Attachment A: Department of Treasury and Finance action plan to address recommendation from Sustainability Reporting by Water Corporations

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	Review and streamline sustainability reporting requirements for water corporations by considering their intended purpose and use.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	DTF will assess the appropriateness and practicality of amendments proposed by DEECA to the guidance manual for FRD 24 <i>Reporting of Environmental Data by Government Entities</i> , if any, and facilitate the publication of updated guidance if required.	July 2028
3	Revise the definition of materiality in FRD 24: Reporting of environmental data by government entities to focus on users' information needs.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle	DTF will support DEECA's review of the definition of materiality in FRD 24, which will focus on users' information needs. DTF will assess the appropriateness and practicality of any proposed changes to FRD 24 that arise from DEECA's review and facilitate approval by the Minister for Finance.	July 2027
4	Work with the government to develop and implement an assurance framework for sustainability reporting at whole-of-government and entity level.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	DTF and DEECA are currently progressing a more holistic project aimed at further strengthening whole-of-government and entity-level climate reporting within the wider Victorian public sector. This project will also consider an appropriate assurance framework for climate risk disclosures. Given this broader project, and considering the work currently being progressed by the Australian Accounting Standards Board to clarify AASB S2 implementation in the public sector, DTF considers it is not appropriate to introduce any assurance framework in isolation at this time. Assurance will be considered as part of the broader reform project.	N/A



Greater Western Water
ABN 70 066 902 467
36 Macedon Street, Sunbury Vic 3429
Locked Bag 350, Sunshine Vic 3020

22 April 2026

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves,

Thank you for your letter of 2 April 2026, and for providing Greater Western Water an opportunity to respond to the proposed report on *Sustainability Reporting by Water Corporations*. Greater Western Water has considered the report and welcomes the Victorian Auditor-General's findings.

We are pleased to contribute to this important work, which supports greater transparency, consistency and accountability in how public sector organisations report on climate-related risks and performance.

We support the report's focus on strengthening governance, systems and processes to embed sustainability reporting more effectively across the sector.

Greater Western Water accepts the recommendation made in the report and is committed to implementing actions to further strengthen our approach to sustainability reporting in line with better practice and evolving expectations.

Since the 2024–25 period covered by the audit, Greater Western Water has progressed a number of initiatives aligned with the report's recommendations. This includes updating our organisational Climate Risk Register and continuing to embed climate risk considerations into enterprise risk management and planning processes.

We remain committed to continuous improvement and to supporting the Victorian Government's broader objectives for climate risk management and transparent sustainability reporting.

I would like to take this opportunity to thank your staff who worked on this audit and considered our feedback throughout the process.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "C. FitzGerald".

Cameron FitzGerald
Managing Director
Greater Western Water

Attach.

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Greater Western Water: Action plan to address recommendations from Sustainability Reporting by Water Corporations

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
5	Adopt better practices to improve the consistency, reliability and transparency of their sustainability reporting.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	Greater Western Water will update and implement relevant policies, procedures and guidance to align with the recommendations of the audit. This will include strengthening governance, documentation and processes supporting sustainability reporting and climate-related risk management.	June 2027

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22/04/2026

Mr Andrew Greaves
Auditor General
Victorian Auditor General's Office
Level 31/ 35 Collins Street
Melbourne VIC 3001

Dear Andrew

Sustainability Reporting by Water Corporations

Thank you for your letter of 2 April, 2026 and providing Melbourne Water an opportunity to respond to the proposed report, *Sustainability Reporting by Water Corporations*.

Melbourne Water has reviewed the proposed report and accepts the recommendation to adopt better practices to improve the consistency, reliability and transparency of sustainability reporting. A Management Action Plan (enclosed) has been put in place to address the issues raised.

Melbourne Water is committed to ensuring our reporting is transparent and provides clear insights to the Victorian Community.

