

## 6

## Finance

**In this chapter**

<b>Department of Environment and Conservation</b>	74
Independent audit report	74
Statement by the Director General	75
Statement of financial performance	76
Statement of financial position	77
Statement of cash flows	78
Summary of compliance with financial directives	79
Program statement – expenses and revenues	80
Notes to and forming part of the financial statements	81
Other DEC financial information	102
<b>Environment Protection Authority</b>	108
EPA accounts	108
Independent audit report	109
Statement by members of the EPA Board	111
Statement by the Director General	111
Statement of financial performance	112
Statement of financial position	113
Statement of cash flows	114
Notes to and forming part of the financial statements	115
<b>Stormwater Trust</b>	122
Independent audit report	122
Statement by members of the Trust	123
Statement of financial performance	124
Statement of financial position	124
Statement of cash flows	125
Notes to and forming part of the financial statements	125
<b>Waste Fund</b>	130
Independent audit report	130
Statement by the Minister for the Environment	131
Statement of financial performance	132
Statement of financial position	132
Statement of cash flows	133
Notes to and forming part of the financial statements	133

# Department of Environment and Conservation



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### Department of Environment and Conservation

To Members of the New South Wales Parliament

#### Audit Opinion

In my opinion, the financial report of the Department of Environment and Conservation:

- (a) presents fairly the Department of Environment and Conservation's and the consolidated entity's financial position as at 30 June 2004 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 45E of the Public Finance and Audit Act 1983 (the Act).

My opinion should be read in conjunction with the rest of this report.

#### The Director-General's Role

The financial report is the responsibility of the Director-General of the Department of Environment and Conservation. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes for the Department of Environment and Conservation and the consolidated entity. The consolidated entity comprises the Department of Environment and Conservation and the entities controlled at the year's end or during the financial year.

#### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Director-General in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director-General had not fulfilled her reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Department of Environment and Conservation or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

  
R Heagerty FCA  
Director of Audit

SYDNEY  
23 December 2004

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

# Financial statements

**FOR THE YEAR ENDED 30 JUNE 2004**

Pursuant to section 45F of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code and Budget Dependent Agencies, the applicable clauses of the Public Finance and Audit Regulation 2000 and the Treasurer's Directions
- (b) the financial statements for the year ended 30 June 2004 exhibit a true and fair view of the position and transactions of the Department of Environment and Conservation
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**LISA CORBYN**  
Director General

*Start of Audited Financial Statements*

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

## Statement of financial performance

FOR THE PERIOD 24 SEPTEMBER 2003 TO 30 JUNE 2004

	Notes	Parent Actual 2004 \$'000	Consolidated Actual 2004 \$'000
<b>Expenses</b>			
Operating expenses			
Employee related	2(a)	171,337	171,533
Other operating expenses	2(b)	104,896	105,620
Maintenance	2(c)	15,857	15,857
Depreciation and amortisation	2(d)	38,232	38,232
Grants and subsidies	2(e)	6,750	6,668
Borrowing costs	2(f)	947	947
Other expenses	2(g)	184	184
<b>Total expenses</b>		<b>338,202</b>	<b>339,041</b>
Less:			
<b>Retained revenue</b>			
Sale of goods and services	3(a)	17,333	17,333
Investment income	3(b)	8,437	8,437
Retained fees and fines	3(c)	1,852	2,691
Grants and contributions	3(d)	28,526	28,526
Other revenue	3(e)	10,751	10,751
<b>Total retained revenue</b>		<b>66,900</b>	<b>67,739</b>
<b>Gain/(loss) on disposal of non-current assets</b>	4	(8)	(8)
<b>NET COST OF SERVICES</b>	25	<b>271,310</b>	<b>271,310</b>
<b>Government contributions</b>			
Recurrent appropriation (net of transfer payments)	6(a)	176,260	176,260
Capital appropriation	6(b)	28,903	28,903
Acceptance by the Crown Entity of employee benefits and other liabilities	7	20,783	20,783
<b>Total government contributions</b>		<b>225,946</b>	<b>225,946</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES</b>		<b>(45,364)</b>	<b>(45,364)</b>
<b>Non-owner transaction changes in equity</b>			
Net increase/(decrease) in asset revaluation reserve	20	657,088	657,088
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>		<b>657,088</b>	<b>657,088</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	20	<b>611,724</b>	<b>611,724</b>

*The accompanying notes form part of these financial statements.*

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

## Statement of financial position

AS AT 30 JUNE 2004

	Notes	Parent Actual 2004 \$'000	Consolidated Actual 2004 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	10	53,687	53,687
Receivables	11	15,509	15,509
Inventories	12	988	988
Other financial assets	13	16	16
Other current assets	14	1,491	1,491
<b>Total current assets</b>		<b>71,690</b>	<b>71,690</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Land and buildings	15(a)	1,816,392	1,816,392
Plant and equipment	15(b)	36,165	36,165
Infrastructure systems	15(c)	747,322	747,322
Total property, plant and equipment		2,599,879	2,599,879
Other non-current assets	14	52	52
<b>Total non-current assets</b>		<b>2,599,930</b>	<b>2,599,931</b>
<b>TOTAL ASSETS</b>		<b>2,671,621</b>	<b>2,671,621</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	16	11,517	11,517
Provisions	18	22,221	22,221
Other	19	474	474
<b>Total current liabilities</b>		<b>34,212</b>	<b>34,212</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	17	17,463	17,463
Provisions	18	3,819	3,819
<b>Total non-current liabilities</b>		<b>21,282</b>	<b>21,282</b>
<b>TOTAL LIABILITIES</b>		<b>55,494</b>	<b>55,493</b>
<b>NET ASSETS</b>		<b>2,616,127</b>	<b>2,616,128</b>
<b>Equity</b>			
Reserves	20	953,508	953,508
Accumulated funds		1,834,152	1,834,152
<b>TOTAL EQUITY</b>		<b>2,787,661</b>	<b>2,787,661</b>

*The accompanying notes form part of these financial statements.*

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

## Statement of cash flows

FOR THE PERIOD 24 SEPTEMBER 2003 TO 30 JUNE 2004

	Notes	Parent Actual 2004 \$'000	Consolidated Actual 2004 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(164,744)	(164,744)
Grants and subsidies		(6,668)	(6,668)
Borrowing costs		(6)	(6)
Other		(97,597)	(97,597)
<b>Total payments</b>		<b>(269,015)</b>	<b>(269,015)</b>
<b>Receipts</b>			
Sale of goods and services		16,148	16,148
Retained fees and fines		2,614	2,614
Investment income		8,904	8,904
Other		45,790	45,790
<b>Total receipts</b>		<b>73,456</b>	<b>73,456</b>
<b>Cash flows from government</b>			
Recurrent appropriation		176,260	176,260
Capital appropriation		28,903	28,903
Cash reimbursements from the Crown Entity		12,864	12,864
<b>Net cash flows from government</b>		<b>218,027</b>	<b>218,027</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	25	<b>22,468</b>	<b>22,468</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		1,196	1,196
Purchases of land and buildings, plant and equipment and infrastructure systems		(42,397)	(42,397)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(41,201)</b>	<b>(41,201)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and advances		4,903	4,903
Repayments of borrowings and advances		(18)	(18)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,885</b>	<b>4,885</b>
<b>Net increase/(decrease) in cash</b>		<b>(13,849)</b>	<b>(13,849)</b>
Opening cash and cash equivalents		—	—
Cash transferred in (out) as a result of administrative restructuring		67,536	67,536
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	10	<b>53,687</b>	<b>53,687</b>

*The accompanying notes form part of these financial statements.*

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

## Summary of compliance with financial directives

FOR THE YEAR ENDED 30 JUNE 2004

	2004			
	Recurrent appropriation  \$'000	Expenditure/ net claim on Consolidated Fund \$'000	Capital appropriation  \$'000	Expenditure/ net claim on Consolidated Fund \$'000
<b>Original budget appropriation/expenditure</b>				
Appropriation Act	294,413	294,021	29,323	26,128
	<b>294,413</b>	<b>294,021</b>	<b>29,323</b>	<b>26,128</b>
<b>Other appropriations/expenditure</b>				
Treasurer's advance	5,870	5,870	–	–
Section 22 – expenditure for certain works and services	–	–	1,830	1,830
Section 24 – transfers of functions between departments	518	518	800	800
Transfers to/from another agency (section 25 of the Appropriation Act)	606	606	160	160
	<b>6,994</b>	<b>6,994</b>	<b>2,790</b>	<b>2,790</b>
<b>TOTAL APPROPRIATIONS/EXPENDITURE/NET CLAIM ON CONSOLIDATED FUND (includes transfer payments)</b>	<b>301,407</b>	<b>301,015</b>	<b>32,113</b>	<b>28,918</b>
<b>Amount drawn down against appropriation</b>	–	<b>301,015</b>	–	<b>28,918</b>
<b>LIABILITY TO CONSOLIDATED FUND</b>	–	–	–	–

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). These figures are based on a full financial year for the current and former entities.

## DEPARTMENT OF ENVIRONMENT AND CONSERVATION

## Program statement – expenses and revenues

FOR THE PERIOD ENDED 30 JUNE 2004

	Program numbers*										Not attributable 2004***	Total 2004
	1*	2*	3*	4*	5*	6*	7*	8*	9*	10*	\$'000	\$'000
	2004	2004	2004	2004	2004	2004	2004	2004	2004	2004	\$'000	\$'000
<b>Expenses and revenues</b>												
<b>Expenses</b>												
Employee related	17,993	15,717	35,679	47,288	8,353	9,996	5,056	5,800	4,820	16,215	4,616	171,533
Other operating expenses	10,134	8,831	29,343	30,254	2,760	3,451	2,676	2,359	4,424	6,553	4,835	105,620
Maintenance	428	378	3,824	10,041	196	234	117	109	112	382	36	15,857
Depreciation	639	562	9,940	23,797	543	651	326	304	309	1,060	101	38,232
Grants and subsidies	1	1	1,293	35	222	73	131	1,155	142	476	3,139	6,668
Borrowing costs	–	–	947	–	–	–	–	–	–	–	–	947
Other expenses	–	–	179	–	1	1	–	–	–	3	–	184
<b>Total expenses</b>	<b>29,195</b>	<b>25,489</b>	<b>81,205</b>	<b>111,415</b>	<b>12,075</b>	<b>14,406</b>	<b>8,306</b>	<b>9,727</b>	<b>9,807</b>	<b>24,689</b>	<b>12,727</b>	<b>339,041</b>
<b>Retained revenue</b>												
Sale of goods and services	137	121	1,461	15,532	14	16	8	8	8	27	1	17,333
Investment income	–	–	819	7,019	31	38	19	18	18	61	415	8,438
Retained fees and fines	–	–	1,372	421	–	853	–	–	–	–	45	2,691
Grants and contributions	4,755	4,062	5,726	2,080	1,801	1,440	1,600	1,673	571	3,560	1,258	28,526
Other revenue	630	497	6,641	2,019	159	191	96	90	91	310	27	10,751
<b>Total retained revenue</b>	<b>5,522</b>	<b>4,680</b>	<b>16,019</b>	<b>27,071</b>	<b>2,005</b>	<b>2,538</b>	<b>1,723</b>	<b>1,789</b>	<b>688</b>	<b>3,958</b>	<b>1,746</b>	<b>67,739</b>
Gain/(loss) on sale of non-current assets	39	26	459	131	(88)	(113)	(59)	(49)	(49)	(181)	(124)	(8)
<b>Net cost of services</b>	<b>23,634</b>	<b>20,783</b>	<b>64,727</b>	<b>84,213</b>	<b>10,158</b>	<b>11,981</b>	<b>6,642</b>	<b>7,987</b>	<b>9,168</b>	<b>20,912</b>	<b>11,105</b>	<b>271,310</b>
Government contributions**	–	–	–	–	–	–	–	–	–	–	225,946	225,946
<b>NET EXPENDITURE/(REVENUE) FOR THE YEAR</b>	<b>23,634</b>	<b>20,783</b>	<b>64,727</b>	<b>84,213</b>	<b>10,158</b>	<b>11,981</b>	<b>6,642</b>	<b>7,987</b>	<b>9,168</b>	<b>20,912</b>	<b>(214,841)</b>	<b>45,364</b>
<b>Administered expenses and revenues</b>												
<b>Administered expenses</b>												
Transfer payments (Note 8)	–	–	–	–	–	–	–	–	–	–	21,539	21,539
<b>Administered revenues</b>												
Transfer receipts (Note 8)	–	–	–	–	–	–	–	–	–	–	21,539	21,539
Taxes, fees and fines (Note 27)	–	–	–	–	–	–	–	–	–	–	132,569	132,569
<b>ADMINISTERED REVENUE LESS EXPENSES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>132,569</b>	<b>132,569</b>

\* The name and purpose of each program is summarised at Note 9 and were based on former agency programs. Programs for DEC have been revised to reflect the new operations.

\*\* Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not attributable' column.

\*\*\* Not attributed includes the former Resource NSW which was a statutory authority and therefore did not have programs in the budget papers. Their role was to achieve a fundamental change in community attitudes and actions that create waste and unnecessarily squander our precious natural resources.



**DEPARTMENT OF ENVIRONMENT AND CONSERVATION****Notes to and forming part of the financial statements****Contents**

1. Summary of significant accounting policies

**Operating statement**

2. Expenses
3. Revenues
4. Gain/(loss) on disposal of non-current assets
5. Conditions on contributions
6. Appropriations
7. Acceptance by the Crown Entity of employee entitlements and other liabilities
8. Transfer payments
9. Programs/activities of the Department

**Assets**

10. Current assets – cash
11. Current assets – receivables
12. Current assets – inventories
13. Current assets – other financial assets
14. Current/non-current assets – other
15. Non-current assets – property, plant and equipment

**Liabilities**

16. Current liabilities – payables
17. Interest-bearing liabilities
18. Current/non-current liabilities – provisions
19. Current liabilities – other

**Equity**

20. Changes in equity
21. Increase/decrease in net assets from administrative restructuring

**Other**

22. Commitments for expenditure
23. Commitments – revenue
24. Contingent liabilities and contingent assets
25. Reconciliation of net cash flows from operating activities to net cost of services
26. Financial instruments
27. Administered assets, liabilities and revenue
28. After balance date events
29. Adopting International Financial Reporting Standards (IFRS)

## 1. Summary of significant accounting policies

### (a) Reporting entity

The Department of Environment and Conservation (the 'Department') was established as a reporting entity by Public Sector Employment and Management (Environment and Conservation) Order 2003 (PSEM) made on 24 September 2003.

