

Finance

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Department of Environment and Conservation

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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 2005 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. Hegarty FCA
Director, Financial Audit Services

SYDNEY
24 October 2005

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Statement by the Director General

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 for Budget Dependent General Government Sector 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 2005 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

21 October 2005

Start of audited financial statements

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2005

Parent			Consolidated		
Actual 2005 \$'000	Actual 2004* \$'000	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004* \$'000
Expenses					
		Operating expenses			
229,488	171,337	Employee related 2(a)	229,718	213,126	171,533
134,232	104,896	Other operating expenses 2(b)	134,523	142,076	105,620
21,138	15,857	Maintenance 2(c)	21,138	21,298	15,857
46,147	38,232	Depreciation 2(d)	46,147	41,789	38,232
8,760	6,750	Grants and subsidies 2(e)	8,635	8,768	6,668
1,042	947	Borrowing costs 2(f)	1,042	—	947
144	184	Other expenses 2(g)	144	—	184
440,951	338,202	Total expenses	441,347	427,057	339,041
Less:					
Retained revenue					
26,883	17,333	Sale of goods and services 3(a)	26,883	36,094	17,333
14,816	8,437	Investment income 3(b)	14,816	2,229	8,437
2,177	1,852	Retained fees and fines 3(c)	2,573	2,551	2,691
55,586	28,526	Grants and contributions 3(d)	55,586	47,951	28,526
3,909	10,751	Other revenue 3(e)	3,909	5,600	10,751
103,371	66,900	Total retained revenue	103,767	94,425	67,739
(207)	(8)	Gain/(loss) on disposal of non-current assets 4	(207)	(60)	(8)
337,787	271,310	NET COST OF SERVICES 26	337,787	332,692	271,310
Government contributions					
283,731	176,260	Recurrent appropriation (net of transfer payments) 6(a)	283,731	272,186	176,260
30,554	28,903	Capital appropriation 6(b)	30,554	24,660	28,903
33,643	20,783	Acceptance by the Crown Entity of employee entitlements and other liabilities 7	33,643	10,654	20,783
347,928	225,946	Total government contributions	347,928	307,500	225,946
10,141	(45,364)	SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES	10,141	(25,192)	(45,364)
Non-owner transactions changes in equity					
90,366	657,088	Net increase/(decrease) in asset revaluation reserve 20	90,366	—	657,088
90,366	657,088	TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY	90,366	—	657,088
100,507	611,724	TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS 20	100,507	(25,192)	611,724

* The Department of Environment and Conservation was established on 24 September 2003 and the 2004 figures are for the period from that date to 30 June 2004 only.

The accompanying notes form part of these statements.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Statement of financial position

AS AT 30 JUNE 2005

Parent				Consolidated		
Actual 2005 \$'000	Actual 2004* \$'000		Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004* \$'000
ASSETS						
Current assets						
69,125	53,687	Cash	10	69,125	56,186	53,687
18,752	15,509	Receivables	11	18,752	14,231	15,509
978	988	Inventories	12	978	1,007	988
16	16	Other financial assets	13	16	16	16
1,016	1,491	Other	14	1,016	1,141	1,491
89,887	71,690	Total current assets		89,887	72,580	71,690
Non-current assets						
4,400	–	Receivables	11	4,400	–	–
Property, plant and equipment						
1,938,179	1,816,392	– Land and buildings	15(a)	1,938,179	1,822,072	1,816,392
39,314	36,165	– Plant and equipment	15(b)	39,314	34,434	36,165
729,726	747,322	– Infrastructure systems	15(c)	729,726	728,889	747,322
2,707,219	2,599,879	Total property, plant and equipment		2,707,219	2,585,395	2,599,879
26	52	Other	14	26	52	52
2,711,645	2,599,931	Total non-current assets		2,711,645	2,585,447	2,599,931
2,801,532	2,671,622	TOTAL ASSETS		2,801,532	2,658,027	2,671,621
LIABILITIES						
Current liabilities						
12,174	11,517	Payables	16	12,174	9,768	11,517
10,926	–	Interest-bearing liabilities	17	10,926	–	–
22,934	22,221	Provisions	18	22,934	21,321	22,221
1,426	474	Other	19	1,426	474	474
47,460	34,212	Total current liabilities		47,460	31,563	34,212
Non-current liabilities						
28,216	17,463	Interest-bearing liabilities	17	28,216	17,463	17,463
3,861	3,819	Provisions	18	3,861	3,553	3,819
32,077	21,282	Total non-current liabilities		32,077	21,016	21,282
79,537	55,494	TOTAL LIABILITIES		79,537	52,579	55,494
2,721,995	2,616,128	NET ASSETS		2,721,995	2,605,448	2,616,127
Equity						
1,043,874	953,508	Reserves	20	1,043,874	953,508	953,508
1,678,121	1,662,619	Accumulated funds	20	1,678,121	1,651,940	1,662,619
2,721,995	2,616,127	TOTAL EQUITY		2,721,995	2,605,448	2,616,127

* The Department of Environment and Conservation was established on 24 September 2003 and the 2004 figures are for the period from that date to 30 June 2004 only.

The accompanying notes form part of these statements.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Statement of cash flows

FOR THE PERIOD 1 JULY 2004 TO 30 JUNE 2005

Parent			Consolidated		
Actual 2005 \$'000	Actual 2004* \$'000	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004* \$'000
Cash flows from operating activities					
Payments					
(212,676)	(164,744)	Employee related	(212,676)	(201,529)	(164,744)
(8,635)	(6,668)	Grants and subsidies	(8,635)	(31,715)	(6,668)
(3)	(6)	Borrowing costs	(3)	—	(6)
(175,977)	(97,597)	Other	(175,977)	(183,712)	(97,597)
(397,291)	(269,015)	Total payments	(397,291)	(416,956)	(269,015)
Receipts					
34,416	16,148	Sale of goods and services	34,416	36,094	16,148
2,573	2,614	Retained fees and fines	2,573	—	2,614
14,379	8,904	Investment income	14,379	2,229	8,904
66,424	45,790	Other	66,424	75,050	45,790
117,792	73,456	Total receipts	117,792	113,373	73,456
Cash flows from government					
283,731	176,260	Recurrent appropriations 6(a)	283,731	298,133	176,260
30,554	28,903	Capital appropriations 6(b)	30,554	24,660	28,903
16,371	12,864	Cash reimbursements from the Crown Entity	16,371	10,654	12,864
330,656	218,027	Net cash flows from government	330,656	333,447	218,027
51,157	22,468	NET CASH FLOWS FROM OPERATING ACTIVITIES	51,157	29,864	22,468
Cash flows from investing activities					
987	1,196	Proceeds from sale of land and buildings, plant and equipment and infrastructure systems	987	575	1,196
(58,385)	(42,397)	Purchases of land and buildings, plant and equipment and infrastructure systems	(58,385)	(27,940)	(42,397)
(57,398)	(41,201)	NET CASH FLOWS FROM INVESTING ACTIVITIES 26	(57,398)	(27,365)	(41,201)
Cash flows from financing activities					
21,700	4,903	Proceeds from borrowings and advances	21,700	—	4,903
(21)	(18)	Repayments of borrowings and advances	(21)	—	(18)
21,679	4,885	NET CASH FLOWS FROM FINANCING ACTIVITIES	21,679	—	4,885
15,438	(13,849)	Net increase/(decrease) in cash	15,438	2,499	(13,849)
53,687	—	Opening cash and cash equivalents	53,687	53,687	—
—	67,536	Cash transferred in (out) as a result of administrative restructuring	—	—	67,536
69,125	53,687	CLOSING CASH AND CASH EQUIVALENTS 10	69,125	56,186	53,687

* The Department of Environment and Conservation was established on 24 September 2003 and the 2004 figures are for the period from that date to 30 June 2004 only.

