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Department of Environment, Climate Change and Water



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Department of Environment, Climate Change and Water

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Department of Environment, Climate Change and Water (the Department), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Department as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Department Head's Responsibility for the Financial Statements

The Department Head is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Department Head, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does not provide assurance:

- about the future viability of the Department
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls
- about the assumptions used in formulating the budget figures disclosed in the financial statements.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Steven Martin CA
Director, Financial Audit


1 October 2010
SYDNEY

Financial Statements

for the year ended 30 June 2010

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

- (a) the statements exhibit a true and fair view of the financial position and financial performance of the Department
- (b) 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 2010 and the Treasurer's Directions
 - the applicable Australian Accounting Standards, which include Australian Accounting Interpretations and other mandatory professional reporting requirements
- (c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Lisa Corbyn
Director General
30 September 2010

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	500,527	487,851	413,497
Other operating expenses	2(b)	286,136	233,620	302,178
Depreciation and amortisation	2(c)	87,502	77,968	63,935
Grants and subsidies	2(d)	576,118	603,552	271,046
Finance costs	2(e)	1,994	2,478	2,053
Other expenses	2(f)	342	2,650	201
Total expenses excluding losses		1,452,619	1,408,119	1,052,910
Revenue				
Sale of goods and services	3(a)	89,493	82,074	34,922
Investment revenue	3(b)	32,312	24,621	27,372
Retained fees and fines	3(c)	3,142	3,069	3,592
Grants and contributions	3(d)	347,083	306,962	274,251
Personnel services	3(e)	73,544	66,931	71,963
Other revenue	3(f)	33,568	17,106	20,633
Total revenue		579,142	500,763	432,733
Gain/(loss) on disposal	4	(551)	(2,750)	(3,636)
Share of operating result of joint ventures accounted for under the equity accounting method	17	(1,376)	–	–
Increase in share of jointly controlled assets in joint ventures	23	45,176	69,043	–
Net cost of services	27	830,228	841,063	623,813
Government contributions				
Recurrent appropriation	6	782,666	794,519	604,144
Capital appropriation	6	45,865	47,461	54,151
Acceptance by the Crown Entity of employee benefits and other liabilities	7	36,431	51,392	28,005
Total government contributions		864,962	893,372	686,300
SURPLUS/(DEFICIT) FOR THE YEAR		34,734	52,309	62,487

Other comprehensive income				
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	14	192,125	-	251,081
Net increase/(decrease) on revaluation of investments accounted for under the equity method	17	74	-	-
Net increase/(decrease) on revaluation of share of jointly controlled assets in joint ventures	23	25,146	-	-
Other comprehensive income for the year		217,345	-	251,081
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		252,079	52,309	313,568

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	10	218,183	223,166	184,649
Receivables	11	81,409	80,977	49,849
Inventories	12	736	731	731
Other financial assets	13	16	666	16
Total current assets		300,344	305,540	235,245
Non-current assets				
Other financial assets	13	5	5	–
Property, plant and equipment	14			
Land and buildings		2,183,384	2,077,667	2,094,727
Plant and equipment		71,071	80,858	59,699
Infrastructure systems		1,609,786	1,653,890	1,064,194
Total property, plant and equipment		3,864,241	3,812,415	3,218,620
Intangible assets	15	310,669	258,743	154,859
Investments accounted for under the equity method	17	36,218	37,516	–
Total non-current assets		4,211,133	4,108,679	3,373,479
Total assets		4,511,477	4,414,219	3,608,724
LIABILITIES				
Current liabilities				
Payables	18	51,579	44,403	26,712
Borrowings	19	–	666	–
Provisions	20	61,064	58,200	49,972
Other	21	4,615	3,324	2,721
Total current liabilities		117,258	106,593	79,405
Non-current liabilities				
Borrowings	19	48,120	50,152	42,852

Provisions	20	6,557	3,416	504
Other	21	134	402	402
Total non-current liabilities		54,811	53,970	43,758
Total liabilities		172,069	160,563	123,163
Net assets		4,339,408	4,253,656	3,485,561
EQUITY	22			
Reserves		1,581,320	1,363,975	1,363,975
Accumulated funds		2,758,088	2,889,681	2,121,586
Total equity		4,339,408	4,253,656	3,485,561