Yours sincerely,

Dr Nerina Di Lorenzo

Managing Director

Melbourne Water Reference 73062627

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Melbourne Water: Management Action Plan to address recommendations from Sustainability Reporting by Water Corporations

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
5	Adopt better practices to improve the consistency, reliability and transparency of their sustainability reporting.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<ul style="list-style-type: none"> Build on existing data production and assurance practices by further strengthening data traceability, Quality Assurance review and approvals for sustainability indicators. This will focus on existing processes and approvals, reducing reliance on manual handling, minimising human error, and increasing audit transparency. Undertake a targeted review of the placement of sustainability metrics in annual reporting, to consolidate current good practice and support clarity, comparability and accessibility for readers. 	For annual report 2026/27

Melbourne Water Reference 73062627

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**Healthy Water.
For Life.**

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21 April 2026

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne VIC 3000

Reference: 34951

Via email, c/o [REDACTED]

cc: [REDACTED]

Dear Auditor General

Response to audit of Sustainability Reporting by Water Corporations

South East Water (SEW) welcomes the performance audit examining sustainability reporting by water corporations (the audit). We acknowledge the importance of accurate sustainability-related disclosures to support public confidence in our sustainability practices.

South East Water has achieved its greenhouse gas emission reduction target of 45 percent by 2025 and continues to work towards net zero emissions by 2030 (scope 1 and scope 2 emissions). We are pleased to see many of our emissions reporting practices acknowledged as "better practice" in the audit report.

South East Water does not agree with the audit's finding that it should have reported greenhouse gas emissions from the Boneo Water Recycling Plant (WRP) to the Clean Energy Regulator (CER) under the National Greenhouse Gas Emissions Reporting (NGER) Scheme.

South East Water's emissions from the Boneo WRP were reported appropriately via two separate mechanisms:

1. **Annual Report** – Boneo WRP emissions were reported publicly in South East Water's Annual Report 2024/25 in accordance with Financial Reporting Direction 24
2. **National Greenhouse Gas Emissions Reporting Scheme** – Boneo WRP emissions were reported to the CER by the John Holland SUEZ Beca Joint Venture, which operates the Boneo WRP, in accordance with NGER Scheme requirements. If SEW had reported Boneo WRP emissions to the CER, this would have introduced a duplicative inaccuracy in reporting to the regulator.

South East Water Corporation
ABN 89 066 902 547

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South East Water acknowledges the audit's observations of overlapping reporting requirements and opportunities for reporting improvements, and will commission an operational control assessment for the Boneo WRP.

Yours Sincerely

Carla Purcell
Carla Purcell (Apr 20, 2028 19:01:36 GMT+10)

Carla Purcell
Managing Director

South East Water Corporation
ABN 89 066 902 547

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South East Water: Action plan to address recommendations from Sustainability Reporting by Water Corporations

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
5	Adopt better practices to improve the consistency, reliability and transparency of their sustainability reporting.	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> In part <input type="checkbox"/> In principle	SEW will prepare a new documented procedure for Annual Report emissions reporting to complement its procedure for NGER Scheme emissions reporting. SEW will commission an assessment of operational control at the Boneo WRP.	31 October 2026 31 October 2027



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24 April 2026

Yarra Valley Water Corporation
ABN 93 066 902 501

Mr. Andrew Greaves
Auditor-General
Victorian Auditor-General's Office

Dear Mr. Greaves,

Re: Proposed report on sustainability reporting by water corporations

Thank you for your letter dated 2 April 2026 inviting YVW to review and comment on the proposed report and recommendations on sustainability reporting by metropolitan water corporations.

Upon review, we are pleased to note that Yarra Valley Water's current sustainability disclosures and reporting framework reflect a high standard of practice, and that our disclosures are presented fairly in all material respects, in accordance with the reporting requirements of FRD24, the letter of expectations, and the National scheme, as cited in Appendix E of the report.

The audit process has provided valuable assurance regarding our current approach. We remain committed to further strengthening our reporting disclosures, as outlined in the management action response enclosed with this correspondence.

I would like to acknowledge your team's professionalism and efficiency in coordinating and compiling the findings. We support providing transparency on our progress towards the government's climate and sustainability commitments and are committed to maintaining robust sustainability reporting processes.

Yours sincerely

Natalie Foeng
Managing Director

OFFICIAL

Yarra Valley Water: Action plan to address recommendations from Sustainability Reporting by Water Corporations

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
5	Adopt better practices to improve the consistency, reliability and transparency of their sustainability reporting.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	<p>The 2026–27 draft Corporate Plan and the upcoming 2025-26 Annual Report will integrate information on Climate-related risks and opportunities into a single, clearly presented section, thereby improving the transparency of the report.</p> <p>Enhancements to the basis of preparation narrative, including explicit confirmation of operational boundaries and vehicle categorisations will further strengthen our disclosures in the Annual Report.</p> <p>In addition, we are collaborating with industry partners to develop unified reporting technical system aimed at improving reporting quality. Decisions regarding further investment in these solutions will be guided by prudence and value for money principles, ensuring alignment with the ESC’s regulatory pricing framework.</p>	Next annual report 30 Sep 2026