The accompanying notes form part of these statements.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Summary of compliance with financial directives

	2005				2004 *			
	Recurrent appropriation \$'000	Expenditure/net claim on Consolidated Fund \$'000	Capital appropriation \$'000	Expenditure/net claim on Consolidated Fund \$'000	Recurrent appropriation \$'000	Expenditure/net claim on Consolidated Fund \$'000	Capital appropriation \$'000	Expenditure/net claim on Consolidated Fund \$'000
Original budget								
Appropriation expenditure								
Appropriation Act	298,133	297,328	24,660	24,355	294,413	294,021	29,323	26,128
	298,133	297,328	24,660	24,355	294,413	294,021	29,323	26,128
Other appropriations/expenditure								
Treasurer's advance	1,202	822	4,667	4,667	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 27 of the Appropriation Act)	11,528	11,528	1,532	1,532	606	606	160	160
	12,730	12,350	6,199	6,199	6,994	6,994	2,790	2,790
TOTAL APPROPRIATIONS/EXPENDITURE/NET CLAIM ON CONSOLIDATED FUND (INCLUDES TRANSFER PAYMENTS)	310,863	309,678	30,859	30,554	301,407	301,015	32,113	28,918
Amount drawn down against appropriation		309,678		30,554		301,015		28,918
LIABILITY TO CONSOLIDATED FUND		—		—		—		—

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 formative entities for both 2004 and 2005.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Program statement – expenses and revenues

FOR THE YEAR ENDED 30 JUNE 2005

Agency's expenses and revenue	Program 1* 2005 \$'000	Program 2* 2005 \$'000	Program 3* 2005 \$'000	Program 4* 2005 \$'000	Program 5* 2005 \$'000	Not attributable 2005 \$'000	Total 2005 \$'000
Expenses							
Operating expenses							
Employee related		9,506	27,167	137,990	5,959		229,718
Other operating expenses	11,980	11,367	7,602	102,008	1,566		134,523
Maintenance	546	119	744	19,655	74		21,138
Depreciation	1,277	269	2,324	42,140	137		46,147
Grants and subsidies	399	5,883	553	1,764	36		8,635
Borrowing costs	–	–	–	1,042	–		1,042
Other expenses	11	2	6	124	1		144
Total expenses	63,309	27,146	38,396	304,723	7,773		441,347
Retained revenue							
Sale of goods and services	762	185	439	25,267	230		26,883
Investment income	414	84	230	14,036	52		14,816
Retained fees and fines	–	–	–	2,573	–		2,573
Grants and contributions	4,783	19,587	2,595	28,536	85		55,586
Other revenue	30	44	70	3,765	–		3,909
Total retained revenue	5,989	19,900	3,334	74,177	367		103,767
Gain/(loss) on sale of non-current assets				(207)			(207)
Net cost of services	57,320	7,246	35,062	230,753	7,406	–	337,787
Government contributions **						347,928	347,928
NET EXPENDITURE/(REVENUE) FOR THE YEAR	57,320	7,246	35,062	230,753	7,406	(347,928)	(10,141)
Administered expenses and revenues							
Administered expenses							
Transfer payments (Note 8)						25,947	25,947
Administered revenues							
Transfer receipts (Note 8)						25,947	25,947
Taxes, fees and fines (Note 28)						149,022	149,022
ADMINISTERED REVENUES LESS EXPENSES	–	–	–	–	–	200,916	200,916

* The name and purpose of each program is summarised at Note 9.

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

The 2003–04 program statement reported on 11 programs. These were the original programs of the former agencies. The review of DEC's programs was conducted as part of corporate planning process. This resulted in a new program statement. Therefore the comparative figures by program for 2003–04 are not available.

DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Notes to and forming part of the financial statements

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DEPARTMENT OF ENVIRONMENT AND CONSERVATION

Notes to and forming part of the financial statements

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

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

The PSEM (Conservation and Environment) Order 2003 abolished the department of the Crown then known as the Environment Protection Authority (the department) but retained the Environment Protection Authority (EPA) (the authority) as a separate entity which is listed under Schedule 2 of the *Public Finance and Audit Act 1983* for financial reporting purposes. The EPA (the authority) exists only as a legal mechanism, with no staff, material assets or liabilities. The Statute Law (Miscellaneous Provisions) Bill (No. 2) 2003 which omits Section 16(b) of the *Protection of the Environment Administration Act 1991* effectively transferred the management and all operational activities of the former EPA (the department) to DEC on 24 September 2003.

Separate financial statements have been prepared for the EPA (the Authority) for the 2004–05 financial year and form part of the consolidated financial statements of DEC. However, the financial data for 2003–04 predominantly relates to the period ending 23 September 2003.

For the 2003–04 reporting period, DEC's financial statements are from 24 September 2003 to 30 June 2004.

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

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

(b) Basis of accounting

DEC'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

DEC 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 DEC own objectives.

Transactions and balances relating to the administered activities are not recognised as DEC'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 DEC has control of the good, or right to receive; it is probable that the economic benefit will flow to DEC; 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 DEC 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 then be repaid and the liability would be 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 DEC on behalf of the Crown are not recognised as revenues of DEC 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 28). 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 benefits 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

DEC's liabilities for long service leave and superannuation are assumed by the Crown Entity. DEC 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 Circular (TC03/08) 'Accounting for long service leave' rather than the salary rate as at 30 June 2005.

The superannuation expense for the financial year is determined 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 employees' superannuation contributions.

(iii) Other provisions

Other provisions exist when DEC 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 provisions for restructuring are 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

DEC'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.

(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

DEC 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 DEC. 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 was 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. DEC radio network or wide area network). Plant and equipment comprises aircraft, motor vehicles, furniture and fittings, and other plant and equipment.

(l) Revaluation of physical non-current assets

Physical non-current assets are valued in accordance with the Treasury's 'Guidelines for the Valuation of Physical Non-current Assets at Fair Value' (TPP 03–02). This policy is consistent with AASB 1041 'Revaluation of non-current assets' with respect to fair value.

DEC is a not-for-profit entity and does not hold assets predominantly for revenue generation.

As a result of the size and nature of its assets (land, buildings, roads and other access, utilities and other infrastructure) DEC revalues its physical non-current assets on a five-year cycle.

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

Asset category	Date of valuation	By whom
Land – dedicated	30 June 2005	NSW Department of Commerce *
Land – non-dedicated	30 June 2005	NSW Department of Commerce *
Buildings	1 July 2001	Australian Valuation Office
Other amenities and facilities	1 July 2004	DEC Engineers **
Roads	1 July 2003	DEC Engineers
Wharves	1 July 2003	DEC Engineers
Utilities and other infrastructure	1 July 2001	DEC Engineers
Aircraft	1 July 2001	Bankstown Aviation Aircraft Valuation Specialist
Historical furniture and fittings	1 July 2001	Tony Palmer Pty Ltd

* Land dedicated and non-dedicated valuations are in accordance with the 'Guidelines for the Valuation of Physical Non-current Assets at Fair value' (TPP03–02) and AASB 1041 Revaluation of Non-current Assets.

** Other amenities and facilities valuations are based on statewide standard costs derived by DEC engineers. These costs reflect the cost standards required to construct DEC picnic areas, camping grounds, lookouts and external interpretive signs.

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 DEC. 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) with an extremely long useful life are not depreciated. 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 ascertained. 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 DEC 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 DEC'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 DEC, the lessee will maintain or improve the leased property which, at the expiry of the lease, reverts to the ownership of DEC. 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 DEC.

Assets and improvements are brought to account by DEC upon expiry of the lease when actual ownership and control reverts to the DEC. Upon assumption of ownership, the asset will be included in the DEC assets 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 DEC 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. DEC uses 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. DEC relies on end-of-year stock takes 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 DEC 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 finalised.

(v) Budgeted amounts

The budgeted amounts are 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.27 of the *Public Finance and Audit Act 1983* and Treasurer's advances.

The budgeted amounts in the statement of financial performance and the statement of cash flows are generally based on amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the statement of financial position, the amounts vary from the Budget papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts, i.e. per the audited financial statements (rather than carried forward estimates).

(w) Marine Parks Authority

DEC administers jointly with the Department of Primary Industries 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.

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

The operating costs incurred by DEC in administering these assets, which are included in the statement of financial performance, was \$1,240,891 (\$967,478 in 2003–04).

(x) Restricted assets

DEC has under its control a wide range of assets, such as historic buildings, dedicated land and specified sites, which are subject to restrictions on 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 DEC's stakeholders as well as other legislation governing the use of historic sites and buildings.

DEC 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 is designated as a contribution by owners by NSW Treasury Circular 01/11 and 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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
(a) Employee-related expenses				
173,966	133,538	Salary and wages (including recreation leave)*	174,196	133,734
17,338	13,343	Superannuation	17,338	13,343
16,905	6,246	Long service leave	16,905	6,246
2,926	3,899	Workers' compensation insurance	2,926	3,899
11,548	11,212	Payroll tax and fringe benefits tax	11,548	11,212
6,805	3,099	Other	6,805	3,099
229,488	171,337		229,718	171,533

* Salaries and wages amounting to \$957,003 have been capitalised.