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Accumulated funds \$'000	Asset revaluation surplus \$'000	Total \$'000
Balance at 1 July 2009		2,121,586	1,363,975	3,485,561
Surplus/(deficit) for the year		34,734	–	34,734
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	14	–	192,125	192,125
Net increase/(decrease) on revaluation of investments accounted for under the equity method	17	–	74	74
Net increase/(decrease) on revaluation of share of jointly controlled assets in joint ventures	23	–	25,146	25,146
Total other comprehensive income		–	217,345	217,345
Total comprehensive income for the year		34,734	217,345	252,079
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	22	601,768	–	601,768
Balance at 30 June 2010		2,758,088	1,581,320	4,339,408
Balance at 1 July 2008		2,057,125	1,112,894	3,170,019
Surplus/(deficit) for the year		62,487	–	62,487
Other comprehensive income:				
Net increase/(decrease) in property, plant and equipment asset revaluation reserve	14	–	251,081	251,081
Total other comprehensive income		–	251,081	251,081
Total comprehensive income for the year		62,487	251,081	313,568
Transactions with owners in their capacity as owners				
Increase/(decrease) in net assets from equity transfers	22	1,974	–	1,974
Balance at 30 June 2009		2,121,586	1,363,975	3,485,561

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(475,738)	(436,273)	(383,029)
Grants and subsidies		(576,118)	(603,552)	(267,588)
Finance costs		–	(2,478)	–
Other		(337,342)	(255,163)	(354,151)
Total payments		(1,389,198)	(1,297,466)	(1,004,768)
Receipts				
Sale of goods and services		87,510	95,537	34,172
Personnel services		73,544	66,931	71,963
Retained fees and fines		3,142	–	3,592
Interest received		8,242	11,058	14,434
Other		465,272	344,122	345,600
Total receipts		637,710	517,648	469,761
Cash flows from government				
Recurrent appropriation	6, 22	775,891	794,519	604,662
Capital appropriation (excluding equity appropriations)	6	45,865	47,461	54,151
Cash reimbursements from the Crown Entity		9,300	–	5,231
Net cash flows from government		831,056	841,980	664,044
NET CASH FLOWS FROM OPERATING ACTIVITIES	27	79,568	62,162	129,037
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of land and buildings, plant and equipment and infrastructure systems		1,080	1,835	5,078
Purchases of land and buildings, plant and equipment and infrastructure systems		(66,832)	(64,529)	(95,892)

Purchases of intangible assets		(31,386)	(17,197)	(63,463)
Purchases of investments accounted for under the equity method		(1,100)	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(98,238)	(79,891)	(154,277)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings and advances		3,938	7,300	1,692
Repayment of borrowings and advances		(680)	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		3,258	7,300	1,692
NET INCREASE/(DECREASE) IN CASH		(15,412)	(10,429)	(23,548)
Opening cash and cash equivalents		184,649	184,649	208,197
Cash transferred in (out) as a result of administrative restructuring	22 (a)	48,946	48,946	-
CLOSING CASH AND CASH EQUIVALENTS	10	218,183	223,166	184,649

The accompanying notes form part of these financial statements.