The Department comprises the former Environment Protection Authority (EPA), National Parks and Wildlife Service (NPWS), Resource NSW (effective from 27 November 2003) and the Botanic Gardens Trust. Staff in these former agencies have been transferred into the new Department.

The Botanic Gardens Trust reports separately and is not consolidated into these accounts.

The PSEM (Conservation and Environment) Order 2003 retained the Environment Protection Authority (EPA) as a separate entity which is listed under Schedule 2 of the *Public Finance and Audit Act 1983* for financial reporting purposes.

Separate financial statements have been prepared for the EPA (the authority) for the 2003–04 financial year and form part of the consolidated financial statements of the Department (DEC).

The EPA's financial statements cover the full 2003–04 financial year reporting period, however the financial data essentially relates up to the period ending 23 September 2003. This is as a consequence of the Statute Law (Miscellaneous Provisions) Bill (No. 2) 2003 which omits section 16(b) of the *Protection of the Environment Administration Act 1991*. This legislative change effectively transfers the management and all operational activities of the former EPA (the Department) to DEC (the Department) on 24 September 2003.

The reporting period for DEC financial statements is from 24 September 2003 to 30 June 2004. Comparative amounts are not disclosed as this is the first set of financial statements for the Department, in accordance with AAS 29 Financial Reporting by Government Departments.

Note 21 details the net assets transferred on creation of the Department.

The entity also encompasses funds which, while containing assets that are restricted for specific uses by the grantor, donor but are nevertheless controlled by the Department.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

### (b) Basis of accounting

The Department's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (AAS)
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- the requirements of the *Public Finance and Audit Act 1983* and Regulations
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies issued by the Treasurer under section 9(2)(n) of the Act.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 Accounting Policies is considered.

Except for certain non-current assets, which are recorded at fair value, the financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

### (c) Administered activities

The Department administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Department's own objectives.

Transactions and balances relating to the administered activities are not recognised as the Department's revenues, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered revenues' and 'Administered expenses'.

**(d) Revenue recognition**

Revenue is recognised when the Department has control of the good, or right to receive; it is probable that the economic benefit will flow to the Department; and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

**(i) Parliamentary appropriations and contributions from other bodies**

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the Department obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, any unspent appropriations are accounted for as liabilities rather than revenue.

Any amount owing to the Consolidated Fund (except any liability in respect of transfer payments) is accounted for as a current liability. The liability (if any) would be disclosed as part of 'Current liabilities – payable'. The amount would be then repaid and the liability extinguished in the next financial year.

**(ii) Sale of goods and services**

Revenue from the sale of goods and services comprises revenue from the provision of products or services, i.e. user charges. User charges are recognised as revenue when the agency obtains control of the assets that result from them.

**(iii) Investment income**

Interest income is recognised as it accrues.

Rent revenue is recognised in accordance with AAS 17 Accounting for Leases.

**(iv) Taxes, fines, regulatory fees and contributions**

Taxes, fines, regulatory fees and contributions collected by the Department on behalf of the Crown are not recognised as revenues of the Department and are disclosed in the financial report by way of a note only. Waste-related levies and fees are shown net of rebates (refer to Note 27). All Crown revenue is recorded on an accrual basis except waste levies which are treated on a cash basis due to the nature of their collection.

**(e) Employee benefits and other provisions****(i) Salaries and wages, annual leave, sick leave and on-costs**

Liabilities for salaries and wages (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefit tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

**(ii) Long service leave and superannuation**

The Department's liabilities for long service leave and superannuation are assumed by the Crown Entity. The Department accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured using the present value basis. The new valuation method adopted the remuneration rates expected to be paid as recommended by Treasury (TC03/08) rather than the salary rate as at 30 June 2004.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes, i.e. Basic Benefit and First State Super, is calculated as a percentage of the employee's salary. For other superannuation schemes, i.e. State Superannuation Scheme and State Authorities Superannuation Scheme, the expense is calculated as a multiple of the employee's superannuation contribution.

**(iii) Other provisions**

Other provisions exist when the Department has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefit will be required and the amount can be measured reliably.

Any provision for restructuring is recognised either when a detailed formal plan has been developed or will be developed within a prescribed time limit and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

**(f) Borrowing costs**

Borrowing costs are recognised as expenses in the period in which they are incurred (except where they are included in the cost of qualifying assets).

**(g) Insurance**

The Department's insurance activities are conducted through the NSW Treasury Managed Fund (TMF) Scheme of self-insurance for government agencies. The expense (premium) is determined by the fund manager based on past experience. TMF normally calculates hindsight premiums each year. However, in regards to workers' compensation, the final hindsight adjustment for the 1997–98 fund year and the interim adjustment for the 1999–2000 fund year were not calculated until 2003–04. As a result, the 1998–99 final and the 2000–01 interim hindsight calculations will be paid in 2004–05.

The basis for calculating the hindsight premium is undergoing review, and it is expected that the problems experienced will be rectified for the future payments.

**(h) Accounting for the Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

**(i) Assets not able to be reliably measured**

The Department holds certain assets which have not been recognised in the Statement of Financial Position because the value of these assets cannot be measured reliably. These assets include historical buildings (not in use) and cultural artefacts.

**(j) Acquisition of assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration during the year, are initially recognised as assets and revenues at their fair value at the date of acquisition (see contributed assets – Notes 3(d) and 15). Refer also to assets transferred as a result of an administrative restructure – Note 21.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Land transferred from other agencies at no cost, awaiting gazettal is reported at fair value.

Infrastructure assets and property previously under construction which were completed and brought to account during the year have been valued at cost until that class of assets is revalued.

**(k) Plant and equipment**

All assets in excess of \$5,000 are capitalised. Items below \$5,000 are expensed except where they form an integral part of a network or facility (e.g. Department-wide radio network, wide area networks). Plant and equipment comprises aircraft, motor vehicles, furniture and fittings, and other plant and equipment.

**(I) Revaluation of physical non-current assets**

Physical non-current assets are valued in accordance with the 'Guidelines for the Valuation of Physical Non-current Assets at Fair Value' (TPP 03-02). This policy adopts fair value in accordance with AASB 1041.

The Department is a not-for-profit entity with no cash-generating operations related to assets.

As a result of the size and nature of the Department's assets, land, buildings, roads and other access, utilities and other infrastructure classes of physical non-current assets are normally revalued on a five year cycle.

Set out below is a table of asset categories, dates last valued and by whom:

<b>Asset category</b>	<b>Date of valuation</b>	<b>By whom</b>
Land – dedicated	1 July 1999*	State Valuation Office*
Land – non-dedicated	1 July 1999*	State Valuation Office*
Buildings	1 July 2001	Australian Valuation Office
Other amenities and facilities	1 July 1999	Department engineers
Roads	1 July 2003	Department engineers**
Wharves	1 July 2003	Department engineers
Utilities and other infrastructure***	1 July 2001	Department engineers**
Aircraft	1 July 2001	Bankstown Aviation Aircraft Valuation Specialist
Historical furniture and fittings	1 July 2001	Tony Palmer Pty Ltd

\* The State Projects and Regional Services (part of the Department of Commerce) (formerly the State Valuation Office) was asked to review the carrying amounts of land assets to ensure that they reflected fair value (due for revaluation next year). Based on advice provided, the Department has made incremental adjustments to the carrying amounts of the land assets to reflect fair value as at 30 June 2004.

\*\* Road valuations are based on region-specific standard costs derived by a Department engineer. These costings reflect the cost standards required to construct Department roads in specific geographic areas. Region-specific standard costs, similarly derived, have also been used to value walking tracks and car parks.

\*\*\* The asset category 'Utilities and other infrastructure' comprises water supply, sewerage and drainage works, electricity reticulation and boundary fencing. In determining standard replacement costs for this class, the Department has adopted the following basis of costing:

- (a) Cordell's General and Industrial cost guide
- (b) actual recent contract prices
- (c) costed from the manufacturers and an estimate of installation costs
- (d) cost base in March 1997 and applied CPI over five years (16.1% – Bureau of Statistics).

Non-specialised assets with short useful lives are measured at depreciated historic cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation is separately stated.

Otherwise, any balances of accumulated depreciation existing at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus/deficit, the increment is recognised immediately as revenue in the surplus/deficit.

Revaluation decrements are recognised immediately as expenses in the surplus/deficit except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of asset, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

**(m) Depreciation of non-current physical assets**

All non-current assets having a limited useful life are systematically depreciated over their expected useful life to the Department. This reflects the consumption of their service potential. The straight-line method is used to depreciate non-current assets.

Land is not a depreciated asset.

Certain heritage assets (in use) have an extremely long useful life. Depreciation for these cannot be reliably measured because the useful life and the net amount to be recovered at the end of the useful life cannot be reliably measured. In these cases, depreciation is not recognised. The decision not to recognise depreciation for these assets is reviewed annually.

**Buildings and improvements**

The construction type of Department buildings is used to determine the asset's useful life (from which a depreciation rate is derived). For example, historic buildings in use are deemed to have useful lives of between 40 and 100 years; visitor centres and staff residences 40 to 80 years, etc.

**Roads and other access; utilities and other infrastructure**

The following depreciation rates have been adopted:

- 2.5% for roads, car parks, fire trails and management tracks, walking tracks, bridges, picnic areas, camping areas and lookouts
- 5% for boat ramps and wharves, utilities and other infrastructure
- except where bridges, boat ramps, wharves and utilities have been independently valued, an assessment of the useful life of each asset was carried out and the depreciation rate was derived accordingly.

**Plant and equipment**

Depreciation rates applied vary from 10% to 25% per annum.

**(n) Capital maintenance and repairs expenditure**

Irrespective of funds source, details of labour, materials, contractor and other direct costs incurred on asset construction projects are maintained for subsequent capitalisation into the Department's asset register.

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a significant component of an asset, in which case the costs are capitalised and depreciated.

**(o) Leased assets**

Under certain leases granted by the Department, the lessee will maintain or improve the leased property which, at the expiry of the lease, reverts to the ownership of the Department. Alternatively, where land is leased, property may be built on the land by the lessee and, at the expiry of the lease, ownership of the property transfers to the Department.

Assets and improvements are brought to account by the Department upon expiry of the lease when actual ownership and control reverts to the Department. Upon assumption of ownership, the asset will be included in the Department's asset register. Examples of such prospective assets include commercial buildings and infrastructure such as marinas and ski lifts (excluding associated plant and machinery) built by lessees on the Department's property.

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred.

**(p) Receivables**

Receivables are recognised and carried at original invoice amount plus any penalty interest, less a provision for uncollectable debts. The Department uses a set criteria based on elapsed time (6 months) from payment due date across all revenues except for leased debt which usually is bound by a contract and has a lien on the assets involved. However, where advice is received that any debtor is experiencing financial difficulties, these are also treated as doubtful debts and included in the provision.

Bad debts are written off as incurred.

**(q) Inventories**

Generally, the quantum of inventory held is small. The Department relies on end-of-year stocktakes to identify shop stocks for reporting purposes. Inventories are measured at the lower of cost and net realisable value. The cost is calculated using the weighted average cost. Shop stocks held for 12 months or more, and considered to be unsaleable, are regarded as obsolete and are expensed.

**(r) Other financial assets**

'Other financial assets' are generally recognised at cost, with the exception of TCorp Hour-Glass Facilities and Managed Fund Investments, which are measured at market value, as provided by the Treasury Corporation. Investments are valued at cost. Interest revenue is recognised as it accrues.

**(s) Other assets**

Other assets are prepayments and are recognised on a cost basis.

**(t) Payables**

These amounts represent liabilities for goods and services provided to the Department and other amounts, including interest. Interest is accrued over the period it becomes due.

**(u) Interest-bearing liabilities**

All loans are valued at current capital value. These loans are restricted for specific purposes. The repayment schedule and effective date from which borrowing cost will be determined is yet to be determined.

**(v) Budgeted amounts**

The budgeted amounts are normally drawn from budgets as formulated at the beginning of the financial year (State Budget) and with any adjustments for the effects of additional appropriations under s.21A, s.24 and/or s.26 of the *Public Finance and Audit Act 1983* and Treasurer's advances. As the Department was not in existence at the time of the State Budget, no published budget figures are available. Budget amounts have therefore not been shown in the financial statements for this reporting period.

**(w) Marine Parks Authority**

The Department administers jointly with NSW Fisheries certain assets on behalf of the Marine Parks Authority. These assets are the areas covered by the four established marine parks at Jervis Bay, Solitary Islands, Cape Byron and Lord Howe Island.

The Department's capital equipment used for maintaining day-to-day operations of these four administered assets has been recognised and reported in accordance with the Department's Asset Acquisition and Valuation Policy – Notes 1(j) and (l).

The operating costs incurred by the Department in administering these assets, which are included in the Department's Statement of Financial Performance, was \$967,478.

**(x) Restricted assets**

The Department has under its control a wide range of assets, such as historic buildings, dedicated land and specified sites, which are subject to restrictions as to their use by virtue of the *National Parks and Wildlife Act 1974*. These restrictions include disposal of the asset or, under certain circumstances, exploitation for financial or economic gain. Additional restrictions may be brought to bear by the Department's stakeholders as well as other legislation governing the use of historic sites and buildings.

The Department also conducts research projects on behalf of a wide range of donor bodies. These bodies provide funds that are restricted to use on projects specified by the donor body. Strict terms and conditions can apply to the use of these funds. Any unspent funds can be returned to the donor bodies.

**(y) Equity transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfer of programs/functions and parts thereof between NSW public sector agencies are designated as a contribution by owners by NSW Treasury Circular 01/11 and are recognised as an adjustment to 'Accumulated funds'. This treatment is consistent with Urgent Issues Group Abstract UIG 38 Contributions by Owners Made to Wholly-owned Public Sector Entities.

Transfers arising from an administrative restructure between government agencies are recognised at the amount at which the asset was recognised by the transferor government agency immediately prior to the restructure. In most instances this will approximate fair value. All other equity transfers are recognised at fair value.