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		(b) Other operating expenses		
235	262	Auditor's remuneration (audit or review of the financial statements)	235	262
1,477	1,084	Cost of sales	1,477	1,084
490	310	Bad and doubtful debts	490	310
12,460	7,922	Operating lease rental expenses (minimum lease payments)	12,460	7,922
3,740	2,538	Other occupancy costs	3,740	2,538
35,730	23,229	Insurance	35,730	23,229
5,741	3,715	Communication costs	5,742	3,715
2,902	1,799	Energy costs	2,902	1,799
39,777	36,353	Fees and services	39,777	36,353
6,007	5,034	Information dissemination	6,007	5,034
934	1,338	Legal costs	1,215	2,063
10,076	6,593	Stores and minor assets	10,076	6,593
14,233	14,118	Travel costs	14,242	14,118
430	600	Other	430	600
134,232	104,896		134,523	105,620
		(c) Maintenance		
3,174	2,118	Buildings and improvements	3,174	2,118
6,787	5,557	Roads and other access	6,787	5,557
4,122	2,739	Utilities and other infrastructure	4,122	2,739
6,165	4,378	Plant and equipment	6,165	4,378
347	145	Furniture and fittings	347	145
543	920	Other	543	920
21,138	15,857		21,138	15,857
		(d) Depreciation		
7,501	5,568	Buildings and improvements	7,501	5,568
20,167	18,267	Roads and other access	20,167	18,267
7,962	5,694	Utilities and other infrastructure	7,962	5,694
8,767	8,181	Plant and equipment	8,767	8,181
1,750	522	Furniture and fittings	1,750	522
46,147	38,232		46,147	38,232
		(e) Grants and subsidies		
151	—	Federal government	151	—
2,442	478	NSW state government	2,317	396
3,247	1,492	Local government	3,247	1,492
2,920	4,780	Non-government organisations	2,920	4,780
8,760	6,750		8,635	6,668
		(f) Borrowing costs		
1,042	947	Borrowing costs	1,042	947
1,042	947		1,042	947
		(g) Other expenses		
143	109	Bank charges	143	109
1	75	Miscellaneous	1	75
144	184		144	184

3. Revenues

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		(a) Sale of goods and services		
		Sale of goods:		
11,676	6,141	Annual and day entry	11,676	6,141
5,428	4,063	Camping fees	5,428	4,063
17	90	Sale of assets under \$5000	17	90
2,408	1,901	Sale of publications and stock	2,408	1,901
19,529	12,195		19,529	12,195
		Rendering of services:		
2,841	1,359	Community service	2,841	1,359
2,098	1,722	Hire of facilities	2,098	1,722
1,839	1,623	Miscellaneous park service	1,839	1,623
576	434	Minor user charges	576	434
7,354	5,138		7,354	5,138
26,883	17,333	TOTAL	26,883	17,333
		(b) Investment income		
3,253	2,242	Interest	3,253	2,242
11,563	6,195	Lease and rental of premises	11,563	6,195
14,816	8,437		14,816	8,437
		(c) Retained fees and fines		
644	832	Fees – licenses and permits	644	832
1,113	676	Fees – kangaroo and other royalties	1,113	676
420	344	Fines – parking, court and other	816	1,183
2,177	1,852		2,573	2,691
		(d) Grants and contributions		
		Funding was provided by the Commonwealth and state governments together with private and corporate sponsorship as follows (Note 5):		
2,167	1,874	Federal government	2,167	1,874
45,595	23,033	NSW state government	45,595	23,033
228	–	Other state governments	228	–
213	59	Local government	213	59
6,814	1,891	Non-government	6,814	1,891
569	1,669	Contributed assets	569	1,669
55,586	28,526		55,586	28,526
		(e) Other revenue		
3,581	8,996	Insurance recoveries	3,581	8,996
2	39	Telephone rebate	2	39
326	1,716	Miscellaneous	326	1,716
3,909	10,751		3,909	10,751

(f) Revenue forgone

DEC'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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		Proceeds from disposal		
259	246	Land and buildings	259	246
728	951	Plant and equipment	728	951
—	—	Infrastructure	—	—
		Written down value of assets disposed		
(671)	(181)	Land and buildings	(671)	(181)
(177)	(1,024)	Plant and equipment	(177)	(1,024)
(346)	—	Infrastructure	(346)	—
(207)	(8)	Net gain/(loss) on disposal	(207)	(8)

5. Conditions on contributions

DEC received contributions for specific purposes, e.g. restoration works or scientific research projects. The amount received during this period was \$44,916,230 (\$28,526,301 in 2004).

Usually the conditions imposed upon DEC stipulate that grants provided are required to be spent 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 DEC'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 contributions which were unexpended as at 30 June 2005 were \$47,470,593 (\$36,752,250 in 2004).

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

6. Appropriations

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		(a) Recurrent appropriation		
309,678	197,619	Total recurrent drawdowns from Treasury*	309,678	197,619
		Less: liability to Consolidated Fund*		
309,678	197,619		309,678	197,619
		Comprising:		
283,731	176,260	Recurrent appropriation**	283,731	176,260
25,947	21,359	Transfer payments (see Note 8)	25,947	21,359
309,678	197,619		309,678	197,619
		(b) Capital appropriation		
30,554	28,903	Total capital drawdowns from Treasury*	30,554	28,903
		Less: liability to Consolidated Fund*		
30,554	28,903		30,554	28,903
		Comprising:		
30,554	28,903	Capital appropriation**	30,554	28,903
30,554	28,903		30,554	28,903

* as per summary of compliance

** as per statement of financial performance

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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		The following liabilities/expenses have been assumed by the Crown Entity:		
17,227	13,482	Superannuation	17,227	13,482
15,382	6,385	Long service leave	15,382	6,385
1,034	916	Payroll tax on superannuation	1,034	916
33,643	20,783		33,643	20,783

8. Transfer Payments

50	—	Foundation for National Parks and Wildlife	50	—
450	4,883	Jenolan Caves Reserve Trust	450	4,883
1,003	310	Lord Howe Island Board	1,003	310
24,444	16,166	Zoological Parks Board	24,444	16,166
25,947	21,359		25,947	21,359

9. Programs/activities of the Department

Program 1: Environment protection and regulation

Objective(s): To require and encourage environment protection across industry, government and the broader community.

Program 2: Sustainability programs

Objective(s): To enable individuals, government, business and organisations to adopt actions that accelerate the shift towards environmentally sustainable practices for waste and resource use.

Program 3: Policy and science

Objective(s): To ensure environment protection and conservation efforts by government, industry and the community are underpinned by sound policy and strong science.

Program 4: Parks and wildlife

Objective(s): To protect biodiversity and cultural heritage by managing NSW protected areas, including national parks, wilderness areas and marine parks, and by partnering communities on off-park protected areas.

Program 5: Cultural heritage

Objective(s): To assess and protect cultural heritage in NSW including Aboriginal heritage across the state and historic heritage on reserves.

The 2003–04 program statement reported on 11 programs. These programs were the original programs of the former agencies. The review of the DEC's programs was conducted as part of corporate planning process. This resulted in a new program statement. Therefore the comparative figures by program for 2003–04 are not available.

10. Current assets – cash

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		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:		
37,480	28,009	Cash at bank	37,480	28,009
137	131	Cash on hand	137	131
31,508	25,547	Cash at T-Corp	31,508	25,547
69,125	53,687	Closing cash or equivalents (as per statement of cash flows)	69,125	53,687

Some of the cash at TCorp is a restricted asset as it was provided by the Snowy Mountains Hydro Electric Authority to assist with the remediation of sites formerly occupied by that organisation.

For the purposes of the statement of cash flows, cash includes all the above categories.

11. Current/non-current assets – receivables

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		Current		
14,305	12,972	Debtors	14,305	12,972
719	898	Real estate debtors	719	898
4,480	2,470	GST	4,480	2,470
(752)	(831)	Less: provision for doubtful debts	(752)	(831)
18,752	15,509		18,752	15,509
		Non-current		
4,400	0	Debtors	4,400	0
4,400	0		4,400	0

Debts written off during the period amounted to \$568,722 (\$43,862 in 2004).

12. Current assets – inventories

978	988	Finished goods – shop stocks	978	988
978	988		978	988

13. Current assets – other financial assets

16	16	Interest-bearing deposits	16	16
16	16		16	16

14. Current/non-current assets – other

		Current		
1,016	1,491	Prepayments	1,016	1,491
1,016	1,491		1,016	1,491
		Non-current		
26	52	Prepayments	26	52
26	52		26	52
1,042	1,543	Total	1,042	1,543

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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		(a) Land and buildings		
1,750,499	1,638,508	Land at fair value	1,750,499	1,638,508
328,371	317,641	Buildings at fair value	328,371	317,641
(140,691)	(139,757)	Less: accumulated depreciation of buildings	(140,691)	(139,757)
1,938,179	1,816,392		1,938,179	1,816,392
		(b) Plant and equipment		
103,178	102,267	Plant and equipment at fair value	103,178	101,656
(72,768)	(70,370)	Less: accumulated depreciation of plant and equipment	(72,768)	(69,758)
19,207	8,851	Furniture and fittings at fair value	19,207	8,851
(10,303)	(4,583)	Less: accumulated depreciation of furniture and fittings	(10,303)	(4,583)
39,314	36,165		39,314	36,165
		(c) Infrastructure systems		
809,796	804,584	Roads and other access at fair value	809,796	804,584
(177,358)	(157,156)	Less accumulated depreciation of roads and other access	(177,358)	(157,156)
175,726	170,371	Utilities and other infrastructure at fair value	175,726	170,371
(78,438)	(70,477)	Less accumulated depreciation of utilities and other infrastructure	(78,438)	(70,477)
729,726	747,322		729,726	747,322
2,707,219	2,599,879	Total property, plant and equipment at fair value	2,707,219	2,599,879

Reconciliations

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
2005				
Carrying amount at start of year	1,816,392	36,165	747,322	2,599,879
Additions	33,662	13,843	10,879	58,384
Disposals	(671)	(177)	(346)	(1,194)
Acquisitions through administrative restructures	5,361	–	–	5,361
Net revaluation increment *	90,367			90,367
Depreciation expense	(7,501)	(10,517)	(28,129)	(46,147)
Other movements – Free of cost	569	–	–	569
Carrying amount at end of year	1,938,179	39,314	729,726	2,707,219

*See Note 1(i)

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

DEC also continues to derive service potential and economic benefit from some fully depreciated assets that have not been revalued this financial year. The effect of International Financial Reporting Standards is expected to be minimal as most fully depreciated assets are likely to be in poor condition and therefore may or may not have zero value. A detailed individual assesment of fully depreciated assets in use is planned for 2005–06.