DEPARTMENT OF ENVIRONMENT, CLIMATE CHANGE AND WATER – SUPPLEMENTARY FINANCIAL STATEMENTS

Service group statements

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
EXPENSES AND INCOME																		
Expenses excluding losses																		
Operating expenses																		
Employee related	71,786	54,371	55,674	56,148	186,326	181,656	9,770	10,200	31,869	33,934	8,705	–	59,623	–	76,774	77,188	500,527	413,497
Other operating expenses	73,829	120,661	14,123	16,408	133,906	144,562	1,939	4,844	10,469	15,703	9,269	–	42,601	–	–	–	286,136	302,178
Depreciation and amortisation	5,135	3,531	4,213	3,942	65,114	53,409	755	735	2,298	2,318	218	–	9,769	–	–	–	87,502	63,935
Grants and subsidies	273,712	252,059	22,506	12,673	2,907	4,174	184	1,702	540	438	211,686	–	64,583	–	–	–	576,118	271,046
Finance costs	7	–	–	–	1,956	2,053	–	–	–	–	31	–	–	–	–	–	1,994	2,053
Other expenses	24	10	13	10	178	173	3	2	7	6	13	–	104	–	–	–	342	201
Total expenses excluding losses	424,493	430,632	96,529	89,181	390,387	386,027	12,651	17,483	45,183	52,399	229,922	–	176,680	–	76,774	77,188	1,452,619	1,052,910
Revenue																		
Sale of goods and services	2,852	2,287	92	258	34,893	31,721	221	517	15	139	673	–	50,747	–	–	–	89,493	34,922

Investment revenue	5,074	8,342	215	90	25,355	18,871	46	17	115	52	186	-	1,321	-	-	-	32,312	27,372
Retained fees and fines	481	1,064	1,022	954	1,610	1,557	1	-	28	17	-	-	-	-	-	-	3,142	3,592
Grants and contributions	229,205	205,909	5,785	4,967	39,519	54,830	109	1,317	5,352	7,228	13,343	-	53,771	-	-	-	347,083	274,251
Personnel services	-	-	-	-	-	-	-	-	-	-	-	-	1,165	-	72,379	71,963	73,544	71,963
Other revenue	3,725	2,369	173	279	29,538	16,080	48	553	84	1,352	-	-	-	-	-	-	33,568	20,633
Total revenue	241,337	219,971	7,287	6,548	130,915	123,059	425	2,404	5,593	8,788	14,202	-	107,004	-	72,379	71,963	579,142	432,733

DEPARTMENT OF ENVIRONMENT, CLIMATE CHANGE AND WATER – SUPPLEMENTARY FINANCIAL STATEMENTS

Service group statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
EXPENSES AND INCOME	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Gain/(loss) on disposal	(78)	-	(69)	-	(106)	(3,636)	(12)	-	10	-	(17)	-	(279)	-	-	-	(551)	(3,636)
Share of operating result of joint ventures accounted for under the equity accounting method	-	-	-	-	-	-	-	-	-	-	-	-	(1,376)	-	-	-	(1,376)	-
Increase in share of jointly controlled assets in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	45,176	-	-	-	45,176	-
Net cost of services	183,234	210,661	89,311	82,633	259,578	266,604	12,238	15,079	39,580	43,611	215,737	-	26,155	-	4,395	5,225	830,228	623,813
Government contributions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	864,962	686,300	864,962	686,300
SURPLUS/(DEFICIT) FOR THE YEAR	(183,234)	(210,661)	(89,311)	(82,633)	(259,578)	(266,604)	(12,238)	(15,079)	(39,580)	(43,611)	(215,737)	-	(26,155)	-	860,567	681,075	34,734	62,487

* Service groups 6 and 7 comprise the water functions, which were transferred from the former Department of Water and Energy (DWE) on 1 July 2009 as a result of the administrative restructure.

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

DEPARTMENT OF ENVIRONMENT, CLIMATE CHANGE AND WATER – SUPPLEMENTARY FINANCIAL STATEMENTS

Service group statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
EXPENSES AND INCOME																		
Other comprehensive income																		
Net increase/ (decrease) in property, plant and equipment asset revaluation reserve	-	-	-	-	187,535	-	-	-	520	-	-	-	4,070	-	-	251,081	192,125	251,081
Net increase/ (decrease) on revaluation of investments accounted for under the equity method	-	-	-	-	-	-	-	-	-	-	-	-	74	-	-	-	74	-
Net increase/ (decrease) on revaluation of share of jointly controlled assets in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	25,146	-	-	-	25,146	-
Total other comprehensive income	-	-	-	-	187,535	-	-	-	520	-	-	-	29,290	-	-	251,081	217,345	251,081
TOTAL COMPREHENSIVE INCOME	(183,234)	(210,661)	(89,311)	(82,633)	(72,043)	(266,604)	(12,238)	(15,079)	(39,060)	(43,611)	(215,737)	-	3,134	-	860,567	932,156	252,079	313,568

* Service groups 6 and 7 comprise the water functions, which were transferred from the former Department of Water and Energy (DWE) on 1 July 2009 as a result of the administrative restructure.