## 2. Expenses

	24 Sept 2003 to Parent \$'000	30 June 2004 Consolidated \$'000
<b>(a) Employee related expenses</b>		
Salary and wages (including recreation leave)*	133,538	133,734
Superannuation	13,343	13,343
Long service leave	6,246	6,246
Workers' compensation insurance	3,899	3,899
Payroll tax and fringe benefits tax	11,212	11,212
Other	3,099	3,099
	<b>171,337</b>	<b>171,533</b>
*Salaries and wages amounting to \$1,103,301 have been capitalised.		
<b>(b) Other operating expenses</b>		
Auditor's remuneration (audit or review of the financial statements)	262	262
Cost of sales	1,084	1,084
Bad and doubtful debts	310	310
Operating lease rental expenses (minimum lease payments)	7,922	7,922
Other occupancy costs	2,538	2,538
Insurance	23,229	23,229
Communication costs	3,715	3,715
Energy costs	1,799	1,799
Fees and services	36,353	36,353
Information dissemination	5,034	5,034
Legal costs	1,338	2,063
Stores and minor assets	6,593	6,593
Travel costs	14,118	14,118
Other	600	600
	<b>104,896</b>	<b>105,620</b>
<b>(c) Maintenance</b>		
Buildings and improvements	2,118	2,118
Roads and other access	5,557	5,557
Utilities and other infrastructure	2,739	2,739
Plant and equipment	4,378	4,378
Furniture and fittings	145	145
Other	920	920
	<b>15,857</b>	<b>15,857</b>
<b>(d) Depreciation and amortisation expense</b>		
Buildings and improvements	5,568	5,568
Roads and other access	18,267	18,267
Utilities and other infrastructure	5,694	5,694
Plant and equipment	8,181	8,181
Furniture and fittings	522	522
	<b>38,232</b>	<b>38,232</b>
<b>(e) Grants and subsidies</b>		
NSW State Government	478	396
Local government	1,492	1,492
Non-government organisations	4,780	4,780
	<b>6,750</b>	<b>6,668</b>
<b>(f) Borrowing costs</b>		
Borrowing costs	947	947
	<b>947</b>	<b>947</b>
<b>(g) Other expenses</b>		
Bank charges	109	109
Miscellaneous	75	75
	<b>184</b>	<b>184</b>



### 3. Revenues

	24 Sept 2003 to Parent \$'000	30 June 2004 Consolidated \$'000
<b>(a) Sale of goods and services</b>		
Sale of goods:		
Annual and day entry	6,141	6,141
Camping fees	4,063	4,063
Sale of assets under \$5,000	90	90
Sale of publications and stock	1,901	1,901
	<b>12,195</b>	<b>12,195</b>
Rendering of services:		
Community service	1,359	1,359
Hire of facilities	1,722	1,722
Miscellaneous park services	1,623	1,623
Minor user charges	434	434
	<b>5,138</b>	<b>5,138</b>
<b>Total</b>	<b>17,333</b>	<b>17,333</b>
<b>(b) Investment income</b>		
Interest	2,242	2,242
Lease and rental of premises	6,195	6,195
	<b>8,437</b>	<b>8,437</b>
<b>(c) Retained fees and fines</b>		
Fees – licences and permits	832	832
Fees – kangaroo and other royalties	676	676
Fines – parking, court and other	344	1,183
	<b>1,852</b>	<b>2,691</b>
<b>(d) Grants and contributions</b>		
Funding was provided by the Commonwealth and State governments together with private and corporate sponsorships as follows (Note 5):		
Federal Government	1,874	1,874
NSW State Government	23,033	23,033
Local government	59	59
Non-government	1,891	1,891
Contributed assets	1,669	1,669
	<b>28,526</b>	<b>28,526</b>
<b>(e) Other revenue</b>		
Insurance recoveries	8,996	8,996
Telephone rebate	39	39
Miscellaneous	1,716	1,716
	<b>10,751</b>	<b>10,751</b>
<b>(f) Revenue forgone</b>		
The Department's revenue does not include park use fees which the Department forgoes through concessions such as free and discounted park use permits provided to certain groups, including pensioners, volunteer firefighters, etc.		

#### 4. Gain/(loss) on disposal of non-current assets

	24 Sept 2003 to Parent \$'000	30 June 2004 Consolidated \$'000
Proceeds from disposal		
Land and buildings	246	246
Plant and equipment	951	951
Infrastructure	–	–
Written down value of assets disposed		
Land and buildings	(181)	(181)
Plant and equipment	(1,024)	(1,024)
Infrastructure	–	–
<b>Net gain/(loss) on disposal</b>	<b>(8)</b>	<b>(8)</b>

#### 5. Conditions on contributions

The Department received contributions for specific purposes, e.g. restoration works or scientific research projects. The amount the Department received during this period was \$28,526,301.

Usually the conditions imposed upon the Department stipulate that grants provided are required to be expended on the specific project for which the funds were provided. Usually any funds that are not used on the specific project must be refunded to the donor body.

No externally imposed financial restrictions are operable in respect of the Department's assets (except cash) as a result of such contributions. In the case of research grants, assets of an intangible nature (e.g. intellectual property) may ensue. Due to the valuation difficulties and immateriality, all costs incurred are expensed.

The total amount of contributions, which were unexpended as at 30 June 2004, was \$36,752,250.

Contributions which are unexpended at balance date are considered to be restricted assets.

#### 6. Appropriations

	24 Sept 2003 to Parent \$'000	30 June 2004 Consolidated \$'000
<b>(a) Recurrent appropriations</b>		
Total recurrent drawdowns from Treasury (per Summary of Compliance)	197,619	197,619
Less: liability to Consolidated Fund (per Summary of Compliance)	–	–
	<b>197,619</b>	<b>197,619</b>
Comprising:		
Recurrent appropriations (per Statement of Financial Performance)	176,260	176,260
Transfer payments (see Note 8)	21,359	21,359
	<b>197,619</b>	<b>197,619</b>
<b>(b) Capital appropriations</b>		
Total capital drawdowns from Treasury (per Summary of Compliance)	28,903	28,903
Less: liability to Consolidated Fund (per Summary of Compliance)	–	–
	<b>28,903</b>	<b>28,903</b>
Comprising:		
Capital appropriations (per Statement of Financial Performance)	28,903	28,903
	<b>28,903</b>	<b>28,903</b>

#### 7. Acceptance by the Crown Entity of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown Entity:

Superannuation	13,482	13,482
Long service leave	6,385	6,385
Payroll tax on superannuation	916	916
	<b>20,783</b>	<b>20,783</b>

## 8. Transfer payments

	24 Sept 2003 to 30 June 2004 Parent \$'000	Consolidated \$'000
Foundation for National Parks and Wildlife	—	—
Jenolan Caves Reserve Trust	4,883	4,883
Lord Howe Island Board	310	310
Zoological Parks Board	16,166	16,166
	<b>21,359</b>	<b>21,359</b>

Prior to the formation of DEC the following transfer payments were made by the former agencies:

Foundation for National Parks and Wildlife	\$50,000
Jenolan Caves Reserve Trust	\$240,244
Lord Howe Island Board	\$932,000
Zoological Parks Board	\$8,592,000

Refer to Note 1(c).

## 9. Programs/activities of the Department

These programs were the original programs of the former agencies and are used for continuity. The programs of the Department are different to reflect the new operations and will be used in future reports of the Department.

<b>Program 1: Conservation assessment (NPWS)</b>	Objective(s): To ensure conservation planning and management is based on rigorous and systematic policy, science and assessment.
<b>Program 2: Conservation planning (NPWS)</b>	Objective(s): To establish conservation priorities for NSW that integrate of natural, cultural heritage and community values and are responsive to threats and to change.
<b>Program 3: Conservation management (NPWS)</b>	Objective(s): To protect natural, cultural and historical heritage; to improve the use of formal mechanisms, in addition to the reserve system, to achieve conservation outcomes; to manage parks and reserves in a culturally sensitive and ecologically sustainable way; to contribute to the environmental, social and economic well-being of local and regional communities.
<b>Program 4: Conservation facilitation (NPWS)</b>	Objective(s): To work with the community to foster understanding, appreciation and enjoyment of natural and cultural heritage and to increase and support community involvement in the management of this heritage.
<b>Program 5: Air and noise (EPA)</b>	Objective(s): To reduce air and noise emissions and minimise their impact on the community.
<b>Program 6: Waters and catchments (EPA)</b>	Objective(s): To improve the health and sustainability of New South Wales waterways.
<b>Program 7: Hazardous substances (EPA)</b>	Objective(s): To minimise the adverse impact of chemicals and hazardous substances on the environment and public health.
<b>Program 8: Waste (EPA)</b>	Objective(s): To minimise the level of waste produced, promote effective programs for reusing and recycling or reprocessing waste and ensuring the environmentally sound management, storage and disposal of waste.
<b>Program 9: Supporting the community (EPA)</b>	Objective(s): To enable the wider community to help protect the environment.
<b>Program 10: Environmental compliance (EPA)</b>	Objective(s): To ensure a high level of compliance with statutory requirements to achieve environmental goals.

**Transfer of programs** (see Statement of Accounting Policies Note 1(a))

The Department of Environment and Conservation was created as a consequence of a restructuring of administrative arrangements with effect from 24 September 2003.

The Department comprises the former Environment Protection Authority (EPA), National Parks and Wildlife Service (NPWS) and Resource NSW (RNSW). The Botanic Gardens Trust (BGT) is also part of the Department, however its financial statements are reported separately and not included in these financial statements.

The following summarises the expenses and revenues, recognised by the transferor agencies up to the date of transfer, i.e. 23 September 2003 for the former EPA and NPWS and 26 November 2003 for the former RNSW.

	1 July 2003 to 23 Sept 2003 \$'000
<b>National Parks and Wildlife Service</b>	
<b>Expenses</b>	
Operating expenses	
Employee related	38,857
Other operating expenses	22,712
Maintenance	3,343
Depreciation and amortisation	9,146
Grants and subsidies	368
Other expenses	54
<b>Total expenses</b>	<b>74,479</b>
<b>Less: retained revenue</b>	
Sale of goods and services	8,518
Investment income	3,049
Retained fees and fines	502
Grants and contributions	10,651
Other revenue	1,823
<b>Total retained revenue</b>	<b>24,542</b>
Gain/(loss) on disposal of non-current assets	(507)
<b>Net cost of services</b>	<b>50,444</b>
<b>Environment Protection Authority</b>	
<b>Expenses</b>	
Operating expenses	
Employee related	16,837
Other operating expenses	4,570
Maintenance	296
Depreciation and amortisation	1,104
Grants and subsidies	725
<b>Total expenses</b>	<b>23,532</b>
<b>Less: retained revenue</b>	
Sale of goods and services	109
Investment income	69
Retained fees and fines	203
Grants and contributions	936
Other revenue	392
<b>Total retained revenue</b>	<b>1,709</b>
Gain/(loss) on disposal of non-current assets	–
<b>Net cost of services</b>	<b>21,823</b>

1 July 2003 to  
26 Nov 2003  
\$'000

<b>Resource NSW</b>	
<b>Expenses</b>	
Operating expenses	
Employee related	2,991
Other operating expenses	2,452
Maintenance	30
Depreciation and amortisation	75
Grants and subsidies	1,384
<b>Total expenses</b>	<b>6,932</b>
<b>Less: retained revenue</b>	
Investment income	271
Retained fees and fines	42
Grants and contributions	7,689
Other revenue	109
<b>Total retained revenue</b>	<b>8,111</b>
Gain/(loss) on disposal of non-current assets	(20)
<b>Net cost of services</b>	<b>(1,199)</b>

## 10. Current assets – cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank, cash on hand and short-term investments. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Parent 2004 \$'000	Consolidated 2004 \$'000
Cash at bank	28,009	28,009
Cash on hand	131	131
Cash at TCorp	25,547	25,547
<b>Closing cash and cash equivalents (as per Statement of Cash Flows)</b>	<b>53,687</b>	<b>53,687</b>

\$18,150,354 of the cash at TCorp is a restricted asset. It was provided by the Snowy Mountains Hydro Electric Authority to assist with the remediation of major and minor sites formerly occupied by that organisation within Kosciuszko National Park.

## 11. Current assets – receivables

Debtors	12,972	12,972
Real estate debtors	898	898
GST	2,470	2,470
Less: provision for doubtful debts	(831)	(831)
	<b>15,509</b>	<b>15,509</b>

Debts written off during the period amounted to \$43,862.

## 12. Current assets – inventories

Finished goods – shop stocks (at cost)	988	988
	<b>988</b>	<b>988</b>

## 13. Current assets – other financial assets

Interest-bearing deposits	16	16
	<b>16</b>	<b>16</b>

## 14. Current/non-current assets – other

	Parent 2004 \$'000	Consolidated 2004 \$'000
<b>Current</b>		
Prepayments	1,491	1,491
	1,491	1,491
<b>Non-current</b>		
Prepayments	52	52
	52	52
<b>Total</b>	<b>1,543</b>	<b>1,543</b>

## 15. Non-current assets – property, plant and equipment

<b>(a) Land and buildings</b>		
Land at fair value	1,638,508	1,638,508
Buildings at fair value	317,641	317,641
Less: accumulated depreciation of buildings	(139,757)	(139,757)
	<b>1,816,392</b>	<b>1,816,392</b>
<b>(b) Plant and equipment</b>		
Plant and equipment at fair value	102,267	101,656
Less: accumulated depreciation of plant and equipment	(70,370)	(69,758)
Furniture and fittings at fair value	8,851	8,851
Less: accumulated depreciation of furniture and fittings	(4,583)	(4,583)
	<b>36,165</b>	<b>36,165</b>
<b>(c) Infrastructure system</b>		
Roads and other access at fair value	804,584	804,584
Less: accumulated depreciation of roads and other access	(157,156)	(157,156)
Utilities and other infrastructure at fair value	170,371	170,371
Less: accumulated depreciation of utilities and other infrastructure	(70,477)	(70,477)
	<b>747,322</b>	<b>747,322</b>
<b>Total property, plant and equipment at fair value</b>	<b>2,599,879</b>	<b>2,599,879</b>

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the creation of the Department and end of the current and previous financial year are set out below.

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
<b>2004</b>				
Carrying amount at creation of Department at fair value	1,457,639	37,639	546,164	2,041,442
Additions	19,198	8,259	13,105	40,562
Disposals	(181)	(1,047)	–	(1,228)
Disposals through administrative restructures	(13,946)	–	(88,745)	(102,691)
Acquisitions through administrative restructures	102	–	–	102
Net revaluation increment*	356,370	–	300,718	657,088
Depreciation expense	(5,568)	(8,703)	(23,960)	(38,231)
Other movements				
Free of cost	1,669	–	–	1,669
Other	1,109	17	40	1,166
<b>Carrying amount at end of year</b>	<b>1,816,392</b>	<b>36,165</b>	<b>747,322</b>	<b>2,599,879</b>

\* See Note 1(l).

The Department holds certain assets, which are not included in the financial statements as they cannot be measured reliably: see Note 1(i).