Contact us

<p> Enquiries 1300 304 688</p> <p>Faults and Emergencies 13 27 62 (24hr)</p> <p> enquiry@yvwm.com.au</p>	<p> yvwm.com.au</p> <p> 25 Lucknow Street Mitcham, Victoria 3132</p> <p> Deaf or hard of hearing? Contact us using the National Relay Service yvwm.com.au/nrs</p>	<p>For language assistance</p> <table border="0"> <tr> <td>العربية</td> <td>1300 914 361</td> <td rowspan="3">For all other languages call our translation service on 03 9046 4173</td> </tr> <tr> <td>廣東話</td> <td>1300 921 362</td> </tr> <tr> <td>Ελληνικά</td> <td>1300 931 364</td> </tr> <tr> <td>普通话</td> <td>1300 927 363</td> <td></td> </tr> </table>	العربية	1300 914 361	For all other languages call our translation service on 03 9046 4173	廣東話	1300 921 362	Ελληνικά	1300 931 364	普通话	1300 927 363	
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Appendix B:

Abbreviations, acronyms and glossary

Abbreviations We use the following abbreviations in this report:

Abbreviation	Full spelling
National Scheme	National Greenhouse and Energy Reporting Scheme

Acronyms We use the following acronyms in this report:

Acronym	Full spelling
AASB S2	AASB S2 <i>Climate-related Disclosures</i>
DEECA	Department of Energy, Environment and Climate Action
DTF	Department of Treasury and Finance
FRD 24	<i>FRD 24: Reporting of environmental data by government entities</i>
t CO ₂ -e	tonnes of carbon dioxide equivalent
VAGO	Victorian Auditor-General's Office

Glossary The following terms are included in or relevant to this report

Term	Explanation
Level of assurance	This is a measure of the confidence we have in our conclusions. The quality and quantity of evidence we obtain affects our level of assurance. We design our work programs with the information needs of our report users in mind. We consider if we need to provide them with reasonable assurance or if a lower level of assurance may be appropriate.
Limited assurance	We obtain less assurance when we rely primarily on an agency's representations and other evidence generated by that agency. However, we aim to have enough confidence in our conclusion for it to be meaningful. We call these types of engagements assurance reviews and typically express our opinions in negative terms. For example, 'nothing has come to our attention to indicate there is a problem.' See our assurance services fact sheet for more information.
Reasonable assurance	We achieve reasonable assurance by obtaining and verifying direct evidence from a variety of internal and external sources about an agency's performance. This enables us to draw a conclusion against an objective with a high level of assurance. We call these performance audits . See our assurance services fact sheet for more information.

Appendix C:

Audit scope and method

Scope of this audit

Who we examined

We examined the following agencies:

Agency	Their key responsibilities
Greater Western Water	Delivering essential water services to Victorians, including:
Melbourne Water	<ul style="list-style-type: none"> supplying safe drinking water
South East Water	<ul style="list-style-type: none"> collecting, treating and disposing of sewage
Yarra Valley Water	<ul style="list-style-type: none"> maintaining the infrastructure that supports these services

Our audit objective

To determine whether metropolitan water corporations' sustainability reporting is complete and reliable.

What we examined

We examined if metropolitan water corporations:

- measure sustainability metrics correctly
- identify, manage and monitor their climate-related risks and opportunities
- have appropriate governance and assurance arrangements to support reliable sustainability reporting.




Aspects of performance examined

Our mandate for performance audits and reviews includes the assessment of economy, effectiveness, efficiency and compliance (often referred to as the '3Es + C').

In this audit we focused on the following aspects:

Economy	Effectiveness	Efficiency	Compliance
			

Key:

-  Primary focus
-  Secondary focus
-  Not assessed

Conducting this audit

Assessing performance To form a conclusion against our objective we used the following lines of inquiry and associated evaluation criteria.

Line of inquiry	Criteria
1. Sustainability reporting is underpinned by accurate information and effective internal processes	1.1 Sustainability metrics are measured correctly.
	1.2 Climate-related risks and opportunities are identified, managed and monitored.
	1.3 Governance arrangements and assurance processes support the reliability of sustainability reporting.