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
4,621	4,019	Buildings	4,621	4,019
50,813	44,203	Plant and equipment	50,813	44,203
8,580	6,121	Infrastructure	8,580	6,121
64,014	54,343		64,014	54,343

16. Current liabilities – payables

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
6,980	6,204	Creditors	6,980	6,204
580	2,445	Voluntary redundancies	580	2,445
4,614	2,868	Accrued salaries, wages and on-costs	4,614	2,868
12,174	11,517		12,174	11,517

17. Current/non-current liabilities – interest-bearing liabilities

39,142	17,463	Interest-bearing advance	39,142	17,463
39,142	17,463		39,142	17,463

	Perisher Development *	Western Land **	GEEIP ***	Water for Life ****	Total
Not later than one year	—	9,900,000	25,945	1,000,000	10,925,945
Later than one year and not later than five years	—	7,900,000	12,973	—	7,912,973
Later than five years	—	—	—	—	—
To be confirmed by NSW Treasury	20,303,000	—	—	—	20,303,000
Total (including GST)	20,303,000	17,800,000	38,918	1,000,000	39,141,918

* DEC has drawn down a repayable advance to meet costs associated with the Perisher Resort Development i.e. to meet the costs associated with the development of a masterplan and upgrading the water in the Perisher area. The repayable schedule of the interest-bearing repayable advances will be determined in the context of the Infrastructure Strategy which will need to be approved by Cabinet.

** DEC has drawn down a non-interest capital repayable advance to meet some of the acquisition costs of land for reservation in the Western Division of the state.

*** DEC has drawn down \$90,219 of a Crown advance as part of the Government Energy Efficiency (GEEIP) 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.

**** DEC has received a non-interest advance from NSW Treasury to provide funding for the Water for Life advertising campaign. The advance to be repaid in 2005–06.

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

18. Current/non-current – provisions

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
		Employee benefits and related on-costs		
21,254	20,576	Recreation leave	21,254	20,576
1,275	1,237	Recreation leave on-costs	1,275	1,237
405	408	Long service leave on-cost – current	405	408
3,861	3,819	Long service leave on-cost – non-current	3,861	3,819
26,795	26,040	Total provisions	26,795	26,040
		Aggregate employee benefits and related on-costs		
22,934	22,221	Provisions – current	22,934	22,221
3,861	3,819	Provisions – non-current	3,861	3,819
5,195	2,868	Accrued salaries, wages and on-costs (Note 16)	5,195	2,868
31,990	28,908		31,990	28,908

19. Current liabilities – other

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
471	474	Security deposits	471	474
955	–	Prepaid income	955	–
1,426	474		1,426	474

20. Changes in equity

Accumulated funds 2004 \$'000	Asset revaluation reserve 2004 \$'000		Accumulated funds 2005 \$'000	Asset revaluation reserve 2005 \$'000	Total equity 2005 \$'000
–	–	Balance at the beginning	1,662,619	953,508	2,616,127
Changes in equity – transactions with owners as owners					
1,707,985	296,418	Increase/(decrease) in net assets from administrative restructuring (Note 21)	5,361		5,361
1,707,985	296,418		1,667,980	953,508	2,621,488
Changes in equity – other than transactions with owners as owners					
(45,364)		Surplus/(deficit) for the year	10,141	–	10,141
		Increment (decrement) on revaluation of:			
	356,370	Land and buildings		90,366	90,366
	300,718	Infrastructure systems		–	–
(45,364)	657,088		10,141	90,366	100,507
1,662,619	953,508	Balance at the end of the financial year	1,678,121	1,043,874	2,721,995

21. Increase/decrease in net assets from administrative restructuring

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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
5,361	2,004,403	Increase/(decrease) in net assets from administration restructures	5,361	2,004,403
5,361	2,004,403		5,361	2,004,403

The 2004 transactions include assets/liabilities transferred in the formation of DEC

National Parks and Wildlife Service	–	2,058,454
Environment Protection Authority	–	32,566
Resource NSW	–	15,971

Transfers of land and associated infrastructure from other agencies, which are treated as 'administrative restructuring' (refer Note 1(y)) are detailed below :

State Forests of NSW	(Land)	–	102
Roads and Traffic Authority	(Land and Infrastructure)	154	(81,736)
Crown Entity	(Land and Infrastructure)	5,199	(20,954)
Transgrid	(Land)	8	–

5,361 2,004,403

22. Commitments for expenditure

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
(a) Capital commitments*				
Aggregate capital expenditure contracted at balance date and not provided for:				
667	391	Not later than one year	667	391
—	—	Later than one year and not later than five years	—	—
—	—	Later than five years	—	—
667	391	Total (including GST)	667	391
(b) Other expenditure commitments*				
Aggregate other expenditure contracted at balance date and not provided for:				
3,350	1,695	Not later than one year	3,350	1,695
-	—	Later than one year and not later than five years	—	—
-	—	Later than five years	—	—
3,350	1,695	Total (including GST)	3,350	1,695
(c) Operating lease commitments*				
Future non-cancellable operating lease rentals not provided for and payable:				
18,653	18,306	Not later than one year	18,653	18,306
46,162	50,046	Later than one year and not later than five years	46,162	50,046
7,113	12,281	Later than five years	7,113	12,281
71,928	80,633	Total (including GST)	71,928	80,633

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 \$6,903,985 (\$7,330,316 in 2004), which represents commitments contracted for at balance date but not recognised in the statements as liabilities.

23. Commitment – revenue

(a) Operating lease commitments – receivables *				
Future non-cancellable operating leases not provided for and receivable:				
4,266	4,167	Not later than one year	4,266	4,167
15,585	14,690	Later than one year and not later than five years	15,585	14,690
61,090	80,614	Later than five years	61,090	80,614
80,941	99,471	Total (including GST)	80,941	99,471

* 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 \$2,435,769 (\$4,266,975 for 2004).

DEC'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 over extended periods, sales turnover (which is itself subject to the vagaries of weather) and/or taxable income. DEC 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*. If agreement cannot be reached, the amount of compensation will be determined by the Land and Environment Court. Proceedings are currently before the Court but will not be finalised for some years. At this point it is not possible to determine what impact this will have on DEC's financial position. The impact will be reviewed on a regular basis.

On 18 July 2003 The Land and Environment Court ordered DEC to acquire land owned by Shoalhaven City Council near Jervis Bay. The land has been reserved for inclusion in the Jervis Bay National Park. It is likely that the council will formally request DEC to acquire the land in 2005–06. It is not possible to quantify the impact on the DEC financial position due to uncertainty about likely future action by the parties and the timing thereof.

Treasury Managed Fund

In December–January 2001–02 and 2002–03, fires occurred across a large proportion of the state. There are civil law suits against DEC by property holders who sustained property damage during the fires.

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

DEC's insurable risk should adequately cover all these claims.

Other than the above, DEC is not aware of any significant or material contingent liability in existence at 30 June 2005 or which has emerged subsequent to this date, which may materially impact on the financial position of the DEC as shown in the Financial Statements.

25. Budget review

Net cost of services

The actual net cost of services was higher than budget by \$5,095,443.