The Department continues to derive service potential and economic benefit from the following fully depreciated assets.

	Parent 2004 \$'000	Consolidated 2004 \$'000
Buildings	4,019	4,019
Infrastructure	6,121	6,121
Plant and equipment	17,903	17,903
	<b>28,043</b>	<b>28,043</b>

## 16. Current liabilities – payables

Creditors	6,204	6,204
Voluntary redundancies	2,445	2,445
Accrued salaries, wages and on-costs	2,868	2,868
	<b>11,517</b>	<b>11,517</b>

## 17. Interest-bearing liabilities

Interest-bearing advance	17,463	17,463
	<b>17,463</b>	<b>17,463</b>

The Department has drawn down a repayable advance to meet costs associated with the Perisher Resort Development, e.g. development of the masterplan and upgrade of the water supply system in the Perisher area. The repayable schedule of the above interest-bearing repayable advances will be determined in the context of the Infrastructure Strategy which will need to be approved by Cabinet.

The drawdown amount is \$17,403,000.

The Department has also drawn down \$90,219 of a Crown advance as part of the Government Energy Efficiency Investment Program. The advance is being repaid in half yearly instalments of principal and interest over a period of four years effective from when the advance is drawn down.

Repayments have been made leaving a balance of \$59,560.

### Repayments of borrowing

Not later than one year	23	24
Later than one year and not later than five years	56	36
Later than five years	–	–
Borrowing at face value	<b>79</b>	<b>60</b>

While the former National Parks and Wildlife Service did not have the powers to borrow funds (i.e. loans) under the *Public Authorities (Financial Arrangements) Act 1987*, approval was given by the NSW Treasurer for these advances.

## 18. Current/non-current liabilities – provisions

### Employee benefits and related on-costs

Recreation leave	20,576	20,576
Recreation leave on-costs	1,237	1,237
Long service leave on-cost – current	408	408
Long service leave on-cost – non-current	3,819	3,819
<b>Total provisions</b>	<b>26,040</b>	<b>26,040</b>

### Aggregate employee benefits and related on-costs

Provisions – current	22,221	22,221
Provisions – non-current	3,819	3,819
Accrued salaries, wages and on-costs (Note 16)	2,868	2,868
	<b>28,908</b>	<b>28,908</b>

## 19. Current liabilities – other

Security deposits	474	474
	<b>474</b>	<b>474</b>

## 20. Changes in equity

	Accumulated funds 2004 \$'000	Asset revaluation reserve 2004 \$'000	Total equity 2004 \$'000
<b>Balance at the beginning</b>	–	–	–
<b>Changes in equity – transactions with owners as owners</b>			
Increase/(decrease) in net assets from administrative restructuring (Note 21)	1,707,985	296,418	2,004,403
	<b>1,707,985</b>	<b>296,418</b>	<b>2,004,403</b>
<b>Changes in equity – other than transactions with owners as owners</b>			
Surplus/(deficit) for the year	(45,364)	–	(45,364)
Increment/(decrement) on revaluation of:			
Land and buildings	–	356,370	356,370
Plant and equipment	–	–	–
Infrastructure systems	–	300,718	300,718
	(45,364)	657,088	611,724
<b>Balance at the end of the financial year</b>	<b>1,662,619</b>	<b>953,508</b>	<b>2,616,127</b>

## 21. Increase/decrease in net assets from administrative restructuring

Assets and liabilities transferred in the formation of the Department – Note 1(a)

	From NPWS	From EPA	From RNSW
Cash	49,674	7,397	10,713
Receivables	13,255	828	7,643
Inventories	997	–	–
Other financial assets	16	–	–
Other assets	25,038	407	54
Non-current assets			
Land and buildings	1,436,516	21,123	–
Plant and equipment	23,774	13,380	465
Infrastructure systems	546,164	–	–
Payables	(6,165)	(3,326)	(1,651)
Interest-bearing liabilities	(12,578)	–	–
Provisions	(17,822)	(7,244)	(1,254)
Other	(415)	–	–
<b>Net assets from initial administrative restructuring</b>	<b>2,058,454</b>	<b>32,566</b>	<b>15,971</b>
			<b>2,106,991</b>

Other administrative restructures transferred since the formation of the Department are:

State Forests of NSW	Land	102
Roads and Traffic Authority	Land	(81,665)
Roads and Traffic Authority	Infrastructure	(71)
Crown Entity	Land	(13,875)
Crown Entity	Infrastructure	(7,079)
		<b>(102,588)</b>
		<b>2,004,403</b>



## 22. Commitments for expenditure

Represents commitments contracted for at balance date but not recognised in the statements as liabilities.

	Parent 2004 \$'000	Consolidated 2004 \$'000
<b>(a) Capital commitments*</b>		
Aggregate capital expenditure contracted at balance date and not provided for:		
Not later than one year	391	391
Later than one year and not later than five years	–	–
Later than five years	–	–
<b>Total (including GST)</b>	<b>391</b>	<b>391</b>
<b>(b) Other expenditure commitments*</b>		
Aggregate other expenditure contracted at balance date and not provided for:		
Not later than one year	1,695	1,695
Later than one year and not later than five years	–	–
Later than five years	–	–
<b>Total (including GST)</b>	<b>1,695</b>	<b>1,695</b>
<b>(c) Operating lease commitments*</b>		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	18,306	18,306
Later than one year and not later than five years	50,046	50,046
Later than five years	12,281	12,281
<b>Total (including GST)</b>	<b>80,633</b>	<b>80,633</b>

Operating leases are for office accommodation, plant and equipment and motor vehicles.

\* As a consequence of the Goods and Services Tax (GST), a contingent asset is included in the commitments above. The value of this contingent asset is \$7,330,316.

## 23. Commitments – revenue

### Operating lease commitments – receivables\*

Future non-cancellable operating leases not provided for and receivable:

Not later than one year	4,167	4,167
Later than one year and not later than five years	14,690	14,690
Later than five years	80,614	80,614
<b>Total (including GST)</b>	<b>99,471</b>	<b>99,471</b>

\* As a consequence of the Goods and Services Tax (GST), a contingent liability is included in the commitments above. The value of this contingent liability is \$4,266,975.

The Department's revenue commitments arise from a varied portfolio of commercial leases that enable private operators to utilise specific sites in national parks for a specific period of time. These lease contracts are often complex. Many contain clauses that create difficulties in estimating, with any certainty, the quantum of future commitments as the revenue is subject to various contingent factors, such as future Consumer Price Index movements over extended periods, sales turnover (which is itself subject to vagaries of weather) and/or taxable income. The Department's management considers that this category of leases cannot be reliably measured and has therefore excluded these leases from the above figures.

The lease commitments reflected in this note relate solely to leases that specify a base rent component or receivables calculated as a percentage of land value which, in certain cases, is the minimum lease revenue that could be expected in future years.

## 24. Contingent liabilities and contingent assets

There is a claim for compensation for land acquired at Jervis Bay under the *Land Acquisition (Just Terms Compensation) Act 1991*. The Land and Environment Court will determine the claim.

Shoalhaven City Council has taken legal action that has required the Department to resume parts of the Pacific City Estate near Jervis Bay. The land is zoned 8(b): Proposed Acquisition. The legal and consultant costs associated with the action is estimated at \$500,000. This matter is subject to ongoing negotiation/litigation.

The Department is:

- currently subject to litigation including claims for court costs being pursued through the NSW Courts
- currently subject to administrative law proceedings (potential liability costs) relating to validity of permits and consents that will impact Aboriginal items at Lake Cowal gold mine
- currently subject to a challenge to the validity of a concurrence condition associated with the South West Rocks community
- currently appealing to the Court of Criminal Appeal against costs awarded to Goulburn Wool Scour Pty Ltd.

In each of the matters referred to above, it is not practicable to estimate the final cost to the Department.

### Treasury Managed Fund

In December–January 2001–02 and 2002–03, fires occurred across a large proportion of the State. There have been threats of civil law suits against the Department by property holders who sustained property damage during the fires. Several have already been received.

It is also probable that claims could arise in relation to properties lost during the January 2003 bushfires in Canberra.

The Department has a number of ongoing public liability claims managed for it by the Treasury Managed Fund.

The Department's insurable risk should adequately cover all these claims.

Other than the above, the Department is not aware of any significant or material contingent liability in existence at 30 June 2004, or which has emerged subsequent to this date, which may materially impact on the financial position of the Department as shown in the Financial Statements.

## 25. Reconciliation of net cash flows from operating activities to net cost of services

	24 Sept 2003 to 30 June 2004	
	Parent	Consolidated
	\$'000	\$'000
<b>Net cash flows used on operating activities (see cash flow)</b>	(22,468)	(22,468)
Recurrent and capital government appropriations	205,163	205,163
Acceptance by Crown Entity of employee benefits and other liabilities	20,783	20,783
Depreciation	38,232	38,232
Contributed assets	(1,669)	(1,669)
Decrease/(increase) in receivables	6,467	6,467
Decrease/(increase) in inventories	10	10
Increase/(decrease) in prepayments and other assets	23,957	23,957
Decrease/(increase) in provisions	3,183	3,183
Decrease/(increase) in creditors	(2,416)	(2,416)
Decrease/(increase) in other liabilities	60	60
Net loss/(gain) on sale of plant and equipment	8	8
<b>Net cost of services (see Statement of Financial Performance)</b>	<b>271,310</b>	<b>271,310</b>

## 26. Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either the Department or its counter parties. These include cash at bank, investments, receivables and accounts payable. Classes of instruments are recorded at cost and are carried at net fair value.

### (a) Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee.

The deposits at balance date were earning an interest rate of 4.25%, while over the period the average interest rate was 4.06%.

### (b) Other financial assets

As at 30 June 2004, the Department held two fixed term interest-bearing deposits to the value of \$15,500 with Commonwealth Bank of Australia.

Deposits at 30 June 2004 were earning an average interest rate of 4.66%, while over the period the average interest rate was 4.00%.

### (c) Hour-Glass Investment Facilities

The Department has funds in TCorp's Hour-Glass Investment Facilities. The Department's investment is represented by a number of units in managed investment within the facilities. Each facility has different investment horizons and comprises a mix of asset classes appropriate to the investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

### (d) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). The carrying amount approximates net fair value. Sales are made on 30-day terms. All lease revenue falls due immediately after the issue of the customer invoice except where the lease rent schedule conditions stipulate otherwise.

### (e) Bank overdraft

The Department does not have any bank overdraft facility. The Department does have a number of operational activities/limits with the bank that have a potential to be a liability. These include cheque cashing authorities, purchase/credit card limits, payroll agreement and a tape negotiation authority.

### (f) Trade creditors and accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest payments were awarded during the year.

## 27. Administered assets, liabilities and revenue

Receipts collected on behalf of the Consolidated Fund are not included in the Department's Financial Statements. They are brought to account as revenue in the Treasurer's Public Accounts.

	Parent 2004 \$'000	Consolidated 2004 \$'000
<b>(a) Administered assets</b>		
Receivables	3,941	3,941
	<b>3,941</b>	<b>3,941</b>
<b>(b) Administered liabilities</b>		
Creditors	2	2
	<b>2</b>	<b>2</b>
	<b>24 Sept 2003 to 30 June 2004</b>	<b>2004</b>
	Parent	Consolidated
	2004	2004
	\$'000	\$'000
<b>(c) Administered revenues</b>		
Pollution licences and approvals	24,745	35,242
Radiation licences	697	914
Other fees and licences	415	533
Waste-related levies and fees	74,075	97,412
Waste levies rebates	(3,355)	(2,614)
Fines	1,039	1,082
<b>Total revenue collected on behalf of the Crown</b>	<b>97,616</b>	<b>132,569</b>

Debts written off during the year amounted to \$6,530 (\$30,000 in 2003 for pollution licences).

## 28. After balance date events

The Department was created on 24 September 2003 and, as a consequence, a restructure is occurring. The Department may be required to make redundancy payments to its existing employees. A provision for staff who have accepted voluntary redundancies prior to 30 June 2004 has been included in the Financial Statements (Note 16). The Department continues to make offers of voluntary redundancies, the cost of which will not be determined until acceptance.

## 29. Adopting International Financial Reporting Standards (IFRS)

### (a) Explanation of how the transition to AIFRS is being managed

The Department will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The transition is being managed by allocating internal resources and/or engaging consultants (where required) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the Department has taken the following steps to manage the transition to the new standards:

- The Department's AIFRS Project Steering Committee, headed by Executive Director, Corporate Services is overseeing the transition. The Project Working Group is responsible for the project and reports regularly to the Committee on progress against the plan.
- The following phases that need to be undertaken have been identified:
  - Phase 1 – Establish a project team to implement the AIFRS.
  - Phase 2 – Identify key areas of impact on accounting and reporting, operational issues, systems, controls and policies including implementation timetable.
  - Phase 3 – Development of any necessary systems, policies and procedures and training requirements.
  - Phase 4 – Implementation of the AIFRS and post-implementation review.
- To date, the following phases have been or are being implemented:
  - Phase 1 – A project team has been established and meets regularly.
  - Phase 2 – This phase is currently in train and is expected to be finalised as the new standards are issued, assessed and Treasury-preferred option is adopted by the Department.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

**(b) Key differences in accounting policies**

The Department has identified a number of key differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from the existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole-of-government level, NSW Treasury has advised the Department of options it is likely to mandate, and will confirm these during 2004–05. This disclosure reflects these likely mandates.

The Department's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005–06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 116 Property, Plant and Equipment requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Major inspection costs must be capitalised and this will require the fair value and depreciation of the related asset to be re-allocated.
- AASB 117 Leases requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred. The Department has a large number of lease agreements, which need to be further analysed. A detailed action plan will be developed to address the issue.
- AASB 118 Revenue will be a major area of change for the Department. As an inner Budget Sector agency, the Department will implement the accounting treatment mandated by NSW Treasury.
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance applies to for-profit entities only. Entities will either apply the current AASB 120 or adopt a revised AASB 120 early, based on the grant requirements in AASB 141 Agriculture. The current AASB 120 spreads income recognition over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require revenue recognition conditions are satisfied. Both of these alternatives may have the effect of delaying revenue recognition.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related good and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.
- AASB 140 Investment Property requires investment property to be measured at cost or fair value. NSW Treasury is likely to mandate the adoption of fair value. The Department will be undertaking further in-depth analysis of this standard, as there are some specific issues with interpretation. The Department will submit its concerns to Treasury in the near future so an agreed position can be reached.