DEPARTMENT OF ENVIRONMENT, CLIMATE CHANGE AND WATER – SUPPLEMENTARY FINANCIAL STATEMENTS

Service group statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS AND LIABILITIES																		
Current assets																		
Cash and cash equivalents	107,592	132,956	6,532	2,564	47,570	47,141	1,169	481	3,563	1,507	6,504	-	45,253	-	-	-	218,183	184,649
Receivables	17,173	23,351	1,736	1,002	25,265	21,214	264	268	1,265	1,623	874	-	32,424	-	2,408	2,391	81,409	49,849
Inventories	82	102	-	-	654	629	-	-	-	-	-	-	-	-	-	-	736	731
Other financial assets	-	-	-	-	16	16	-	-	-	-	-	-	-	-	-	-	16	16
Total current assets	124,847	156,409	8,268	3,566	73,505	69,000	1,433	749	4,828	3,130	7,378	-	77,677	-	2,408	2,391	300,344	235,245
Non-current assets																		
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-	5	-
Property, plant and equipment	3,400	18,812	3,016	7,274	3,250,654	3,171,287	461	407	41,919	20,840	12,341	-	552,450	-	-	-	3,864,241	3,218,620
Intangible assets	140,745	136,063	1,795	1,034	16,400	3,116	948	672	12,996	13,974	3,011	-	134,774	-	-	-	310,669	154,859
Investments accounted for under the equity method	-	-	-	-	-	-	-	-	-	-	-	-	36,218	-	-	-	36,218	-
Total non-current	144,145	154,875	4,811	8,308	3,267,054	3,174,403	1,409	1,079	54,915	34,814	15,352	-	723,447	-	-	-	4,211,13	3,373,47

assets																	3	9
TOTAL ASSETS	268,992	311,284	13,079	11,874	3,340,559	3,243,403	2,842	1,828	59,743	37,944	22,730	-	801,124	-	2,408	2,391	4,511,477	3,608,724

Service group statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS AND LIABILITIES																		
Current liabilities																		
Payables	20,765	13,737	1,846	2,501	10,318	8,195	427	403	1,101	1,509	1,008	–	15,818	–	296	367	51,579	26,712
Provisions	12,838	14,157	6,807	6,409	22,983	21,444	1,067	1,073	4,793	4,889	1,319	–	9,171	–	2,086	2,000	61,064	49,972
Other	2,756	2,414	22	–	203	307	4	–	12	–	203	–	1,415	–	–	–	4,615	2,721
Total current liabilities	36,359	30,308	8,675	8,910	33,504	29,946	1,498	1,476	5,906	6,398	2,530	–	26,404	–	2,382	2,367	117,258	79,405
Non-current liabilities																		
Borrowings	–	–	–	–	48,120	42,852	–	–	–	–	–	–	–	–	–	–	48,120	42,852
Provisions	1,078	138	852	68	2,679	204	149	9	486	61	162	–	1,125	–	26	24	6,557	504
Other	27	61	22	69	69	219	4	13	12	40	–	–	–	–	–	–	134	402
Total non-current liabilities	1,105	199	874	137	50,868	43,275	153	22	498	101	162	–	1,125	–	26	24	54,811	43,758
TOTAL LIABILITIES	37,463	30,507	9,549	9,047	84,372	73,221	1,651	1,498	6,404	6,499	2,692	–	27,529	–	2,408	2,391	172,069	123,163
NET ASSETS	231,529	280,777	3,530	2,827	3,256,186	3,170,182	1,192	330	53,339	31,445	20,038	–	773,595	–	–	–	4,339,408	3,485,561

* Service groups 6 and 7 comprise the water functions, which were transferred from the former Department of Water and Energy (DWE) on 1 July 2009 as a result of the administrative restructure.