This was primarily due to:

- | | |
|---|--------------|
| (a) The financial reporting code states that 'budget amount must not be adjusted for section 22 of the PFAA, Treasurer's Advance payments and transfers from another agency (ie s26 of <i>Appropriation Act 2000</i>)' | |
| If these appropriation supplementation movements were included to match expenditure incurred the effect would reduce the variance by | \$12,730,000 |
| (b) depreciation being higher than original forecast | \$4,357,978 |
| (c) borrowing costs not originally budgeted for | \$1,041,595 |
| (d) the loss on disposal of non-current assets being higher than anticipated, | \$147,034 |

which was partially offset by:

- | | |
|---|----------------|
| (e) assumption of part of the liability to the Crown Transaction Entity by the Environmental Trust for the purchase of western lands. | (\$10,100,000) |
|---|----------------|

Assets and liabilities

Net assets was higher by \$116,546,182

This was primarily due to :

- | | |
|---|---------------|
| (a) The financial reporting code states that 'budget amount must not be adjusted for section 22 of the PFAA, Treasurer's Advance payments and transfers from another agency (ie s26 of <i>Appropriation Act 2000</i>)' | |
| If these appropriation supplementation movements were included to match expenditure incurred the effect would reduce the variance by | \$6,199,000 |
| (b) revaluation of land has not been factored into the budget papers which were prepared much earlier | \$116,106,957 |
| (c) revaluation of infrastructure not being factored into the budget papers which were prepared much earlier | \$836,786 |
| (d) an increase in restricted cash particularly due to an increase in the unexpended balance of grants received, | \$10,718,343 |

which was partially offset by:

- | | |
|---|----------------|
| (e) increased liabilities due to receiving extra advances for Perisher development works and for the purchase of western lands. | (\$21,678,918) |
|---|----------------|

Cash flows

The net increase in cash flow was higher than expected by \$12,938,274.

This was primarily due to:

- | | |
|---|-------------|
| (a) The purchase of western lands increasing the cash flow from investing activity which was partially offset by the proceeds from borrowing and advances | \$7,700,000 |
|---|-------------|

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

Parent			Consolidated	
2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
(51,157)	(22,468)	Net cash flows used on operating activities	(51,157)	(22,468)
314,285	205,163	Government appropriations (recurrent and capital)	314,285	205,163
33,643	20,783	Acceptance by Crown Entity of employee benefits and other liabilities	33,643	20,783
46,147	38,232	Depreciation	46,147	38,232
(569)	(1,669)	Contributed assets	(569)	(1,669)
(7,643)	6,467	Decrease/(increase) in receivables	(7,643)	6,467
10	10	Decrease/(increase) in inventories	10	10
501	23,957	Decrease/(increase) in prepayments and other assets	501	23,957
755	3,183	Increase/(decrease) in provisions	755	3,183
657	(2,416)	Increase/(decrease) in creditors	657	(2,416)
952	60	Increase/(decrease) in other liabilities	952	60
207	8	Net loss/(gain) on sale of plant and equipment	207	8
337,787	271,310	Net cost of services	337,787	271,310

27. Financial instruments

Financial Instruments give rise to positions that are financial assets or liabilities (or equity instruments) of either DEC 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) 11 am unofficial cash rate adjusted for a management fee.

The deposits at balance date were earning an interest rate of 4.49% (4.25% in 2004) while over the period the average interest rate was 4.33% (4.06% in 2004).

(b) Other financial assets

As at 30 June 2005, DEC held two fixed-term interest-bearing deposits to the value of \$15,500 with the Commonwealth Bank of Australia.

Deposits at 30 June 2005 were earning an average interest rate 4.84% (4.66% in 2004) while over the period the average interest rate was 3.28% (4.00% in 2004)

(c) Hour-glass Investment Facilities

DEC has funds in TCorp's Hour-Glass Investment Facilities. DEC'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

DEC does not have any bank overdraft facility. However it 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 card limits, a 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.

28. Administered assets, liabilities and revenue

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

Parent				Consolidated	
2005 \$'000	2004 \$'000			2005 \$'000	2004 \$'000
3,347	3,941	(a) Administered assets	Receivables	3,347	3,941
(1,959)	—		Provision for doubtful debts	(1,959)	—
74	—		Cash	74	—
1,462	3,941			1,462	3,941
—	2	(b) Administered liabilities	Creditors	—	2
0	2			0	2
		(c) Administered revenues			
40,457	24,745		Pollution licences and approvals	40,457	35,242
1,437	697		Radiation licences	1,437	914
830	415		Other fees and licences	830	533
107,399	74,075		Waste-related levies and fees	107,399	97,412
(2,419)	(3,355)		Waste levy rebates	(2,419)	(2,614)
1,318	1,039		Fines	1,318	1,082
149,022	97,616	Total revenue collected on behalf of the Crown		149,022	132,569

Debts written off amounted to \$53,001 (\$6530 in 2004 for pollution licences)

29. Impact of adopting Australian Equivalent to International Financial Reporting Standards

DEC and its associated entities will apply the Australian Equivalent to International Financial Reporting Standards (AEIFRS) from 2005–06.

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 and thus identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

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

- DEC's AEIFRS Project Steering Committee, headed by the 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 AEIFRS.
 - 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 – Implement the AEIFRS and carry out a 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 completed. However, it is subject to the NSW Treasury's mandated options which must be adopted by DEC.
 - Phase 3 – Current impact as a result of AEIFRS is moderate. However, if ED 125 relating to grants is mandated by Treasury, major changes relating to policy, procedures and systems will need to be undertaken in a very short period of time, to ensure grants are treated correctly.

DEC has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole-of-government level, Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates.

Shown below are management's best estimates as at 30 June 2005 of the estimated financial impacts of AEIFRS on DEC's equity and profit/loss.

DEC does not anticipate any material impacts on its cash flows. The actual effects of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. DEC's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS). However, the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005–06.

(a) Reconciliation of key aggregates

Reconciliation of equity under existing standards (AGAAP) to equity under AEIFRS:

	Notes	2005** \$'000	2004* \$'000
Total equity under AGAAP		2,721,995	2,616,127
Adjustments to accumulated funds			
AASB 102 Inventory held for distribution	1	122	201
Reclassification of plant and equipment to intangible assets	2	—	—
Total equity under AEIFRS		2,722,117	2,616,328

* adjustments as at the date of transition

** cumulative adjustments as at date of transition plus the year ended 30 June 2005

Reconciliation of surplus/(deficit) under AGAAP to surplus/(deficit) under AEIFRS:

Year ended 30 June 2005	Notes	\$'000
Surplus/(deficit) under AGAAP		10,141
AASB 102 Inventory held for distribution		(79)
Surplus/(deficit) under AEIFRS:		10,062

Based on the above, if AEIFRS had applied in 2004–05, the net cost of services would have decreased from \$337,787,000 to \$337,708,000.

Notes to table above

1. The adoption of AASB 102 Inventory would result in inventories held for distribution at the Dorrigo construction workshop and the Parks and Wildlife Division's uniform store at Hurstville being valued.
2. The adoption of AASB 138 would result in certain reclassifications from property, plant and equipment to intangible assets (e.g. computer software). At 30 June 2005 DEC computer software had a fair value of \$5,619,628 (\$4,113,191 at 30 June 2004).

(b) Grant recognition for not-for profit entities

DEC will apply the requirements in AASB 1004 'Contributions' regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 'Financial Reporting by Local Governments'. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until either DEC supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage the timing and dollar impact of these amendments are uncertain.

End of audited financial statements

Other DEC financial information

Grants to community organisations

For the period 01 July 2004 to 30 June 2005

Recipient	Amount (\$)	Program	Nature and purpose of grant
Australian Conservation Foundation (Vic)	7,500	4	Community Conservation Organisation grant
Australian Museum	19,091	3	DEC Eureka Prize for Environmental Education
Australian Seabird Rescue Inc	2,100	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Camden Head Pilot Station	182	4	Prize donation
Central Coast Community	1,000	2	Sponsorship of Central Coast Sustainable Business Conference
Coonabarabran & Upper Castlereagh Landcare Group	5,000	4	Warrambungles fox baiting program
Dept of State and Regional Development	6,000	2	Western Sydney Environment Week Sponsorship Agreement Contribution – C/N 5048 Gold Sponsorship
Eora Dharawal Tribal Elders	10,000	5	Contribution towards the construction of 'Ngara-Ba-An' walking track on Lake Illawarra
Foundation for National Parks & Wildlife	22,500	4	Community Conservation Organisation grant
Great Lakes Wildlife Rescue	4,500	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Gunnangarah Aboriginal Corporation	500	5	Donation towards NAIDOC Fun Day in the Park
Hunter Koala Preservation Society	1,500	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Mt Grenfell Board of Management	28,685	5	Rental payable following park handback
Mutawintji Board of Management	330,365	5	Rental payable following park handback
National Parks Association of NSW	12,500	4	Annual grant administration costs for community groups
Native Animal Trust	1,986	4	Native Animal Trust Fund Turtle Poster Contribution
Native Animal Trust Fund	8,000	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Nature Conservation Council of NSW	45,000	4	Community Conservation Organisation grant
Nature Conservation Council of NSW	85,000	4	Assistance of Nature Conservation Council
Noelene Gordon	1,500	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Northern Rivers Wildlife Carers	6,300	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Penelope Figgis	5,000	4	Grant to the World Commission on Protected Areas
Southern Rivers CMA	30,000	4	Snowy Monaro Biodiversity program
The Wetlands Centre Australia	1,500	4	Sponsoring of 2005 Wetland Innovation Series
Total Environment Centre Inc.	45,000	4	Community Conservation Organisation grant
Tweed Valley Wildlife Carers	3,750	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
WIRES (Various Locations)	7,850	4	To assist wildlife carers rescue, care for and rehabilitate sick, injured and orphaned protected native fauna
Warrambungles Landcare Group	5,000	4	Warrambungles fox baiting program
Total grants	697,309		