***End of Audited Financial Statements***

## Other DEC financial information

### Grants to community organisations

For the period 24 September 2003 to 30 June 2004

Recipient	Amount (\$)	Program	Nature and purpose of grant
Australian Alps Liaison Committee	120,000	Protection of Conservation Assets	NSW contribution 2003–04
Australian Conservation Foundation (Vic.)	7,500	Ministerial grants*	Annual grant
Australian Conservation Foundation (Vic.)	75,000	Waters and Catchments	Inland Rivers Network
Australian Seabird Rescue	800	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Banksia Environmental Foundation	10,000	n/a	Corporate sponsorship of 2004 International Banksia Awards
Big Hart	318	Community Programs	To assist with travelling expenses for group of young people performing at Sydney Opera House as part of Message Stick Festival
Bushfire Cooperative Research Centre	100,000	Community Programs	Cash contribution to Bushfire CRC as per Commonwealth agreement
Caravan and Camping Industry	3,000	n/a	Sponsorship of Silver Gumnut Workshops
Caravan and Camping Industry	5,000	n/a	Sponsorship of Environmental Award Workshop
Conservation Volunteers Australia	2,200	Community Programs	To assist conservation group with rehabilitation work
Ecorecycle	50,000	n/a	Partnership/joint project with Ecorecycle Victoria to develop resource sustainability competency guidelines with the Australian National Training Authority
Foundation for National Parks & Wildlife	22,500	Ministerial grants*	Community conservation grant
Friends of the Koala Inc.	1,650	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Hotel Motel and Accommodation	15,000	n/a	Sponsorship of EcoAward and Conference
Hotel Motel and Accommodation	15,000	n/a	Sponsorship of HMAA Awards
Housing Industry Association	400	n/a	Sponsorship of information night
Housing Industry Association	10,000	n/a	Sponsorship of HIA Awards
Hunter Bird Observers Club Inc.	1,500	Community Programs	Recent and historical perspectives of shorebirds of Port Stephens
Hunter Koala Preservation Society	15,500	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Huskisson Chamber of Commerce	1,000	Community Programs	Donation to the Plastic-bag-free Town Campaign
Inner City Aboriginal Multi-purpose Association Inc.	2,000	Community Programs	Donation for NAIDOC Week celebrations
Institute of Public Works	6,000	n/a	Sponsorship of Resource Efficient Construction Award
Local Government Association of NSW	50,000	n/a	Sponsorship
Local Government Managers	5,500	n/a	Sponsorship of LGMA NSW Conference 2004
Master Builders Association	21,000	n/a	Sponsorship of MBA Excellence Award
Nambucca Heads LALC	382,000	Conservation Facilitation	Funds provided through an agreement to assist the Aboriginal community undertake negotiations with government for co-management of land at Warrell Creek
Narrandera Koala Reserve Committee	500	Community Programs	To assist wildlife carers, rescue, care for and rehabilitate sick, injured and orphaned koalas
National Environment Protection	25,000	Air and Noise	Contribution to Children's Air Pollution and Health Services

\*See page 72 for more information.

Recipient	Amount (\$)	Program	Nature and purpose of grant
National Parks Association NSW	12,500	Ministerial grants*	Annual grant administration costs for community groups
Native Animal Trust Fund	845	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Nature Conservation Council of NSW	45,000	Ministerial grants*	Annual grant
Nature Conservation Trust	70,000	Conservation Management	To assist in protecting native wildlife
Northern Rivers Wildlife Carers	7,832	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
NSW Wildlife Information and Rescue	2,000	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
ORRCA Inc.	5,000	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Planet Ark Environmental	30,000	n/a	Sponsorship of plastic bag campaign
Red Ochre Events Inc.	1,000	Community Programs	Donation to Red Ochre Event
RMIT Centre for Design	2,500	n/a	Sponsorship of Melbourne forum in March 2004
Royal Zoological Society	5,000	Conservation Management	Threatened species grant
RRANA	600	Community Programs	To assist wildlife carers, rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Sydney Metropolitan Wildlife Services Inc.	5,000	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Australian Red Cross	10,000	Community Programs	Donation to Farmhand Appeal
The Colong Foundation for Wilderness Ltd	15,000	Community Programs	Grant for book publication
The Entrance Pelican Rescue Service	500	Community Programs	To assist with fit-out of new boat and purchase of safety equipment
The Frog and Tadpole Study Group	564	Community Programs	Funding for fridge magnets to assist with Frog Rescue Service
The Wetlands Centre Australia	12,500	Community Programs	To show commitment of DEC to The Wetland Centre hosting the first Wetland Forum
Tocal Field Days Inc.	1,000	n/a	Community Grant Tocal Field Day
Total Environment Centre	1,500	n/a	Sponsorship of Ethical Investor Awards
Total Environment Centre	12,000	n/a	Partnership in Green Capital
Total Environment Centre Inc.	1,091	n/a	Sponsorship of Green Capital's Your Foot's Too Big event
Total Environment Centre Inc.	22,500	Ministerial grants*	Annual grant
Tweed Valley Wildlife Carers	4,750	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Wildlife Carers of Glen Innes Inc.	739	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Wildplant Rescue	1,000	Community Programs	To assist wildlife carers
WIRES (various locations)	34,000	Community Programs	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
WMMA Compost Australia	20,000	n/a	Sponsorship of Recycled Organics Technology Roadmap
WMMA Compost Australia	750	n/a	Sponsorship of seminar in October 2003
WMMA Compost Australia	1,000	n/a	Sponsorship for travel to IEA Bioenergy Task 36
Wollongong Revolve Inc.	3,000	n/a	Grant
Young Achievement Australia	455	n/a	Sponsorship of the Environment Practice Awards
<b>Total grants</b>	<b>1,277,994</b>		

\*See page 72 for more information.

## Major works

Project	Costs to date (\$'000)*	Estimated completion
<b>Major new works</b>		
Establishment of new acquisitions	1,000	2007–08
Kooragang Island wader bird habitat	437	2004–05
Pest weed and animal control	287	2006–07
<b>Major works-in-progress</b>		
Finalise Northern Regional Forest Agreement	4,890	2006–07
Conversion of vacant Crown lands	2,967	2005–06
Improvements to major metropolitan parks	2,299	2005–06
Lower Prospect Canal recreation facilities	6,426	2003–04
Sewerage Upgrade Program, Stages 1 and 2	18,101	2005–06
Land acquisition: initial works	4,894	2004–05
Eden Forest Agreement	1,255	2003–04
Kosciuszko roads and bridges	48,672	2004–05
Land acquisition: open spaces	17,905	2006–07
Establishment of Jervis Bay National Park	17,252	2005–06
Southern Comprehensive Regional Assessment (CRA)	2,686	2003–04
Land acquisition: Dunphy Wilderness	4,188	2005–06
<b>Computerisation</b>		
Information technology initiatives	5,360	2004–05
<b>Total</b>	<b>138,619</b>	

\*Costs to date represent cumulative expenditures incurred by the formative agencies prior to the establishment of DEC on 23 September 2004.

There were no significant cost overruns in these projects.

## Employee liabilities

Liabilities as at 30 June 2004	\$'000
Long service leave*	45,064
On-cost long service leave	4,131
Recreation leave	21,441

\*DEC liabilities for long service leave are assumed by the Crown Entity. Long service leave is measured using the present value basis.

## Payment of accounts

Trade creditor accounts payable balances for each quarter of the 2003–04 financial year were as follows:

Quarter	Current (i.e. within due date) (\$)	Less than 30 days overdue (\$)	Between 30 and 59 days overdue (\$)	Between 60 and 89 days overdue (\$)	90 or more days overdue (\$)
September	1,039,443	278,725	15,846	2,396	0
December	868,498	15,947	7,347	0	0
March	1,408,496	232,215	11,590	5,332	8,655
June	838,329	107,449	1,715	0	0



The main reasons for overdue accounts were:

- minor purchases (usually under \$10,000) not in contract where short payment terms (7 or 14 days) were indicated on the invoice (but not prior to invoicing) and no payment discounts were involved
- invoices issued (often in the case of computer equipment) prior to delivery or installation
- unsatisfactory supply or some other complication, which tend to be more of a factor with the more significant and expensive purchases.

In respect of trade creditor accounts paid on time, DEC performance for each quarter of the 2003–04 financial year was as follows:

Quarter	Target (%)	Actual (%)	Total accounts paid on time (\$)	Total amount paid (\$)
September	85	93.26	82,265,610	88,208,504
December	85	90.62	52,165,542	57,564,680
March	85	88.19	51,618,498	58,529,453
June	85	87.92	84,461,074	96,062,396

DEC was not required to pay interest to creditors due to the late payment of accounts during the year.

The amalgamation of the Environment Protection Authority, Resource NSW and National Parks and Wildlife Service in September 2003 resulted in a review of the target achievable by DEC. The above figures also include the Environmental Trust, Stormwater Trust and Waste Fund, which were originally managed by the Environment Protection Authority.

Initiatives taken during the year to improve payment performance included:

- an increase in online purchase order entry and issue
- increased use of corporate credit cards for local and minor purchases
- implementation of an integrated financial management system.

## Major assets

By virtue of its functions the DEC asset base covers a wide range of fixed assets and other infrastructure, which have been categorised as follows for accounting purposes:

### Land

Most of the land parcels in this category of assets are 'dedicated land', which includes national parks, nature reserves, historic sites and Aboriginal areas. A full list of dedicated and DEC-managed lands is included in Appendix 9, page 158.

### Roads and other access

Apart from roads of various construction, this category of assets includes access facilities, such as fire trails, walking tracks, car parks and bridges, which are DEC responsibilities. Roads and other access with a replacement value of \$3 million or more are:

- Cambridge Plateau, Richmond Range National Park
- Camerons Corner Road, Sturt National Park
- Elliot Way, Kosciuszko National Park
- Geehi Walls Track, Kosciuszko National Park
- Guthega Road, Kosciuszko National Park
- Kiandra to Khancoban Road, Kosciuszko National Park
- Minnamurra Rainforest Walk, Budderoo National Park
- Mungo Brush Road, Myall Lakes National Park
- Olsens Road, Kosciuszko National Park
- Pocket Saddle Road, Woomargama National Park
- Port Phillip Road, Kosciuszko National Park
- Tantangara Road, Kosciuszko National Park
- Tin Mine Road, Woomargama National Park
- Tweed Scenic Drive, Border Ranges National Park

## Buildings and improvements

This category of assets includes all buildings and improvements in use or temporarily out of use. Buildings number 888 in total. Buildings with a replacement value of \$1 million or more are:

- Audley Office, Royal National Park
- DEC Lidcombe laboratories
- Discovery Centre, Botany Bay National Park
- Dorrigo Rainforest Centre
- Fitzroy Falls Visitor Centre, Morton National Park
- Fort Denison, Sydney Harbour National Park
- Gap Bluff officers' mess, Sydney Harbour National Park
- Goat Island amenities and ship repair building, Sydney Harbour National Park
- Greycliffe House, Sydney Harbour National Park
- Hartley Court House, Hartley Historic Site
- Jenkins Centre, Lane Cove National Park
- La Pérouse Museum and Gallery, Botany Bay National Park
- Long Tan residences, Scheyville National Park
- Quarantine Station, accommodation units and conference centre, Sydney Harbour National Park
- Sawpit Creek Office, Kosciuszko National Park
- Snowy Mountains Visitor Centre, Jindabyne
- Throsby Park Homestead, Throsby Park Historic Site
- Western Regional Office, Broken Hill.

This category of assets also includes a number of heritage buildings in various locations, such as:

- Bare Island
- Goat Island
- Hartley Historic Site
- Hill End Historic Site
- Quarantine Station, Manly
- Rodd Island
- Barrenjoey, Port Stephens, Greencape and Cape Byron lighthouses.

In addition to buildings, this asset category includes such 'improvements' as picnic areas, campsites and lookouts. Major picnic areas and camp sites (with a replacement value of \$750,000 or more) are located in Blue Mountains, Botany Bay, Cattai, Georges River, Ku-ring-gai Chase and Sydney Harbour national parks, as well as in Arakoon State Conservation Area and Western Sydney Regional Park.

## Utilities and other infrastructure

This category of assets includes electricity reticulation, sewerage systems, levees and fences. Assets with a replacement value of \$1 million or more include sewage treatment plants in Kosciuszko National Park and water supply systems in Sydney Harbour National Park.

## Motorised plant

The following items were valued at \$5000 or more.

Location	Tractors	Graders	Caravans	Trailers	Boats	Others	Total
Head office	1	0	2	1	1	1	6
Central Region	21	7	4	17	20	78	147
Southern Region	17	1	5	20	7	59	109
Western Region	21	7	1	19	0	13	61
Northern Region	40	3	2	29	14	80	168
<b>Total</b>	<b>100</b>	<b>18</b>	<b>14</b>	<b>86</b>	<b>42</b>	<b>231</b>	<b>491</b>

## Consultancies

A consultant is an organisation or individual engaged for a defined period of time solely to provide an expert opinion or recommendation to DEC on a specific issue or task.

### Consultancies of \$30,000 or more

Consultant	Project description	Cost (\$)
Price Waterhouse Coopers Securities	Quarantine Station financial capacity assessment	160,000
Community Change Pty Ltd	Litter behaviour monitoring protocol	90,594
Opticon Australia	IT platform review	65,360
Instinct and Reason	Framing the role for increased consumer interest in recycled products	60,000
Aprince Consulting Pty Ltd	Best-practice – collection of recycled materials	53,375
Taverner Research Co.	Environmental packaging	50,600
Woolcott Research Pty Ltd	Multi-unit dwelling dumping social research	48,000
Nolan ITU Pty Ltd	Alternative domestic waste and recycling systems	44,312
Griffin NRM	Archaeological and conservation management plan for Maynggu Ganai Historic Site	41,130
RC Allan Pty Ltd	Kerbside recycling project	40,000
MacArthur Agribusiness	Review of fauna dealer licensing policy in NSW	36,031
Information Research and Design	ESD Project	33,551
Nolan ITU Pty Ltd	Triple-bottom-line assessment of garden waste management	31,780
<b>Subtotal</b>		<b>754,733</b>

### Consultancies less than \$30,000

Category	Number	Total Cost (\$)
Finance and accounting	8	12,976
Information technology	7	52,744
Legal	3	14,516
Management services	22	87,713
Environmental	160	753,675
Engineering	36	65,867
Organisational review	1	5,000
Training	19	36,627
<b>Subtotal</b>		<b>1,029,119</b>
<b>Total Consultancies</b>		<b>1,783,852</b>

## Credit card certification

In accordance with Treasurer's Direction 205.01, it is certified that credit card use by DEC officers has been in accordance with the appropriate government policy, Premier's Memorandums and Treasurer's Directions.