DEPARTMENT OF ENVIRONMENT, CLIMATE CHANGE AND WATER – SUPPLEMENTARY FINANCIAL STATEMENTS

Service group statements (continued)

FOR THE YEAR ENDED 30 JUNE 2010

	Service Group 1 Climate Change, Policy and Programs		Service Group 2 Environment Protection and Regulation		Service Group 3 Parks and Wildlife		Service Group 4 Country, Culture and Heritage		Service Group 5 Scientific Services		Service Group 6 Urban Water Utilities*		Service Group 7 Water Management*		Not attributable		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ADMINISTERED EXPENSES AND INCOME**																		
Administered expenses																		
Transfer payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,858	66,293	100,858	66,293
Total administered expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,858	66,293	100,858	66,293
Administered income																		
Transfer receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,858	66,293	100,858	66,293
Consolidated Fund																		
Taxes, fees and fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347,084	297,354	347,084	297,354
Total administered income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	447,942	363,647	447,942	363,347
Administered income less expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	347,084	297,354	347,084	297,354

* Service groups 6 and 7 comprise the water functions, which were transferred from the former Department of Water and Energy (DWE) on 1 July 2009 as a result of the administrative restructure.

** Administered assets and liabilities are disclosed in note 28.

Summary of compliance with financial directives

	2010				2009			
	Recurrent appropriati on \$'000	Consolidat ed Fund \$'000	Capital appropriati on \$'000	Expenditur e/net claim on Consolidat ed Fund \$'000	Recurrent appropriati on \$'000	Consolidat ed Fund \$'000	Capital appropriati on \$'000	Expenditur e/net claim on Consolidat ed Fund \$'000
ORIGINAL BUDGET APPROPRIATION/EXPENDITURE								
Appropriation Act	570,220	567,661	41,562	39,938	635,945	633,250	81,923	54,151
Section 24 of the <i>Public Finance and Audit Act 1983</i> (PF&A Act) – transfers of functions between departments	307,037	295,857	5,899	5,899	1,031	1,031	–	–
Section 26 of the PF&A Act – Commonwealth- specific purpose payments	14,169	10,780	28	28	7,549	5,926	–	–
OTHER APPROPRIATIONS/EXPENDITURE								
Treasurer's advance	21,826	21,576	–	–	3,240	3,240	–	–
Transfers to/from another agency (section 28 of the Appropriation Act)	9,050	8,504	–	–	27,445	27,445	–	–
Treasurer's approved adjustment	–	–	–	–	–	(455)	–	–
Total appropriations/expenditure/net claim on Consolidated Fund (includes transfer payments)	922,302	904,378	47,489	45,865	675,210	670,437	81,923	54,151
Amount drawn down against appropriation	–	883,524	–	45,865	–	670,955	–	54,151
LIABILITY TO CONSOLIDATED FUND*	–	–	–	–	–	518	–	–

The summary of compliance is based on the assumption that Consolidated Fund monies are spent first (except where otherwise identified or prescribed).

* The 'Liability to Consolidated Fund' represents the difference between the 'Amount drawn down against appropriation' and the 'Total expenditure/net claim on Consolidated Fund'. Where the 'Total expenditure/net claim on Consolidated Fund' exceeds the 'Amount drawn down against appropriation', there is no 'Liability to Consolidated Fund'.

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2010

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1. Summary of significant accounting policies

(a) Reporting entity

The Department of Environment, Climate Change and Water (DECCW), as a reporting entity, includes the New South Wales Office of Water (NOW).

On 1 July 2009, DECCW was created as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*. The order combined responsibilities of the former Department of Environment and Climate Change (DECC) with the water management responsibilities of the former Department of Water and Energy (DWE). As part of this reform, the Administrative Orders set up the new NOW within the Department.

In the process of preparing the consolidated financial statements, all inter-entity transactions and balances have been eliminated.