Our methods As part of the audit we:

- reviewed metropolitan water corporations' 2024–25 annual reports to see if they met all their Victorian sustainability reporting requirements
- engaged subject matter experts to:
 - recalculate water corporations' reported emissions, energy figures and other sustainability metrics to check them for accuracy
 - review the datasets water corporations used to calculate their reported figures against the National Scheme's general reporting principles
- assessed if water corporations had a structured approach for:
 - identifying climate risks and opportunities
 - managing actions to address climate risks
- interviewed senior executives to understand management's attitude towards climate reporting fraud
- reviewed governance documentation to determine whether water corporations were overseeing the integrity of their sustainability reporting
- consulted with DEECA, DTF and the Essential Services Commission to understand their roles and responsibilities in relation to Victorian sustainability reporting.

Level of assurance

In an assurance review, we primarily rely on the agency's representations and internally generated information to form our conclusions. By contrast, in a performance audit, we typically gather evidence from an array of internal and external sources, which we analyse and substantiate using various methods. Therefore, an assurance review obtains a lower level of assurance than a performance audit (meaning we have slightly less confidence in the accuracy of our conclusion).

Our approach to materiality We applied a materiality threshold of 5 per cent to assess water corporations' FRD 24, letter of expectations and National Scheme reporting. This is consistent with industry practice.

Where an activity made up 5 per cent or more of a water corporation's total emissions, energy production or energy use we:

- re-performed its calculations
- reviewed the quality of its underlying data.

When we identified a calculation error we compared the variance to the entity's total reported emissions, energy production or energy use. If the variance was 5 per cent or more we assessed the error as a material misstatement.

We also assessed immaterial misstatements in aggregate to ensure they did not exceed the 5 per cent threshold.

We used this threshold for other reported figures not directly related to emissions, for example, water use metrics.

Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

We also provided a copy of the report to the Department of Premier and Cabinet.

Cost and time

The full cost of the audit and preparation of this report was \$807,000.


The duration of the audit was 12 months from initiation to tabling.

Appendix D:

Better practices for sustainability reporting

We developed this appendix to help Victorian public entities strengthen their sustainability reporting.

Figure D1: VAGO guidance for better practices for sustainability reporting

Area	Better practices
 <p>Data quality</p>	<ul style="list-style-type: none"> Maintain documented procedures that identify key datasets and outline how to generate, store, access and validate them Ensure data is traceable to its original source Do data quality checks and review key datasets Assess data quality and completeness by internally testing it, documenting results and tracking improvement actions
 <p>Calculating metrics</p>	<ul style="list-style-type: none"> Make it easier to trace source data from reported outputs, including reducing reliance on hard-coded values Where feasible, automate calculations to reduce manual intervention and spreadsheet-based errors Validate calculations, such as investigating year-on-year variances that exceed defined thresholds Independently review calculations before finalising reporting
 <p>Record keeping</p>	<ul style="list-style-type: none"> Document key decisions, assumptions and judgements in a basis of preparation document (or equivalent), including operational control assessments Store data and supporting evidence in an auditable and accessible format Regularly review key procedures to make sure they reflect current-year reporting practices Retain evidence of executive, board and subcommittee approvals in a secure and auditable location
 <p>Governance</p>	<ul style="list-style-type: none"> Establish documented approval processes for reporting, with clear roles, responsibilities and workflows Ensure the board and relevant subcommittees formally review and approve sustainability reporting Maintain board and subcommittee charters that clearly outline oversight responsibilities for sustainability information, including the frequency of expected updates
 <p>Assurance activities</p>	<ul style="list-style-type: none"> Internally audit sustainability information regularly, including data integrity, controls and compliance with reporting obligations Track and monitor actions from internal and external audits Organise legal reviews to assess greenwashing risks and narrative accuracy Assess readiness for future sustainability reporting requirements
 <p>Processes and controls</p>	<ul style="list-style-type: none"> Use structured checklists to support complete reporting against mandatory requirements Investigate systems and tools to review and verify sustainability information in annual reports Reduce key-person risks by developing multiple internal subject matter experts and building sustainable reporting capability Maintain implementation or project plans that outline key tasks, responsibilities and timeframes for sustainability reporting Do lessons-learnt reviews after reporting cycles and track improvement actions
 <p>Identifying, assessing and managing climate risks</p>	<ul style="list-style-type: none"> Embed climate-related risks and opportunities within the enterprise risk management framework Require risk owners to review key climate risks and opportunities periodically, such as every 6 months Do operating environment scans to identify emerging climate-related risks and opportunities Assess climate risks using at least 2 scenarios and relevant time horizons Maintain a consolidated risk register that captures risk ratings, treatments, actions and accountabilities Regularly update relevant governance committees on climate-related risks, actions and performance, including targeted deep-dive reviews where appropriate Ensure risk assessments consider relevant scientific developments and scenario frameworks where practical
Annual report disclosures	Present sustainability information cohesively in one location within the annual report to improve clarity, readability and accessibility for users

Source: VAGO.