# Environment Protection Authority

## EPA accounts

With the establishment of the Department of Environment and Conservation (DEC), the department known as the Environment Protection Authority (EPA) was abolished and its staff transferred to DEC. The role of the EPA Board was changed legislatively so that it no longer oversees the financial matters of the EPA or DEC.

However, the statutory body corporate of the EPA remains, providing the authority under which regulatory actions relating to environment protection legislation are taken. The EPA is listed under Schedule 2 of the *Public Finance and Audit Act 1983*, and as a result DEC is required to submit a separate set of Financial Statements for the EPA. Although DEC's accounts represent consolidated accounts for the whole of the Department from 24 September 2003, the EPA accounts are for the entire financial year 2003–04.

Specifically, while the Statement of Financial Performance for the EPA is presented as at 30 June 2004, the accounts reflect the former EPA activities from 1 July to 23 September 2003, together with amounts for the following from 24 September 2003:

- salaries of EPA Board Members
- court case losses and recoveries
- a notional subsidy provided by DEC.

In the Statement of Financial Position for the EPA, all assets and liabilities have nil balances, reflecting the fact that the Director General of DEC assumed control of all assets and liabilities of the former entity as of 24 September 2003.

The activities of the former EPA are now carried out by DEC staff, and are addressed in the DEC consolidated review of operations. For information on the activities of DEC under EPA powers, see:

- infringements and prosecutions (pages 20–21 and 152–57)
- the report of the Chairman of the EPA Board (page 5)
- curricula vitae of EPA Board members (pages 142–43).



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

Environment Protection Authority

To Members of the New South Wales Parliament

### Qualified Audit Opinion

In my opinion, the financial report of the Environment Protection Authority:

- (a) presents fairly the Authority's financial position as at 30 June 2004 and its cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, but
- (b) does not present fairly its financial performance for the year ended on that date, in accordance with applicable Accounting Standards and other professional reporting requirements in Australia, nor does it comply with section 418 of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

### Qualification

As detailed in Note 1(a), the Department of Environment and Conservation performed services for the Environment Protection Authority during the year, without seeking reimbursement from the Authority. In my opinion, these services provided are a non-reciprocal transfer that provides economic benefits to the Authority. Under Australian Accounting Standard AAS 15 "Revenue", the Authority should have recognised the fair value of the notional revenues and related expenses.

I have been unable to conduct audit procedures to quantify the notional revenues and expenses. However in my view the difference between the actual figures for the year ended 30 June 2003 and for the year ended 30 June 2004 provide some guidance.

### The Director-General's Role

The financial report is the responsibility of the Director-General of the Department of Environment and Conservation. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Director-General in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Director-General had not fulfilled her reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Authority
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



R J Sendt  
Auditor-General

SYDNEY  
3 February 2005

**ENVIRONMENT PROTECTION AUTHORITY****Financial statements****FOR THE YEAR ENDED 30 JUNE 2004**

Pursuant to section 41B(1)(g) of the *Public Finance and Audit Act 1983* and clause 14(2) of the Public Finance and Audit Regulation 2000, we state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Authority
- (c) there are not any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

**Member of EPA Board****Member of EPA Board****ENVIRONMENT PROTECTION AUTHORITY****Financial statements****FOR THE YEAR ENDED 30 JUNE 2004**

Pursuant to section 41C(1b) of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and the Treasurer's Directions
- (b) the financial statements for the year ended 30 June 2004 exhibit a true and fair view of the position and transactions of the Environment Protection Authority
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

**LISA CORBYN**  
**Director General**

*Start of Audited Financial Statements***ENVIRONMENT PROTECTION AUTHORITY**

## Statement of financial performance

**FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Actual 2004 \$'000	Actual 2003 \$'000
<b>Revenue</b>			
Sale of goods and services	2(a)	109	526
Investment income	2(b)	69	430
Retained fees and fines	2(c)	1,042	573
Grants and contributions	2(d)	1,018	6,708
Other revenue	2(e)	392	1,653
Government contributions	2 (f)	21,350	91,470
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>23,980</b>	<b>101,360</b>
<b>Expenditure</b>			
Operating expenses			
Employee related	3(a)	17,033	65,419
Other operating expenses	3(b)	5,295	24,906
Maintenance	3(c)	296	1,004
Depreciation and amortisation	3(d)	1,104	4,416
Grants and subsidies	3(e)	725	3,971
<b>TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES</b>		<b>24,453</b>	<b>99,716</b>
Gain/(loss) on disposal of non-current assets	4	–	(182)
<b>SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES</b>	16	<b>(473)</b>	<b>1,462</b>
<b>Non-owner transaction changes in equity</b>			
Net increase/(decrease) in asset revaluation reserve		–	1,599
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY</b>	12	–	1,599
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	12	<b>(473)</b>	<b>3,061</b>

*The accompanying notes form part of these financial statements.*



## ENVIRONMENT PROTECTION AUTHORITY

## Statement of financial position

AS AT 30 JUNE 2004

	Notes	Actual 2004 \$'000	Actual 2003 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	7	–	8,490
Receivables	8	–	1,649
<b>Total current assets</b>		–	<b>10,139</b>
<b>Non-current assets</b>			
Property, plant and equipment			
Land and buildings	9(a)	–	21,290
Plant and equipment	9(b)	–	14,256
<b>Total non-current assets</b>		–	<b>35,546</b>
<b>TOTAL ASSETS</b>		–	<b>45,685</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	–	5,457
Provisions	11	–	1,873
<b>Total current liabilities</b>		–	<b>7,330</b>
<b>Non-current liabilities</b>			
Provisions	11	–	5,316
<b>Total non-current liabilities</b>		–	<b>5,316</b>
<b>TOTAL LIABILITIES</b>		–	<b>12,646</b>
<b>NET ASSETS</b>		–	<b>33,039</b>
<b>EQUITY</b>			
Reserves	12	–	3,549
Accumulated funds		–	29,490
<b>TOTAL EQUITY</b>		–	<b>33,039</b>

*The accompanying notes form part of these financial statements.*

## ENVIRONMENT PROTECTION AUTHORITY

## Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Actual 2004 \$'000	Actual 2003 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(15,632)	(57,545)
Grants and subsidies		(725)	(3,971)
Other		(7,575)	(28,094)
<b>Total payments</b>		<b>(23,932)</b>	<b>(89,610)</b>
<b>Receipts</b>			
Sale of goods and services		109	526
Retained fees and fines		919	8
Investment income		236	459
Other		1,430	10,150
Government contributions		20,207	85,137
<b>Total receipts</b>		<b>22,901</b>	<b>96,280</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>(1,031)</b>	<b>6,670</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		–	3
Purchases of land and buildings, plant and equipment and infrastructure systems		(62)	(8,776)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(62)</b>	<b>(8,773)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and advances		–	–
Repayments of borrowings and advances		–	–
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash</b>		<b>(1,093)</b>	<b>(2,103)</b>
Opening cash and cash equivalents		8,490	10,593
Cash transferred in (out) as a result of administrative restructuring		(7,397)	–
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	7	<b>–</b>	<b>8,490</b>

*The accompanying notes form part of these financial statements.*

**ENVIRONMENT PROTECTION AUTHORITY****Notes to and forming part of the financial statements****Contents**

1. Summary of significant accounting policies

**Operating statement**

2. Revenues
3. Expenses
4. Gain/(loss) on disposal of non-current assets
5. Conditions on contributions
6. Transfer payments

**Assets**

7. Current assets – cash
8. Current assets – receivables
9. Non-current assets – property, plant and equipment

**Liabilities**

10. Current liabilities – payables
11. Current/non-current liabilities – provisions

**Equity**

12. Changes in equity
13. Increase/decrease in net assets from administrative restructuring

**Other**

14. Commitments for expenditure
15. Contingent liabilities and contingent assets
16. Reconciliation of net cash flows from operating activities to operating surplus/deficit from ordinary activities
17. Administered assets, liabilities and revenue
18. Assistance provided by other organisations free of charge
19. Adopting International Financial Reporting Standards (IFRS)

## 1. Summary of significant accounting policies

### (a) Reporting entity

The Public Sector Employment and Management (Environment and Conservation) Order 2003 made on 24 September 2003 established a new Department of Environment and Conservation (DEC). This was partly achieved by the abolition of the Environment Protection Authority (EPA) as a department. As such, the EPA is no longer a separate department of the Crown.

However, a factor that had to be considered in the creation of DEC was the need to retain an independent role for the statutory body corporate of the EPA in taking legal actions including the possible prosecution of State Government authorities and for most serious Tier 1 prosecutions. As a result, the Government decided to retain a separate legal entity that could take this legal action. It is important to recognise that the surviving statutory body known as the EPA with its board is a legal mechanism only that operates within the confines of the environment protection legislation such as the *Protection of the Environment Administration Act 1991* (POEA Act) in order to facilitate certain activities of DEC staff.

The EPA has no staff of its own, no material assets under its control and no material liabilities and will not receive a direct allocation from the Consolidated Fund to fund its operations. DEC has been providing services and resources free of charge for the EPA's operations.

The Statute Law (Miscellaneous Provisions) Bill (No. 2) 2003 omits section 16(b) of the POEA Act, which makes this clear when it states: 'In view of the integration of the EPA with the new Department, it is no longer appropriate for the Board of the EPA to exercise the function currently set out in section 16(b) of the POEA Act ("to oversee the effective, efficient and economical management of the [EPA]"). Accordingly the proposed amendment repeals section 16(b)'.

On 5 December 2003, as proclaimed in the NSW *Government Gazette*, the EPA was added to Schedule 2 of the *Public Finance and Audit Act 1983*. This piece of legislation requires a separate set of financial statements for the EPA and which form part of the consolidated financial statements of DEC.

The EPA's financial statements cover the full 2003–04 financial year reporting period, however the financial data essentially relates up to the period ending 23 September 2003 as assets, liabilities and all operational activities were assumed by DEC.

### (b) Basis of accounting

The EPA financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (AAS)
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- the requirements of the *Public Finance and Audit Act 1983* and Regulations.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS6 Accounting Policies is considered.

The financial statements are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest one thousand dollars (\$1,000) and are expressed in Australian currency.

### (c) Revenue recognition

Revenue is recognised when the EPA has control of the good, or right to receive; it is probable that the economic benefit will flow to the EPA; and the amount of revenue can be measured reliably.

Additional comments regarding the accounting policies for the recognition of revenue are discussed below for the period up to 23 September 2003.

Taxes, fines, regulatory fees and contributions collected by the EPA on behalf of the Crown are not recognised as revenues of the EPA and are disclosed in the financial report by way of a note only. Waste-related levies and fees are shown net of rebates (refer to Note 17). All Crown revenue is recorded on an accrual basis except waste levies which are treated on a cash basis due to the nature of their collection.

### (d) Employee benefits

#### Salaries and wages, annual leave, sick leave and on-costs

All liabilities for salaries and wages (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled by the parent entity, DEC.

## 2. Revenues

	2004 \$'000	2003 \$'000
<b>(a) Sale of goods and services</b>		
Sale of publications	1	40
Other	108	486
<b>Total</b>	<b>109</b>	<b>526</b>
<b>(b) Investment income</b>		
Interest	69	430
	<b>69</b>	<b>430</b>
<b>(c) Retained fees and fines</b>		
Fees – ozone protection levies	–	8
Fees – licences and permits	3	–
Court costs awarded from prosecutions	1,039	565
	<b>1,042</b>	<b>573</b>
<b>(d) Grants and contributions</b>		
Funding was provided by the Commonwealth and State governments together with private and corporate sponsorships as follows (Note 5):		
Federal Government	80	1,782
NSW State Government (Budget Sector)	228	2,495
NSW State Government (Non-budget Sector)	678	2,322
Other	32	109
	<b>1,018</b>	<b>6,708</b>
<b>(e) Other revenue</b>		
Cost recoveries	32	21
Building revaluation increment (see note below)	–	1,137
Other	360	495
	<b>392</b>	<b>1,653</b>
The revaluation of buildings on 16 June 2003 resulted in an increment in value. The above amount reverses a revaluation decrement recognised as an expense in 1997–98.		
<b>(f) Government contributions</b>		
Recurrent appropriations*	19,331	73,596
Capital appropriations	15	8,729
Acceptance by Crown Entity of employee benefits liabilities:		
Superannuation	1,405	4,892
Long service leave	525	3,959
Payroll tax on superannuation	74	294
	<b>21,350</b>	<b>91,470</b>

\*Transfer payments noted in Note 6 are not included.

### 3. Expenses

	2004 \$'000	2003 \$'000
<b>(a) Employee related expenses</b>		
Salary and wages (including recreation leave)	14,085	51,948
Superannuation	861	5,186
Long service leave	840	4,565
Workers' compensation insurance	89	275
Payroll tax and fringe benefits tax	888	3,169
Board member fees	270	276
	<b>17,033</b>	<b>65,419</b>
<b>(b) Other operating expenses</b>		
Auditor's remuneration (audit or review of the financial statements)	–	65
Operating lease rental expenses (minimum lease payments)	984	4,704
Insurance	222	356
Non-salary related staff expenses	324	1,087
Travel related expenses	448	1,407
Minor plant, stores and supplies	342	1,660
Fees and services	839	8,345
Other occupancy costs	393	1,443
General administration	1,743	5,839
	<b>5,295</b>	<b>24,906</b>
<b>(c) Maintenance</b>		
Building maintenance	77	329
Maintenance of vessels	4	21
Maintenance contracts	215	654
	<b>296</b>	<b>1,004</b>
<b>(d) Depreciation and amortisation expense</b>		
Buildings	92	367
Computer equipment	408	1,635
General plant, equipment and fixtures	604	2,414
	<b>1,104</b>	<b>4,416</b>
<b>(e) Grants and subsidies</b>		
Beachwatch Partnership Pilot Program	–	558
Blue Mountains Urban Runoff Control Program	–	1,004
Conservation groups	–	110
Inland Rivers Network	–	75
Industry Partnership Program	–	433
Local Air Improvement	67	204
Litter Strategy	–	465
National Environment Protection Council	143	194
Woodsmoke Reduction Program	167	867
Other	348	61
	<b>725</b>	<b>3,971</b>

### 4. Gain/(loss) on disposal of non-current assets

Proceeds from disposal:		
Land and buildings, plant and equipment	–	3
Written down value of assets disposed:		
Land and buildings, plant and equipment	–	(185)
<b>Net gain/(loss) on disposal</b>	<b>–</b>	<b>(182)</b>

### 5. Conditions on contributions

Up to 23 September 2003 contributions were received for specific purposes, e.g. scientific research projects. The responsibility for the management and administration of these grants was transferred to DEC.