Because this is the first financial year that the Department amalgamated with NOW, comparative figures only relate to the former DECC. Note 22 details separately comparative statements of comprehensive income and assets and liabilities of the water management functions transferred from the former DWE to DECCW.

DECCW is a NSW government department. DECCW is a not-for-profit entity (as profit is not the principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The entity holds assets and funds which are restricted for specific uses by the grantor donor. These funds and assets are controlled by DECCW.

The DECCW reporting entity includes employee related expenses and provisions for the Catchment Management Authorities, Royal Botanic Gardens and Domain Trust, Dams Safety Committee and the Lord Howe Island Board. These are offset by income and receivables.

The Environment Protection Authority (EPA) is a statutory body and is required to prepare separate financial statements. The activities of the EPA are fully integrated within DECCW operations. The expenditure relating to the EPA has been determined as \$82,742,000 (2009: \$84,804,000).

The Water Administration Ministerial Corporation (WAMC) was constituted under the *Water Management Act 2000*. Under Section 372 of the Act, a specific instrument of delegation exists covering the delegation of functions to the officers of NOW. While the activities of the Corporation are fully integrated within DECCW operations, as a statutory body, the Corporation is required to produce a separate financial report. **The expenditure relating to WAMC, which is included in DECCW's statement of comprehensive income, has been determined as \$39,544,000.**

The Marine Parks Authority (MPA) is a reporting entity established under the *Marine Parks Act 1997*, whose activities are administered by DECCW. The operating costs incurred by DECCW in administering these assets, which are included in its statement of comprehensive income, were \$5,390,254 (2009: \$4,839,363).

The Office of the Hawkesbury Nepean (OHN) is a statutory corporation, established under the *Hawkesbury Nepean River Act 2009*. The Act was proclaimed in February 2010. The activities of OHN are administered **by DECCW. The operating results of the OHN, included in DECCW's statement of comprehensive income, were \$9,764,000.**

DECCW's capital equipment used for maintaining day-to-day operations of the MPA and OHN have been recognised and reported by DECCW in accordance with DECCW's Asset Acquisition and Valuation Policy – note 1(j)(i).

(b) Basis of preparation

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

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulation
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, assets held for sale and financial assets at 'fair value through profit or loss', are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention. Judgements, key assumptions and estimates made by management are disclosed in the relevant notes to the financial statements.

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

(c) Statement of compliance

The consolidated financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities

DECCW 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 DECCW's own objectives**.

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

The accrual basis of accounting and applicable accounting standards have been adopted.

(e) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with **Treasury's mandate to general government sector agencies**.

(f) Insurance

DECCW'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 claim experience.

(g) Accounting for interests in joint ventures

As at the financial year ended 30 June 2010, the Department had an interest in the following joint ventures:

- 50% (2009: 50%) share in the joint venture entity Dumaresq–Barwon Border Rivers Commission
- 26.67% (2009: 26.67%) share in the jointly controlled assets of the Living Murray Initiative and the River Murray Operations. These assets are administered by the Murray–Darling Basin Authority.

The Department's investment in jointly controlled entities is accounted for using the equity method. Under this method, the Department's share of the joint venture's accumulated results is recognised as revenue or expense in the statement of comprehensive income and the share of movements in reserves is recognised in the Department's reserves. Contributions made by the Department to the joint ventures are charged directly to the investment.

In respect of its interest in jointly controlled assets, the Department recognises in its financial statements: its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; any expenses incurred by the joint venture, and any expenses that it has incurred in respect of its interest in the joint ventures.

The Department assesses impairment of its assets attributed to interests in joint ventures on an annual basis.

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

Income, expenses and assets are recognised net of the amount of GST, except that:

- the amount of GST incurred by DECCW as a purchaser that is not recoverable from the Australian Taxation Office 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.

Cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(i) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Parliamentary appropriations and contributions

Except as specified below, parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when DECCW 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, unspent appropriations are accounted for as liabilities rather than revenue (refer note 6).

Where there is a liability, it is disclosed in note 21 as part of 'Current liabilities – other'. The amount would be repaid and the liability would be extinguished next financial year.