Key to programs

- 1 Environment protection and regulation
- 2 Sustainability programs
- 3 Policy and science
- 4 Parks and wildlife
- 5 Cultural heritage

2004–05 Major works

Project	Cost to date \$'000	Estimated completion
Major new works		
Circle of reserves around Sydney	300	2006–07
Establishment of private lands – Western	460	2007–08
Major works-in-progress		
Establishment of new acquisitions	1,500	2007–08
Kooragang Island – wader bird habitat	568	2005–06
Pest weed & animal control	612	2006–07
Finalise Northern Regional Forest Agreement	7,370	2006–07
Conversion of vacant Crown lands	3,819	2005–06
Improvements to major metropolitan parks	3,299	2005–06
Sewerage upgrade program – Stages 1 and 2	16,977	2005–06
Land acquisition – initial works	5,445	2004–05
Kosciuszko roads and bridges	7,459	2004–05
Land acquisition – open spaces	5,956	2006–07
Establishment of Jervis Bay National Park	4,036	2005–06
Land acquisition – Dunphy Wilderness	4,688	2005–06
Computerisation		
Information technology initiatives	2,445	2004–05
Total	64,934	

There was no significant cost overruns in these projects.

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

Employee liabilities

Liability as at 30 June 2005	\$'000
Long service leave*	40,869
On-cost long service leave	4,266
Recreation leave	21,254
On-cost recreation leave	1,275

* 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 – performance indicators

In respect of trade creditor accounts paid on time, the Department's performance in each quarter of the 2004–05 financial year was as follows:

Trade creditor 'accounts payable' balances each quarter for the financial year 2004–05

Quarter	Current (i.e. within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September	9,945,763	87,517	340,958	217,023	39,611
December	597,718	1,675,216	182,906	926	84,521
March	465,321	1,750,831	199,135	66,718	90,262
June	779,450	1,645,658	102,547	6,931	10,833

The main reasons for overdue accounts were:

- (i) minor purchase (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;
- (ii) invoices issued (often in the case of computer equipment) prior to delivery or installation; and
- (iii) unsatisfactory supply or some other complication, which tends to occur more frequently with the more significant and expensive purchases.

Quarter	Total accounts paid on time			Total amount paid
	Target %	Actual %	\$	\$
September	85	91.94	88,941,836	96,734,234
December	85	80.24	50,786,911	63,292,991
March	85	76.89	45,977,643	59,797,807
June	85	88.91	116,901,232	131,482,290

The above figures also include the Environment Trust, Stormwater Trust and Waste Fund, which were originally managed by the Environment Protection Authority.

Initiatives taken during the year to improve payment performance were:

- (a) increase in on-line purchase order entry and issue
- (b) increased use of corporate credit cards for local and minor purchases
- (c) implementation of an integrated DEC SAP financial management system from 1 July 2004.

Late payment of accounts

The Department was not required to pay interest to creditors for the late payment of accounts during the year.

Credit card certification

In accordance with Treasurer's Direction 205.01, it is certified that credit card usage by officers of the NSW Department of Environment and Conservation has been in accordance with the appropriate government policy, Premier's Memorandums and Treasurer's Directions.

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 156.

Buildings and improvements

This category of assets includes all buildings and improvements in use or temporarily out of use. Buildings number 1310 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 and Royal Hotel, 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
- Seares Visitor Centre, Port Macquarie
- Snowy Mountains Visitor Centre, Jindabyne
- Throsby Park Homestead, Throsby Park Historic Site
- Western Regional Office, Broken Hill.
- White Cliffs Visitor Centre, White Cliffs.

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 campsites (with a replacement value of \$750,000 or more) are located in Blue Mountains, Botany Bay, Cattai, Ku-ring-gai Chase and Sydney Harbour national parks, as well as in Arakoon State Conservation Area, Western Sydney Regional Park and Georges River National Park.

Roads and other access

Apart from roads of various construction, this category of assets includes access facilities which are DEC responsibilities, such as fire trails, walking tracks, car parks and bridges. 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 Min Road, Woomargama National Park
- Tweed Scenic Drive, Border Ranges National 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, Lane Cove, Ku-Ring-Gai Chase, Gundabook and Yathong national parks.

Other motorised plant

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

Location	Tractors	Graders	Caravans	Trailers	Boats	Others*	Total
Head office	0	0	2	0	0	0	2
Central Region	21	7	4	15	17	79	143
Southern Region	14	1	5	21	7	62	110
Western Region	21	6	1	20	0	15	63
Northern Region	38	3	1	32	14	81	169
EPRD**	0	0	0	0	3	0	3
Policy & Science	0	0	0	0	4	0	4
Total	94	17	13	88	45	237	494

*Items such as loaders, bobcats, skidoos and ride-on mowers.

**Environment Protection and Regulation Division.

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(\$)
Meinhardt Infrastructure & Environment	Waste Census – Construction and demolition waste disposal-based audit	239,653
The Wetlands Centre Australia	Promotion and awareness of Ramsar wetlands	93,830
Biosis Research Pty Ltd	Ecological character of Ramsar wetlands	81,818
CSIRO	Metropolitan air quality study	80,000
Dept of Infrastructure and Planning	Audley Fish Ladder (EPA)	67,020
Resitech Finance	HAMP – Audley PO works	49,274
Gillespie Economics	Economic values of Natural Resources and Environments of the NSW Coast	45,000
Uniquist Pty Ltd	State of the Parks	43,179
Community Change Pty Ltd	Litter Strategy – Assessment of littering behaviours and cleanliness across NSW	38,826
Resitech Finance	HAMP – Gogerleys Cottage	37,522
Hall, Greg	Brigalow Belt South Bioregion timber resource advice	34,695
Shepherd, J	Yanda CMCTP	33,670
Sub-total		844,487

Consultancies less than \$30,000

Category	Number	Total Cost (\$)
Finance and accounting	6	14,745
Information technology	4	64,272
Legal	4	7,672
Management services	41	228,312
Environmental	254	1,392,750
Engineering	29	105,270
Organisational review	3	6,657
Training	5	22,819
Sub-total		1,842,497
Total consultancies		2,686,984

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.

Specifically, the accounts reflect the following:

- 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 17–18 and 149–54)
- the report of the Chairman of the EPA Board (page 3)
- curricula vitae of EPA Board members (pages 140–41).



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 2005 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 comply with section 41B of the Public Finance and Audit Act 1983 (the Act) nor 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.

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

Qualification

As detailed in Note 1(a), during the year, the Department of Environment and Conservation performed services for the Environment Protection Authority, 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.

My opinion for the year ended 30 June 2004 was similarly qualified.

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
30 November 2005

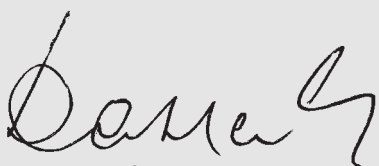
Environment Protection Authority

Financial statements

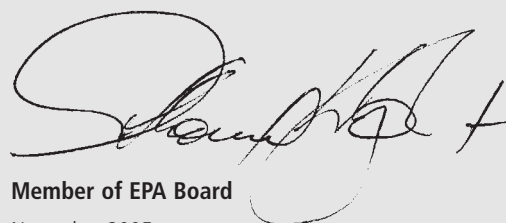
FOR THE YEAR ENDED 30 JUNE 2005

Pursuant to section 41C (1b) and (1c) of the *Public Finance and Audit Act 1983* and Clause 11(a) and (b) of the Public Finance and Audit Regulation 2005, 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 2005 and the Treasurer's Directions;
- (b) the statements exhibit a true and fair view of the financial position and transactions of the Authority; and
- (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
November 2005



Member of EPA Board
November 2005

*Start of audited financial statements***ENVIRONMENT PROTECTION AUTHORITY****Statement of financial performance****FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
Revenue			
Sale of goods and services	2(a)	—	109
Investment income	2(b)	—	69
Retained fees and fines	2(c)	396	1,042
Grants and contributions	2(d)	125	1,018
Other revenue	2(e)	—	392
Government contributions	2(f)	—	21,350
Total revenue from ordinary activities		521	23,980
Expenditure			
Operating expenses			
Employee related	3(a)	230	17,033
Other operating expenses	3(b)	291	5,295
Maintenance	3(c)	—	296
Depreciation and amortisation	3(d)	—	1,104
Grants and subsidies	3(e)	—	725
Total expenditure from ordinary activities		521	24,453
Gain/(loss) on disposal of non-current assets		—	—
SURPLUS/(DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES	9	—	(473)
NON-OWNER TRANSACTION CHANGES IN EQUITY			
Net increase/(decrease) in asset revaluation reserve		—	—
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		—	0
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		—	(473)

The accompanying notes form part of these financial statements.