**6. Transfer payments**

	2004 \$'000	2003 \$'000
Zoological Parks Board	8,592	23,091
Waste Fund	–	40,865
Stormwater Trust	–	2,000
	<b>8,592</b>	<b>65,956</b>

**7. Current assets – cash**

For the purposes of the Statement of Cash Flows, cash includes cash at bank and cash on hand. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank and on hand	–	8,490
Closing cash and cash equivalents (as per Statement of Cash Flows)	–	<b>8,490</b>

**8. Current assets – receivables**

Interest receivable	–	208
Other revenue receivable	–	863
Prepayments	–	771
Less: provision for doubtful debts	–	(193)
	–	<b>1,649</b>

**9. Non-current assets – property, plant and equipment****(a) Land and buildings**

Land and buildings at fair value	–	24,799
Less: accumulated depreciation of buildings	–	(3,509)
	–	<b>21,290</b>

**(b) Plant and equipment**

Plant and equipment at fair value	–	39,726
Less: accumulated depreciation of plant and equipment	–	(25,470)
	–	<b>14,256</b>

<b>Total property, plant and equipment at fair value</b>	–	<b>35,546</b>
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**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>2004</b>			
Carrying amount at start of year	21,290	14,256	35,546
Additions	15	45	60
Disposals	–	–	–
Disposals through administrative restructures	(21,123)	(13,380)	(34,503)
Depreciation expense	(182)	(921)	(1,103)
<b>Carrying amount at end of year</b>	–	–	–
<b>2003</b>			
Carrying amount at start of year	12,061	16,614	28,675
Additions	6,860	1,916	8,776
Disposals	–	(185)	(185)
Disposals through administrative restructures	–	(40)	(40)
Revaluation increment	2,736	–	2,736
Depreciation expense	(367)	(4,049)	(4,416)
<b>Carrying amount at end of year</b>	<b>21,290</b>	<b>14,256</b>	<b>35,546</b>

## 10. Current liabilities – payables

	2004 \$'000	2003 \$'000
Creditors	–	3,723
Accrued salaries, wages and on-costs	–	1,734
	–	<b>5,457</b>

## 11. Current/non-current liabilities – provisions

### Employee benefits and related on-costs

Recreation leave	–	5,931
Long service leave on-cost	–	1,258

<b>Total provisions</b>	<b>–</b>	<b>7,189</b>
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### Aggregate employee benefits and related on-costs

Provisions – current	–	1,873
Provisions – non-current	–	5,316
Accrued salaries, wages and on-costs	–	1,734

	–	<b>8,923</b>
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## 12. Changes in equity

	Accumulated funds 2004 \$'000	Asset revaluation reserve 2004 \$'000	Total equity 2004 \$'000
<b>Balance at the beginning</b>	29,490	3,549	33,039
<b>Changes in equity – transactions with owners as owners</b>			
Increase/(decrease) in assets from administrative restructuring (Note 13)	(29,016)	(3,549)	(32,565)
	<b>473</b>	–	<b>473</b>
<b>Changes in equity – other than transactions with owners as owners</b>			
Surplus/(deficit) for EPA (the Department)	(473)	–	(473)
<b>Balance at the end of the financial year</b>	–	–	–

The deficit for EPA (the Department) for the period 1 July to 23 September 2003 (\$473,000) was transferred to DEC as part of the administrative restructure.

## 13. Increase/decrease in net assets from administrative restructuring

	2004 \$'000
Assets and liabilities transferred to DEC are:	
Cash	7,397
Receivables	828
Other assets	407
Non-current assets	
Land and buildings	21,123
Plant and equipment	13,380
Payables	(3,326)
Provisions	(7,244)
<b>Net assets transferred in the administrative restructuring</b>	<b>32,565</b>

## 14. Commitments for expenditure

All commitments are now the responsibility of DEC.

## 15. Contingent liabilities and contingent assets

The EPA (the Authority) is:

- currently subject to litigation including claims for court costs being pursued through the NSW Courts
- currently appealing to the Court of Criminal Appeal against costs awarded to Goulburn Wool Scour Pty Ltd.

In each of the matters referred to above, it is not practicable to estimate the final cost to the Authority.

Other than the above, the Authority is not aware of any significant or material contingent liability in existence at 30 June 2004, or which has emerged subsequent to this date, which may materially impact on the financial position of the Authority as shown in the Financial Statements.



## 16. Reconciliation of net cash flows from operating activities to operating surplus/deficit from ordinary activities

	2004 \$'000	2003 \$'000
Net cash flows used on operating activities (see cash flow)	(1,031)	6,670
Assets transferred due to administrative restructure	–	(39)
Depreciation	(1,104)	(4,416)
Building revaluation increment recognised as revenue	–	1,137
Decrease/(increase) in receivables	(821)	–
Increase/(decrease) in prepayments and other assets	407	(383)
Decrease/(increase) in provisions	(55)	(1,266)
Decrease/(increase) in creditors	2,131	(59)
Net loss/(gain) on sale of plant and equipment	–	(182)
<b>Surplus/(deficit) for the year from ordinary activities</b> (see Statement of Financial Performance)	<b>(473)</b>	<b>1,462</b>

## 17. Administered assets, liabilities and revenue

Receipts collected on behalf of the Consolidated Fund are not included in the Authority's Financial Statements. They are brought to account as revenue in the Treasurer's Public Accounts.

	2004 \$'000	2003 \$'000
<b>(a) Administered assets</b>		
Receivables	3,941	3,941
	<b>3,941</b>	<b>3,941</b>
<b>(b) Administered liabilities</b>		
Creditors	2	2
	<b>2</b>	<b>2</b>
<b>(c) Administered revenues</b>		
Pollution licences and approvals	10,497	35,242
Radiation licences	217	914
Other fees and licences	118	533
Waste-related levies and fees	24,078	97,412
Waste levies rebates	–	(2,614)
Fines	43	1,082
<b>Total revenue collected on behalf of the Crown</b>	<b>34,953</b>	<b>132,569</b>

Debts written off during the year amounted to \$6,530 (\$30,000 in 2003 for pollution licences).

## 18. Assistance provided by other organisations free of charge

DEC was created on 24 September 2003 to oversee the EPA's management and operations. DEC has provided services and resources free of charge.

## 19. Adopting International Financial Reporting Standards (IFRS)

The Authority will apply (if required) the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005. DEC is going to manage the transition on behalf of the Authority.

**End of Audited Financial Statements**

# Stormwater Trust



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT STORMWATER TRUST

To Members of the New South Wales Parliament

### Audit Opinion

In my opinion, the financial report of the Stormwater Trust:

- (a) presents fairly the Stormwater Trust's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the Public Finance and Audit Act 1983 (the Act).

My opinion should be read in conjunction with the rest of this report.

### The Trustees' Role

The financial report is the responsibility of the Trustees of the Stormwater Trust. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Trustees' in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Trustees had not fulfilled their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Trust,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

  
R Hegarty FCPA  
Director of Audit

SYDNEY  
29 October 2004

### STORMWATER TRUST

## Statement by members of the Trust

In accordance with a resolution of the Stormwater Trust, we state that:

- (a) the accompanying financial statements exhibit a true and fair view of the financial position of the Stormwater Trust as at 30 June 2004 and transactions for the year then ended
- (b) the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**LISA CORBYN**  
Chairperson



**GARRY PAYNE**  
Member

*Start of Audited Financial Statements***STORMWATER TRUST**

## Statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Revenue</b>			
Government contribution	2(c)	–	2,000
Interest	2(e)	286	616
Other revenue		61	85
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>347</b>	<b>2,701</b>
<b>Expenditure</b>			
Employee related expenses		613	852
Other operating expenses	4	854	792
Grants	2(d) & 3	2,956	9,882
<b>TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES</b>		<b>4,423</b>	<b>11,526</b>
Operating deficit from ordinary activities		(4,076)	(8,825)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(4,076)</b>	<b>(8,825)</b>

*The accompanying notes form part of these financial statements.***STORMWATER TRUST**

## Statement of financial position

AS AT 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Current assets</b>			
Cash assets	5	4,862	8,870
Receivables	6	140	283
<b>TOTAL ASSETS</b>		<b>5,002</b>	<b>9,153</b>
<b>Current liabilities</b>			
Payables	11	122	176
Provisions	12	88	81
<b>Total current liabilities</b>		<b>210</b>	<b>257</b>
<b>Non-current liabilities</b>			
Provisions	12	70	98
<b>Total non-current liabilities</b>		<b>70</b>	<b>98</b>
<b>TOTAL LIABILITIES</b>		<b>280</b>	<b>355</b>
<b>NET ASSETS</b>		<b>4,722</b>	<b>8,798</b>
<b>Equity</b>			
Accumulated funds		4,722	8,798
<b>TOTAL EQUITY</b>	14	<b>4,722</b>	<b>8,798</b>

*The accompanying notes form part of these financial statements.*

**STORMWATER TRUST**

## Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(634)	(833)
Grants		(2,988)	(9,882)
Other		(1,035)	(978)
<b>Total payments</b>		<b>(4,657)</b>	<b>(11,693)</b>
<b>Receipts</b>			
Interest received		429	754
Other		220	186
<b>Total receipts</b>		<b>649</b>	<b>940</b>
<b>Government contribution</b>		–	<b>2,000</b>
<b>Net cash flows from operating activities</b>	7	<b>(4,008)</b>	<b>(8,753)</b>
Net decrease in cash held		(4,008)	(8,753)
Cash at the beginning of the reporting period		8,870	17,623
<b>Cash at the end of the reporting period</b>	5	<b>4,862</b>	<b>8,870</b>

*The accompanying notes form part of these financial statements.*

**STORMWATER TRUST**

## Notes to and forming part of the financial statements

**1. Object of Trust**

The objective of the Stormwater Trust (the 'Trust') is to encourage and support improved urban stormwater quality management practices in order to improve the condition of the State's waterways. This is to be achieved through a combination of public education, stormwater management planning, piloting innovation and undertaking remedial actions. The Trust's activities will promote partnerships between the private and public sectors in meeting this objective.

The Trust commenced operation in October 1997.

It was expected that the Trust would wind down its operations by the end of the 2003–04 financial year.

However, some projects managed by the Trust were not completed within the anticipated timeframes due to various unexpected delays, such as variations and extensions to projects in train. The Trust is now expected to finalise its operations by 30 June 2005.

**2. Summary of significant accounting policies****(a) Reporting entity**

The Stormwater Trust is a separate reporting entity.

**(b) Basis of accounting**

The Trust's financial statements are a general purpose financial report prepared in accordance with the applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and its regulations, and the Treasurer's Directions.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AASB1001 *Accounting Policies* is considered.

The accounts have been prepared on an accrual accounting basis, in accordance with the historical cost convention. All amounts are rounded to the nearest \$1,000 and are expressed in Australian currency.

**(c) Contributions**

Income received by the Trust is provided via specific appropriations received by the Department of Environment and Conservation (DEC) for the NSW Government's stormwater program.

**(d) Grants**

Grants approved but not paid for in the current financial year are treated as commitments against future funding provided by the NSW Government; refer to Note 13.

**(e) Cash assets**

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average of NSW Treasury Corporation (TCorp) 11 am unofficial cash rate adjusted for a management fee to Treasury. The average interest rate during the year was 4.25% and the interest rate at the end of the year was 4.25%.

**(f) Revenue recognition**

Revenue is recognised when the Trust has control of the goods or right to receive; it is probable that the economic benefits will flow to the Trust; and the amount of revenue can be reliably measured. All of the Trust's revenue arises from its operating activities. When the unused part of a grant is returned to the Trust it is recognised as other revenue.

**(g) Salaries and wages, annual leave and on-costs**

Liabilities for salaries and wages and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

**(h) Long service leave and superannuation**

Long service leave is measured using the present value method for all employees with five or more years of service. The increase in liability has been recognised in the Statement of Financial Performance.

The Trust staff's superannuation is paid by DEC and the expense has been recognised in the Statement of Financial Performance for the financial year together with a corresponding amount as revenue.

### 3. Grants

The following grants were paid during the financial year:

	2004 \$'000	2003 \$'000
Grants to councils	2,931	9,718
Other	25	164
	<b>2,956</b>	<b>9,882</b>

### 4. Other operating expenses

Fees for services rendered	824	689
Audit fees	6	5
Other operating expenses	24	98
	<b>854</b>	<b>792</b>

### 5. Cash assets

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash assets	4,862	8,870
	<b>4,862</b>	<b>8,870</b>

## 6. Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

	2004 \$'000	2003 \$'000
Prepayments	2	–
GST receivable	12	17
Interest receivable	126	266
	<b>140</b>	<b>283</b>

## 7. Reconciliation of net cash flows from operating activities to operating surplus/(deficit) from ordinary activities

Operating deficit from ordinary activities	(4,076)	(8,825)
Increase/(decrease) in payables	(54)	(76)
Increase/(decrease) in provisions	(21)	14
Decrease/(increase) in receivables	143	134
<b>Net cash flow provided by operating activities</b>	<b>(4,008)</b>	<b>(8,753)</b>

## 8. Assistance provided by other organisations free of charge

The maintenance of the Trust's accounting records and provision of other administrative services is provided by the Department of Environment and Conservation.

The costs are insignificant and have not been quantified.

## 9. Capital commitments

There were no capital commitments at 30 June 2004.

## 10. Bank overdraft

The Trust does not have any bank overdraft facility.

## 11. Payables

Liabilities recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced, are treated as either trade creditors, where the creditor is known with certainty, or as accrued expenses. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01.

If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received after delivery of the goods or services concerned. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No such interest was awarded during the period.

### Payables

Trade payables	52	7
Accrued expenses	70	169
	<b>122</b>	<b>176</b>

## 12. Provisions

	2004 \$'000	2003 \$'000
Annual leave	61	71
Long service leave	97	108
	<b>158</b>	<b>179</b>
<b>Aggregate employee provisions</b>		
Provisions – current	88	81
Provisions – non-current	70	98
	<b>158</b>	<b>179</b>

## 13. Operating expenditure commitments

### Stormwater grant commitments

Trust commitments for the funding of stormwater initiatives are proposed to be financed from future funding provided by the NSW Government.