(ii) Sale of goods and services

Revenue from the sale of goods and services is recognised as revenue when DECCW transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) Investment revenue

Interest revenue is recognised using the effective interest method as set out in Australian Accounting Standards Board (AASB) 139 *Financial Instruments: Recognition and Measurement*. Rental revenue is recognised in accordance with AASB 117 *Leases* on a straight line basis over the lease term.

(v) Taxes, fines, regulatory fees and contributions

Taxes, fines, regulatory fees and contributions collected by DECCW on behalf of the Crown are not recognised as revenues of DECCW and are disclosed in the financial statements by way of a note only. Waste-related levies and fees are shown net of rebates (refer note 28).

(vi) Personnel services revenue

Reimbursement of employee benefits and related on-costs for the Catchment Management Authorities, Royal Botanic Garden and the Domain Trust, Dams Safety Committee and the Lord Howe Island Board is recognised as revenue. The Department recovers these expenses in full when they are incurred.

(j) Assets

(i) Acquisition of assets

The cost method of accounting is used for the initial recording of all acquisition of assets controlled by DECCW. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to the asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

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 – refer notes 3(d) and 14). Refer also to assets transferred as a result of an administrative restructure – refer note 22.

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

Fair value means the amount for which an asset could be exchanged between knowledgeable, **willing parties in an arm's length transaction.**

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

(ii) Capitalisation thresholds

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

(iii) Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the *Valuation of Physical Non-Current Assets at Fair Value* Treasury Policy and Guidelines Paper (TPP 07-01). This policy adopts fair value in accordance with AASB 116 *Property, Plant and Equipment*.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their higher and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the **asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.**

As a result of the size and nature of its assets (land, buildings, roads and other access, utilities and other infrastructure), DECCW revalues its physical non-current assets on a five-year cycle or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value reporting date.

Asset category	Date of valuation	By whom
Land – dedicated	30 June 2010	Land and Property Management Authority*
Land – non-dedicated	30 June 2010	Land and Property Management Authority*
Buildings	1 July 2006	Australian Valuation Office
Other amenities and facilities	30 June 2010	Sheldon Consulting Pty Ltd
Roads	30 June 2009	Sheldon Consulting Pty Ltd
Wharves	30 June 2009	Sheldon Consulting Pty Ltd
Utilities and other Infrastructure	1 July 2006	DECCW engineers**
Aircraft	1 July 2006	Aircraft Sales Australia
Historical furniture and fittings	1 July 2006	Jonathan Alford Pty Ltd

Land dedicated and non-dedicated valuations are in accordance with the *Valuation of Physical Non-Current Assets at Fair Value* Treasury Policy and Guidelines Paper (TPP 07-01) and AASB 116 *Property, Plant and Equipment*.

** Utilities and other Infrastructure valuations are based on state-wide standard costs derived by DECCW engineers.

The Department's share of the jointly controlled water infrastructure assets, recognised from its interest in the River Murray Operations joint venture, has been disclosed at their fair value at 30 June 2010. The Commonwealth Government's Murray-Darling Basin Authority is responsible for preparing the financial statements for the River Murray Operations joint venture and had engaged independent valuers to undertake valuation of these assets as at 30 June 2010.

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

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

For other assets, 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.

As a not-for-profit entity, 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.

(iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, DECCW is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(v) Assets not able to be reliably measured

DECCW 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 a range of cultural artefacts and historic infrastructure.

(vi) Depreciation of property, plant and equipment

Except for certain heritage assets, depreciation is provided for on a straight-line basis for all depreciable assets so as to write-off the depreciable amount of each asset as it is consumed over its useful life to DECCW.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

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.

Land is not a depreciated asset.

Buildings and improvement

The construction type of DECCW 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; visitors centres and staff residences 40 to 80 years, etc.