ENVIRONMENT PROTECTION AUTHORITY

Statement of financial position

AS AT 30 JUNE 2005

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
ASSETS			
Current assets			
Cash		—	—
Receivables		—	—
Total current assets		0	0
Non-current assets			
Property, plant and equipment			
Land and buildings	6(a)	—	—
Plant and equipment	6(b)	—	—
Total non-current assets		0	0
Total assets		0	0
LIABILITIES			
Current liabilities			
Payables		—	—
Provisions		—	—
Total current liabilities		0	0
Non-current liabilities			
Provisions		—	—
Total non-current liabilities		0	0
Total liabilities		0	0
Net assets		0	0
EQUITY			
Reserves		—	—
Accumulated funds		—	—
Total equity		0	0

The accompanying notes form part of these financial statements.

ENVIRONMENT PROTECTION AUTHORITY

Statement of cash flows

for the year ended 30 June 2005

	Notes	Actual 2005 \$'000	Actual 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		—	(15,632)
Grants and subsidies		—	(725)
Other		—	(7,575)
Total payments		0	(23,932)
Receipts			
Sale of goods and services		—	109
Retained fees and fines		—	919
Investment income		—	236
Other		—	1,430
Government contributions		—	20,207
Total receipts		0	22,901
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	0	(1,031)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		—	—
Purchases of land and buildings, plant and equipment and infrastructure systems		—	(62)
NET CASH FLOWS FROM INVESTING ACTIVITIES		0	(62)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and advances		—	—
Repayments of borrowings and advances		—	—
NET CASH FLOWS FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) IN CASH		—	(1,093)
Opening cash and cash equivalents		—	8,490
Cash transferred in (out) as a result of administrative restructuring		—	(7,397)
CLOSING CASH AND CASH EQUIVALENTS		0	0

The accompanying notes form part of these financial statements.

ENVIRONMENT PROTECTION AUTHORITY

Notes to and forming part of the financial statements

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 EPA's operations.

Transactions relating to the operations of the EPA, as represented in the financial statements are: the salaries of the board members, court case losses and award of costs to the EPA, and a notional subsidy provided by DEC to fund these activities.

The *Statute Law (Miscellaneous Provisions) Act (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 the 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 requires a separate set of financial statements for the EPA as part of the consolidated financial statements of DEC.

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

(b) Basis of accounting

EPA financial statements are general purpose financial reports 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; and

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 and are expressed in Australian currency.

2. Revenues

	2005 \$'000	2004 \$'000
(a) Sale of goods and services		
Sale of publications	—	1
Other	—	108
TOTAL	0	109
(b) Investment income		
Interest	—	69
	0	69
(c) Retained fees and fines		
Fees – licenses and permits	—	3
Court costs awarded from prosecutions	396	1,039
	396	1,042
(d) Grants and contributions		
Funding was provided by the Commonwealth and state governments together with private and corporate sponsorships as follows (Note 5):		
Federal government	—	80
NSW state government (budget sector)	125	228
NSW state government (non-budget sector)	—	678
Other	—	32
	125	1,018
(e) Other revenue		
Cost recoveries	—	32
Other	—	360
	0	392
(f) Government contributions		
Recurrent appropriations*	—	19,331
Capital appropriations	—	15
Acceptance by Crown Entity of employee benefits liabilities:		
Superannuation	—	1,405
Long service leave	—	525
Payroll tax on superannuation	—	74
	0	21,350

*Transfer payments noted in Note 5 are not included.

3. Expenses

	2005 \$'000	2004 \$'000
(a) Employee-related expenses		
Salary and wages (including recreation leave)	—	14,085
Superannuation	—	861
Long service leave	—	840
Workers' compensation insurance	—	89
Payroll tax and fringe benefits tax	—	888
Board member fees	230	270
	230	17,033
(b) Other operating expenses		
Auditor's remuneration (audit or review of the financial statements)	—	—
Operating lease rental expenses (minimum lease payments)	—	984
Insurance	—	222
Non-salary related staff expenses	—	324
Travel-related expenses	9	448
Minor plant, stores and supplies	—	342
Fees and services	281	839
Other occupancy costs	—	393
General administration	1	1,743
	291	5,295
(c) Maintenance		
Buildings maintenance	—	77
Maintenance of vessels	—	4
Maintenance contracts	—	215
	0	296
(d) Depreciation and amortisation expense		
Buildings	—	92
Computer equipment	—	408
General plant, equipment and fixtures	—	604
	0	1,104
(e) Grants and subsidies		
Local Air Improvement	—	67
National Environment Protection Council	—	143
Woodsmoke Reduction Program	—	167
Other	—	348
	0	725

4. 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.

5. Transfer payments

Zoological Parks Board	—	8,592
	0	8,592

6. Non-current assets – property, plant and equipment

	2005 \$'000	2004 \$'000
(a) Land and buildings		
Land and buildings at fair value	—	—
Less accumulated depreciation of buildings	—	—
	0	0
(b) Plant and equipment		
Plant and equipment at fair value	—	—
Less accumulated depreciation of plant and equipment	—	—
	0	0
TOTAL Property, plant and equipment at fair value	0	0

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
2005			
Carrying amount at start of year	0	0	0
Additions	—	—	—
Disposals	—	—	—
Disposals through administrative restructures	—	—	—
Depreciation expense	—	—	—
Carrying amount at end of year	0	0	0

2004			
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)
Carrying amount at end of year	0	0	0

7. Increase/decrease in net assets from administrative restructuring

	2005 \$'000	2004 \$'000
Assets and liabilities transferred to Department of Environment and Conservation were:		
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)
Net assets transferred in the administrative restructuring	0	32,565

8. Contingent liabilities

The Authority is:

- currently subject to litigation including claims for court costs currently pursued through the NSW courts.

Other than the above, the Authority is not aware of any significant or material contingent liability in existence at 30 June 2005, 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.

9. Reconciliation of cash flows from operating activities to operating surplus/deficit from ordinary activities

	2005 \$'000	2004 \$'000
Net cash flows used on operating activities (see cash flow)	0	(1,031)
Depreciation	—	(1,104)
Decrease/(increase) in receivables	—	(821)
Increase/(decrease) in prepayments and other assets	—	407
Decrease/(increase) in provisions	—	(55)
Decrease/(increase) in creditors	—	2,131
Surplus/(deficit) for the year from ordinary activities	0	(473)

(see statement of financial performance)

10. Assistance provided by other organisations free of charge

The Department of Environment and Conservation (DEC) was created on 24 September 2003 to oversee EPA's management and operations. DEC has provided services and resources free of charge.

11. Adopting international financial reporting standards (IFRS)

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

The Department of Environment and Conservation (DEC) is managing the transition on behalf of the Authority. It is expected that the adoption of IFRS will have no effect.

End of audited financial statements

Stormwater Trust



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT STORMWATER TRUST

To The Minister for the Environment

Audit Opinion

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

- (a) presents fairly the Trust's financial position as at 30 June 2005 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 Trustee 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 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 Trustees had not fulfilled their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Stormwater 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 FCA
Director, Financial Audit Services

SYDNEY
11 November 2005

STORMWATER TRUST

Statement by members of the Trust

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

- The accompanying financial statements exhibit a true and fair view of the financial position of the Stormwater Trust as at 30 June 2005 and transactions for the year then ended.
- 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 2005**

	Notes	2005 \$'000	2004 \$'000
Revenue			
Interest	2(d)	151	286
Other revenue		85	61
TOTAL REVENUE FROM ORDINARY ACTIVITIES		236	347
Expenditure			
Employee-related expenses		—	613
Other operating expenses	3	1,092	854
Grants	2(c) & 4	1,498	2,956
TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES		2,590	4,423
Operating deficit from ordinary activities		(2,354)	(4,076)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(2,354)	(4,076)

*The accompanying notes form part of these financial statements.***STORMWATER TRUST****Statement of financial position****AS AT 30 JUNE 2005**

	Notes	2005 \$'000	2004 \$'000
Current assets			
Cash assets	5	2,350	4,862
Receivables	6	59	140
TOTAL ASSETS		2,409	5,002
Current liabilities			
Payables	10	41	122
Provisions	11	—	88
Total current liabilities		41	210
Non-current liabilities			
Provisions	11	—	70
Total non-current liabilities		—	70
TOTAL LIABILITIES		41	280
NET ASSETS		2,368	4,722
Equity			
Accumulated funds		2,368	4,722
TOTAL EQUITY	13	2,368	4,722

The accompanying notes form part of these financial statements.

STORMWATER TRUST

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Payments			
Employee related		—	(634)
Grants		(1,498)	(2,988)
Other		(1,331)	(1,035)
Total payments		(2,829)	(4,657)
Receipts			
Interest received		218	429
Other		99	220
Total receipts		317	649
Government contribution		—	—
Net cash flows from operating activities	14	(2,512)	(4,008)
Net decrease in cash held		(2,512)	(4,008)
Cash at the beginning of the reporting period		4,862	8,870
Cash at the end of the reporting period	5	2,350	4,862

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 2004–05 financial year. However, some projects managed by the Trust were not completed within the anticipated time frames due to various unexpected delays such as variations and extensions to projects already under way. The Trust is now expected to finalise its operations by 30 June 2006.