Not later than one year	2,177	8,619
	<b>2,177</b>	<b>8,619</b>

## 14. Changes in equity

Opening equity	8,798	17,623
Operating deficit	(4,076)	(8,825)
<b>Closing equity</b>	<b>4,722</b>	<b>8,798</b>

## 15. Contingent liabilities

There were no contingent liabilities as at 30 June 2004.

## 16. Adopting International Financial Reporting Standards (IFRS)

### (a) Explanation of how the transition to AIFRS is being managed

The Trust will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005, should the Trust still be in operation (refer Note 1).

The transition is being managed by allocating internal resources and/or engaging consultants (where required) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, the Trust has taken the following steps to manage the transition to the new standards:

- The Trust Fund's AIFRS Project Steering Committee, headed by Executive Director, Corporate Services (DEC) is to oversee the transition. The Project Working Group is responsible for the project and reports regularly to the Committee on progress against the plan.
- The following phases that need to be undertaken have been identified:
  - Phase 1 – Establish a project team to implement the AIFRS.
  - Phase 2 – Identify key areas of impact on accounting and reporting, operational issues, systems, controls and policies including implementation timetable.
  - Phase 3 – Develop any necessary systems, policies and procedures and training requirements.
  - Phase 4 – Implement the AIFRS with post-implementation review.
- To date, the following phases have been or are being implemented:
  - Phase 1 – A project team has been established and meets regularly.
  - Phase 2 – This phase is currently in train and is expected to be finalised as the new standards are issued, assessed and the Treasury's preferred option is adopted by the Department.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.



**(b) Key differences in accounting policies**

The Trust has identified a number of key differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from the existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole-of-government level, NSW Treasury has advised the Trust of options it is likely to require, and will confirm these during 2004–05. This disclosure reflects these likely mandates.

The Trust's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005–06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard requires otherwise.
- AASB 118 Revenue this will be a major area of change for the Trust. As an inner Budget Sector agency, the Trust will implement the accounting treatment required by NSW Treasury.
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance applies to for-profit entities only. Entities will either apply the current AASB 120 or adopt a revised AASB 120 early, based on the grant requirements in AASB 141 Agriculture. The current AASB 120 spreads income recognition over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require revenue recognition conditions are satisfied. Both of these alternatives may have the effect of delaying revenue recognition.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

***End of Audited Financial Statements***

# Waste Fund



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT WASTE FUND

To Members of the New South Wales Parliament

### Audit Opinion

In my opinion, the financial report of the Waste Fund:

- (a) presents fairly the Waste Fund's financial position as at 30 June 2004 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

### The Minister's Role

The financial report is the responsibility of the Minister of the Environment. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

### The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Trustees in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Minister for the Environment had not fulfilled his reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Fund,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



R J Sendt  
Auditor General

SYDNEY  
4 November 2004

## WASTE FUND

### Statement by the Minister for the Environment

Pursuant to section 41C(1C) of the *Public Finance and Audit Act 1983*, I state that:

- (a) the accompanying financial statements exhibit a true and fair view of the financial position of the Waste Fund as at 30 June 2004 and transactions for the year then ended
- (b) the statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2000 and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**BOB DEBUS**  
Minister for the Environment

*Start of Audited Financial Statements***WASTE FUND**

## Statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Revenue</b>			
Contributions	2(b)	–	40,865
Interest income	4	2,776	2,633
Other	2(e)	11	6
		<b>2,787</b>	<b>43,504</b>
<b>Expenditure</b>			
Employee related expenses	3(c)	52	44
Other operating expenses	3(a)	14	9
Grants	3(b)	15,571	26,457
		<b>15,637</b>	<b>26,510</b>
<b>TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES</b>		<b>15,637</b>	<b>26,510</b>
Operating (loss)/surplus from ordinary activities		(12,850)	16,994
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(12,850)</b>	<b>16,994</b>

*The accompanying notes form part of these financial statements.***WASTE FUND**

## Statement of financial position

AS AT 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Current assets</b>			
Cash	5(a)	47,021	59,870
Receivables and other assets	6	12	9
		<b>47,033</b>	<b>59,879</b>
<b>Current liabilities</b>			
Payables	7	13	9
Provisions	8	2	2
		<b>15</b>	<b>11</b>
<b>TOTAL LIABILITIES</b>		<b>15</b>	<b>11</b>
<b>NET ASSETS</b>		<b>47,018</b>	<b>59,868</b>
<b>Equity</b>			
Retained surplus		47,018	59,868
		<b>47,018</b>	<b>59,868</b>
<b>TOTAL EQUITY</b>		<b>47,018</b>	<b>59,868</b>

*The accompanying notes form part of these financial statements.*

**WASTE FUND**

## Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		(46)	(46)
Grants		(15,571)	(26,457)
Other		(29)	(64)
<b>Total payments</b>		<b>(15,646)</b>	<b>(26,567)</b>
<b>Receipts</b>			
Interest received		2,773	2,633
Other		24	68
<b>Total receipts</b>		<b>2,797</b>	<b>2,701</b>
<b>Government contribution</b>		–	<b>40,865</b>
<b>Net cash flow (used in)/from operating activities</b>	5(b)	<b>(12,849)</b>	<b>16,999</b>
Net increase in cash (utilised)/held		(12,849)	16,999
Cash at the beginning of the reporting period		59,870	42,871
<b>Cash at the end of the reporting period</b>	5(a)	<b>47,021</b>	<b>59,870</b>

*The accompanying notes form part of these financial statements.*

**WASTE FUND**

## Notes to and forming part of the financial statements

**1. Object of Fund**

The Waste Fund (the 'Fund') was established under section 19 of the *Waste Avoidance and Resource Recovery Act 2001*.

The object of the Fund is to receive, accumulate and disburse all monies associated with the NSW Government's waste reduction and management program. Unspent monies can remain in the Fund and be carried forward. Treasury's circular TC01/07 gives the Department of Environment and Conservation (DEC) the authority to invest these unspent monies. DEC's investment powers have been approved by the Treasurer to that effect.

**2. Basis of accounting****(a) Summary of significant accounting policies**

The Fund's financial statements are a general purpose financial report prepared in accordance with the applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG) Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and its Regulations and the Treasurer's Directions.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS6 *Accounting Policies* is considered.

The accounts have been prepared on an accrual accounting basis and in accordance with the historical cost convention. All amounts are rounded to the nearest \$1,000 and are expressed in Australian currency.

**(b) Contributions**

Income received by the Fund is provided via specific appropriations received by DEC for the NSW Government's waste program. No appropriations were received in 2003–04 as the Fund held sufficient cash reserves to meet budgeted expenditure.

**(c) Cash assets**

Cash assets comprise cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11 am unofficial cash rate adjusted for a management fee to Treasury. The average interest rate during the year was 4.25% and the interest at the end of the year was 4.25%.

**(d) Hour Glass Cash Facility Trust**

The Fund's investment is represented by a number of units of a managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines.

Investments at balance date are accounted for at market value provided by the TCorp. These investments can be redeemed at any time and are therefore classified as current assets.

Any changes to the value of investments are accounted for as interest income after adjusting the movements of deposits and withdrawals.

The value that best represents the maximum credit risk exposure is the net fair value. The value of the above investments represents the Fund's share of the value of the underlying assets of the facility and those assets are stated at net fair value.

**(e) Revenue recognition**

Revenue is recognised when: the Fund has control of the goods or right to receive; it is probable that the economic benefits will flow to the Fund; and the amount of revenue can be reliably measured. All of the Fund's revenue arises from its operating activities. When the unused part of a grant is returned to the Fund, it is recognised as other revenue.

**(f) Grants**

Grants approved but not paid for in the current financial year are treated as commitments: refer to Note 12.

**(g) Salaries and wages, annual leave and on-costs**

Liabilities for salaries and wages (including non-monetary benefits) and annual leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled.

**(h) Long service leave and superannuation**

Long service leave is measured using the present value method for all employees with five or more years of service.

The Waste Fund staff's superannuation and long service leave are paid by DEC and the expense has been recognised in the Statement of Financial Performance for the financial year together with a corresponding amount as revenue.

**3. (a) Other operating expenses**

	2004 \$'000	2003 \$'000
Audit fees	10	9
Travel	4	–
	<b>14</b>	<b>9</b>
<b>(b) Grants</b>		
The following grants have been paid during the financial year:		
Return Unwanted Medicines	32	309
Community Waste Grants	120	231
Grants to other Budget Sector agencies	52	28
Department of Environment and Conservation*	15,333	25,805
Miscellaneous grants	34	84
	<b>15,571</b>	<b>26,457</b>
<b>(c) Employee related expenses</b>		
Salaries and wages	41	40
Long service leave	6	–
Superannuation	5	4
	<b>52</b>	<b>44</b>

\* The 2003 comparative for Department of Environment and Conservation comprises \$23,485 to the former Resource NSW and \$2,320 to the Environment Protection Authority.

#### 4. Interest income

	2004 \$'000	2003 \$'000
Interest on bank account	11	13
Interest on cash facility at TCorp	2,765	2,620
	<b>2,776</b>	<b>2,633</b>

#### 5. Cash and cash flows

##### (a) Cash

Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	2,525	1,545
Cash facility at TCorp	44,496	58,325
	<b>47,021</b>	<b>59,870</b>

##### (b) Reconciliation of net cash flow provided by operating activities to operating surplus from ordinary activities

Operating (loss)/surplus from ordinary activities	(12,850)	16,994
Increase/(decrease) in payables	4	(2)
(Increase)/decrease in receivables	(3)	7
<b>Net cash flow (used in)/from operating activities</b>	<b>(12,849)</b>	<b>16,999</b>

#### 6. Receivables and other assets

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts). No interest is earned on trade debtors. The carrying amount approximates net fair value.

Interest receivable	5	7
Prepayments	–	2
Other	7	–
	<b>12</b>	<b>9</b>

#### 7. Payables

Liabilities recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced, are treated as either trade creditors where the creditor is known with certainty or accrued expenses. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01.

If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received after delivery of the goods or services concerned. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No such interest was awarded during the year.

Accrued expenses	10	9
Other	3	–
	<b>13</b>	<b>9</b>

#### 8. Provisions

Recreation leave	2	2
	<b>2</b>	<b>2</b>
<b>Aggregate employee provisions</b>		
Provisions – current	2	2
Accrued salaries and wages	–	1
	<b>2</b>	<b>3</b>

## 9. Capital commitments

There were no capital commitments as at 30 June 2004.

## 10. Bank overdraft

The Fund does not have any bank overdraft facility.

## 11. Contingent liabilities

There were no contingent liabilities as at 30 June 2004.

## 12. Operating expenditure commitments

The Fund's commitments totalling approximately \$11.7 million (2003 – \$0.847 million) for the funding of waste initiatives are proposed to be financed from future funding provided by the NSW Government. The commitments are as follows:

	2004 \$'000	2003 \$'000
<b>Not later than one year</b>		
Waste reduction grants	–	220
Department of Environment and Conservation	7,813	185
Other expenditure commitments	166	295
	<b>7,979</b>	<b>700</b>
<b>Later than one year but not later than five years</b>		
Waste reduction grants	134	–
Department of Environment and Conservation	3,626	–
Other expenditure commitments	–	147
	<b>3,760</b>	<b>147</b>

## 13. Changes in equity

Opening equity	59,868	42,874
Operating (deficit) surplus	(12,850)	16,994
<b>Closing equity</b>	<b>47,018</b>	<b>59,868</b>

## 14. Assistance provided by other organisations free of charge

The maintenance of the Fund's accounting records and provision of other administrative services is provided by the Department of Environment and Conservation. The costs are not material and have not been quantified.



## 15. Adopting International Financial Reporting Standards (IFRS)

### (a) Explanation of how the transition to AIFRS is being managed

The Fund will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005.

The transition is being managed by allocating internal resources and/or engaging consultants (where required) to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

Administrative services are now being provided by DEC and as a result, the Fund has taken the following steps to manage the transition to the new standards:

- The Fund's AIFRS Project Steering Committee, headed by Executive Director, Corporate Services (DEC) is overseeing the transition. The Project Working Group is responsible for the project and reports regularly to the Committee on progress against the plan.
- The following phases that need to be undertaken have been identified:
  - Phase 1 – Establish a project team to implement the AIFRS.
  - Phase 2 – Identify key areas of impact on accounting and reporting, operational issues, systems, controls and policies including implementation timetable.
  - Phase 3 – Development of any necessary systems, policies and procedures and training requirements.
  - Phase 4 – Implementation of the AIFRS and post-implementation review.
- To date, the following phases have been or are being implemented:
  - Phase 1 – A project team has been established and meets regularly.
  - Phase 2 – This phase is currently in train and is expected to be finalised as the new standards are issued, assessed and the Treasury's preferred option is adopted by the Department.

NSW Treasury is assisting agencies to manage the transition by developing policies, including mandates of options; presenting training seminars to all agencies; providing a website with up-to-date information to keep agencies informed of any new developments; and establishing an IAS Agency Reference Panel to facilitate a collaborative approach to manage the change.

### (b) Key differences in accounting policies

The Fund has identified a number of key differences in accounting policies that will arise from adopting AIFRS. Some differences arise because AIFRS requirements are different from the existing AASB requirements. Other differences could arise from options in AIFRS. To ensure consistency at the whole-of-government level, NSW Treasury has advised the Fund of options it is likely to require, and will confirm these during 2004–05. This disclosure reflects these likely mandates.

The Fund's accounting policies may also be affected by a proposed standard designed to harmonise accounting standards with Government Finance Statistics (GFS). This standard is likely to change the impact of AIFRS and significantly affect the presentation of the income statement. However, the impact is uncertain, because it depends on when this standard is finalised and whether it can be adopted in 2005–06.

Based on current information, the following key differences in accounting policies are expected to arise from adopting AIFRS:

- AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.
- AASB 120 Accounting for Government Grants and Disclosure of Government Assistance applies to for-profit entities only. Entities will either apply the current AASB 120 or adopt a revised AASB 120 early, based on the grant requirements in AASB 141 Agriculture. The current AASB 120 spreads income recognition over the period necessary to match related costs. A revised AASB 120 based on AASB 141 is likely to require revenue recognition conditions are satisfied. Both of these alternatives may have the effect of delaying revenue recognition.
- AASB 1004 Contributions applies to not-for-profit entities only. Entities will either continue to apply the current requirements in AASB 1004 where grants are normally recognised on receipt, or alternatively apply the proposals on grants included in ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will be delayed until the agency supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied.

**End of Audited Financial Statements**