Appendix E:

Audit opinions for future reporting

The Victorian Government is reviewing the state's sustainability reporting framework in response to AASB S2.

To support other public sector bodies that may need to report this information in the future, we prepared an illustrative 'short-form' audit opinion for each water corporation based on their FRD 24, letter of expectations and National Scheme reporting.

Audit opinion for Greater Western Water

I have audited the sustainability disclosures of Greater Western Water Corporation for the year ended 30 June 2025.

In my opinion, except for the effects of the matter described in Section 4 of my report, the disclosures present fairly in all material respects in accordance with the reporting requirements of FRD 24, the letter of expectations and the National Scheme.

Audit opinion for Melbourne Water

I have audited the sustainability disclosures of Melbourne Water Corporation for the year ended 30 June 2025.

In my opinion, except for the effects of the matter described in Section 4 of my report, the disclosures present fairly in all material respects in accordance with the reporting requirements of FRD 24, the letter of expectations and the National Scheme.

Audit opinion for South East Water

I have audited the sustainability disclosures of South East Water Corporation for the year ended 30 June 2025.

In my opinion, except for the effects of the matter described in Section 4 of my report, the disclosures present fairly in all material respects in accordance with the reporting requirements of FRD 24, the letter of expectations and the National Scheme.

Audit opinion for Yarra Valley Water

I have audited the sustainability disclosures of Yarra Valley Water Corporation for the year ended 30 June 2025.

In my opinion, the disclosures present fairly in all material respects in accordance with the reporting requirements of FRD 24, the letter of expectations and the National Scheme.

Auditor-General's reports tabled in 2025–26

Report title	Tabled
<i>Delivering Savings Under the COVID Debt Repayment Plan</i> (2025–26: 1)	July 2025
<i>Planned Surgery in Victoria</i> (2025–26: 2)	August 2025
<i>Financial Management of Local Councils</i> (2025–26: 3)	August 2025
<i>Responses to Performance Engagement Recommendations: Annual Status Update 2025</i> (2025–26: 4)	September 2025
<i>Relief and Recovery Funding for the 2022 Floods</i> (2025–26: 5)	October 2025
<i>Cybersecurity of IT Servers</i> (2025–26: 6)	October 2025
<i>Accessibility of Tram Services: Follow-up</i> (2025–26: 7)	November 2025
<i>Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2024–25</i> (2025–26: 8)	November 2025
<i>Service Delivery Performance 2025</i> (2025–26: 9)	December 2025
<i>Managing the Transition to Renewable Energy</i> (2025–26: 10)	December 2025
<i>Ravenhall Correctional Centre: Rehabilitating and Reintegrating Prisoners – Part 2</i> (2025–26: 11)	February 2026
<i>Major Projects Performance Reporting 2025</i> (2025–26: 12)	March 2026
<i>Modernising myki</i> (2025–26: 13)	March 2026
<i>Timely Payments Performance</i> (2025–26: 14)	March 2026
<i>Results of 2024–25 Audits: Local Government</i> (2025–26: 15)	March 2026
<i>Supporting the Transition from Native Timber Harvesting</i> (2025–26: 16)	April 2026
<i>Enhanced Maternal and Child Health Program Performance</i> (2025–26: 17)	April 2026
<i>Free TAFE</i> (2025–26: 18)	May 2026
<i>Responses to Performance Engagement Recommendations: Annual Status Update 2026</i> (2025–26: 19)	May 2026
<i>Sustainability Reporting by Water Corporations</i> (2025–26: 20)	May 2026

All reports are available for download in PDF and HTML format on our website at <https://www.audit.vic.gov.au>

Our role and contact details

The Auditor-General's role

For information about the Auditor-General's role and VAGO's work, please see our online fact sheet [About VAGO](#).

Our assurance services

Our online fact sheet [Our assurance services](#) details the nature and levels of assurance that we provide to Parliament and public sector agencies through our work program.

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