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 AASB 1001 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 one thousand dollars and are expressed in Australian currency.

The accounting policies adopted are consistent with those of the previous year, except that the use of employment agency (temporary) staff is now classified as an operating expense rather than an employee-related expense.

(c) 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 12.

(d) 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 4.33% and the interest rate at the end the year was 4.49% (4.25% in 2004).

(e) 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.

(f) Salaries and wages, annual leave and on-costs

In 2004, liabilities for salaries and wages (including non-monetary benefits) and annual leave were 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. In 2005 there is no liability for salaries and wages as the Trust does not employ any staff.

(g) 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. In 2004, the Trust's staff superannuation and long service leave was paid by DEC and the expense has been recognised in the statement of financial performance for the financial year together with a corresponding amount in revenue.

3. Other operating expenses

	2005 \$'000	2004 \$'000
Fees for services rendered	955	824
Audit fees	8	6
Other operating expenses	129	24
Total	1,092	854

4. Grants

The following grants were paid during the financial year:

	2005 \$'000	2004 \$'000
Grants to councils	1,378	2,931
Other	120	25
Total	1,498	2,956

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:

	2005 \$'000	2004 \$'000
Cash assets	2,350	4,862
Total	2,350	4,862

6. Receivables

	2005 \$'000	2004 \$'000
Debtors	1	—
Prepayments	—	2
GST receivable	(1)	12
Interest receivable	59	126
	59	140

7. Assistance provided by other organisations

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

8. Capital commitments

There were no capital commitments at 30 June 2005 (nil in 2004).

9. Bank overdraft

The Trust does not have any bank overdraft facility.

10. 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.

	2005 \$'000	2004 \$'000
Trade payables	3	52
Accrued expenses	38	70
	41	122

11. Provisions

Annual leave	—	61
Long service leave	—	97
	—	158

Aggregate employee provisions

Provisions — current	—	88
Provisions — non-current	—	70
	—	158

12. Operating expenditure commitments

Trust commitments for the funding of stormwater initiatives are:

Not later than one year	488	2,177
	488	2,177

13. Changes in equity

Opening equity	4,722	8,798
Operating deficit	(2,354)	(4,076)
Closing equity	2,368	4,722

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

	2005 \$'000	2004 \$'000
Operating deficit from ordinary activities	(2,354)	(4,076)
Increase/(decrease) in payables	(81)	(54)
Increase/(decrease) in provisions	(158)	(21)
Decrease/(increase) in receivables	81	143
Net cash flow used in operating activities	(2,512)	(4,008)

15. Contingent liabilities

There were no contingent liabilities as at 30 June 2005 (nil in 2004).

16. Adopting International Financial Reporting Standards (IFRS)

The Trust will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) from 2005–06.

The transition is being managed by DEC 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:

- DEC's AEIFRS Project Steering Committee, headed by the 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 AEIFRS
 - 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 AEIFRS and carry out a 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 completed. However, it is subject to Treasury's mandated options, which must be adopted by the Trust.
 - Phase 3 – Current impact as a result of AEIFRS is very minor. However, if ED 125 is mandated by Treasury, major changes relating to policy, procedures and systems need to be undertaken in a short period of time, to ensure grants are treated correctly.

The Trust has determined that there will be no significant impact arising from the introduction of AEIFRS with the exception of the following:

Grant recognition for not-for profit entities

The Trust will apply the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the current AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft (ED) 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until the Trust supplies the related goods and services (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue and/or expense recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments are uncertain.

End of audited financial statements

Waste Fund



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT WASTE FUND

To The Minister for the Environment

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 2005 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 for 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 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 of the Department of Environment and Conservation 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 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
11 November 2005

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 2005 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 MP
Minister for the Environment

*Start of audited financial statements***WASTE FUND****Statement of financial performance****FOR THE YEAR ENDED 30 JUNE 2005**

	Notes	2005 \$'000	2004 \$'000
Revenue			
Interest income	4(a)	2,211	2,776
Grants received	4(b)	1,480	–
Other		–	11
		3,691	2,787
Expenditure			
Employee-related expenses	3(a)	–	52
Other operating expenses	3(b)	62	14
Grants paid	3(c)	21,809	15,571
TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES		21,871	15,637
Operating (loss) surplus from ordinary activities		(18,180)	(12,850)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(18,180)	(12,850)

*The accompanying notes form part of these financial statements.***WASTE FUND****Statement of financial position****AS AT 30 JUNE 2005**

	Notes	2005 \$'000	2004 \$'000
Current assets			
Cash	5(a)	28,763	47,021
Receivables and other assets	6	86	12
TOTAL ASSETS		28,849	47,033
Current liabilities			
Payables	7	11	13
Provisions	8	–	2
TOTAL LIABILITIES		11	15
NET ASSETS		28,838	47,018
Equity			
Retained surplus		28,838	47,018
TOTAL EQUITY	13	28,838	47,018

The accompanying notes form part of these financial statements.

WASTE FUND

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Payments			
Employee related		—	(46)
Grants		(21,809)	(15,571)
Other		(140)	(29)
Total payments		(21,949)	(15,646)
Receipts			
Interest received		2,211	2,773
Grants received		1,480	—
Other		—	24
Total receipts		3,691	2,797
Government contribution		—	—
Net cash flow (used in)/from operating activities	5(b)	(18,258)	(12,849)
Net increase in cash (utilised)/held		(18,258)	(12,849)
Cash at the beginning of the reporting period		47,021	59,870
Cash at the end of the reporting period	5(a)	28,763	47,021

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.

The Fund was abolished with the passage of the *Brigalow and Nandewar Community Conservation Act 2005* which was assented to on 1 July 2005. Accordingly, this is the final set of accounts for the Fund. All the Fund's assets and liabilities as disclosed in these financial statements will be assumed by the Environmental Trust as at the date of abolition.

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 one thousand dollars 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.

(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 4.33% and the interest at the end of the year was 4.49% (4.25% in 2004).

(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 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 and DEC contributions. 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

In 2004, liabilities for salaries and wages (including non-monetary benefits) and annual leave were 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.

In 2005, there is no liability for salaries and wages as the Fund does not employ any staff.

(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.

In 2004, the Fund staff's superannuation and long service leave was paid by DEC and the expense has been recognised in the statement of financial performance for the financial year together with a corresponding amount in revenue.

3. Expenses

	2005 \$'000	2004 \$'000
(a) Employee-related expenses		
Salaries and wages	—	41
Long service leave	—	6
Superannuation	—	5
	—	52
(b) Other operating expenses		
Audit fees	10	10
Fees	52	—
Travel and other	0	4
	62	14

	2005 \$'000	2004 \$'000
(c) Grants		
The following grants have been paid during the financial year:		
Return Unwanted Medicines	–	32
Community Waste Grants	–	120
Grants to other budget sector agencies	818	52
Department of Environment and Conservation	20,991	15,333
Miscellaneous grants	–	34
	21,809	15,571

4. Revenue

(a) Interest income		
Interest on bank account	58	11
Interest on cash facility at TCorp	2,153	2,765
	2,211	2,776
(b) Grants received		
NSW Government	1,480	–
	1,480	–

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	30	2,525
Cash facility at TCorp	28,733	44,496
	28,763	47,021
(b) Reconciliation of net cash flow provided by operating activities to operating surplus from ordinary activities		
Operating (loss)/surplus from ordinary activities	(18,180)	(12,850)
Increase/(decrease) in payables	(2)	4
Increase/(decrease) in provisions	(2)	0
(Increase)/decrease in receivables	(74)	(3)
Net cash flow (used in)/from operating activities	(18,258)	(12,849)

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 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.

Interest receivable	6	5
Other	80	7
	86	12

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	11	10
Other	–	3
	11	13

	2005 \$'000	2004 \$'000
8. Provisions		
Recreation leave	—	2
	—	2
Aggregate employee provisions		
Provisions – current	—	2
	—	2

9. Capital commitments

There were no capital commitments as at 30 June 2005 (nil in 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 2005 (nil in 2004).

12. Operating expenditure commitments

The Fund's commitments totalling approximately \$19.0 million (2004 – \$11.7 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:

Not later than one year

Department of Environment and Conservation	18,400	7,813
Other expenditure commitments	—	166
	18,400	7,979

Later than one year but not later than five years

Waste reduction grants	—	134
Department of Environment and Conservation	600	3,626
	600	3,760

13. Changes in equity

Opening equity	47,018	59,868
Operating (deficit) surplus	(18,180)	(12,850)
Closing equity	28,838	47,018

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 DEC. A fee of \$52,000 was paid to DEC in 2005 (nil in 2004).

End of audited financial statements