Roads and other access; utilities and other infrastructure

The following depreciation rates have been adopted: Roads; car parks, fire trails, management trails and walking tracks:

earthworks	0%
pavement	5%
Bridges	2%
Boat ramps and wharves, utilities and other infrastructure	5%
Water infrastructure	1–5%

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

6–50%

Amortisation of intangible assets

The following amortisation rates have been adopted:

Software	10–25%
Water licences	Nil

(vii) Major inspection costs

When each major inspection is performed, the labour cost of performing major inspections for faults is recognised in the carrying amount of an asset as a replacement of a part, if the recognition criteria is satisfied.

(viii) Restoration costs

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(ix) Maintenance

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

(x) Leased assets

Under certain leases granted by DECCW, the lessee will maintain or improve the leased property, which, at the expiry of the lease, reverts to the ownership of DECCW. 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 DECCW.

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

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

(xi) Intangible assets

DECCW recognises intangible assets only if it is probable that future economic benefit will flow to DECCW and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Software

The useful lives of intangible software assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market **for DECCW's intangible software assets, the assets are carried at cost less any accumulated amortisation.** DECCW's intangible software assets are amortised using the straight line method over a period of 10 years in the case of specialist water monitoring software and four years for other software.

Others

Water Licences: The Department recognises water licences issued under the *Water Management Act 2000* and the *Water Act 1912*. Licences purchased are reported at cost which equates to fair value. **DECCW's intangible water licence assets are not amortised.**

Department's share of jointly controlled intangible assets: The Department's share of jointly controlled intangible assets recognised from its interest in the Living Murray Initiative joint venture, comprising water entitlements and flooding easements, are not amortised.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(xii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost

using the effective interest method, less an allowance for any impairment of receivables. Any changes are recognised in the surplus/(deficit) for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(xiii) Inventories

Inventories held for distribution are stated at cost, adjusted when applicable, for any loss of service potential. A loss of service potential is identified and measured based on the existence of a current replacement cost that is lower than the carrying amount. Inventories (other than those held for distribution) are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost.

The cost of inventories acquired at no cost or for nominal consideration is the current replacement cost as at the date of acquisition. Current replacement cost is the cost DECCW would incur to acquire the asset. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Shop stocks held for 12 months or more and considered to be unsaleable are regarded as obsolete and are expensed.

Generally, the quantum of inventory held is small. DECCW relies on end-of-year stock takes to identify shop stocks and inventory held for distribution for reporting purposes.

(xiv) Investments

Investments are initially recognised at fair value. DECCW determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

The Hour-Glass Investment Facilities are designated at fair value through profit or loss using the second leg of the fair value option; i.e. these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented DECCW risk-management strategy, and information about these assets is provided internally on that basis to DECCW's key management personnel.

Designation at fair value through profit or loss is consistent with DECCW's Financial Arrangements and Investment Risk Policy.

The movement in the fair value of the Hour-Glass Investment Facilities incorporates distributions **received as well as unrealised movements in fair value and is reported in the line item 'investment revenue'.**

(xv) Impairment of financial assets

All financial assets except those measured at fair value through profit and loss are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due.

For financial assets carried at amortised cost, the amount of the allowance is the difference **between the asset's carrying amount and the present value of estimated future cash flows**, discounted at the effective interest rate. The amount of the impairment loss is recognised in the surplus/(deficit) for the year.

Any reversals of impairment losses are reversed through the surplus/(deficit) for the year where there is objective evidence, except reversals of impairment losses on an investment in an equity instrument **classified as 'available for sale' must be made through the reserve. Reversals of** impairment losses of financial assets carried at amortised cost cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

(xvi) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if DECCW transfers the financial asset:

- where substantially all the risks and rewards have been transferred, or
- where DECCW has not transferred substantially all the risks and rewards, if DECCW has not retained control.

Where DECCW has neither transferred nor retained substantially all the risks and rewards of **ownership or transferred control, the asset is recognised to the extent of the Department's** continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(xvii) Other assets

Other assets are recognised on a cost basis.

(k) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to DECCW and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Borrowings

Loans are not held for trading or designated at fair value through profit or loss and are recognised at amortised cost using the effective interest method. Gains or losses are recognised in the surplus/(deficit) for the year on de-recognition.

(iii) Employee benefits and other provisions

(a) Salaries and wages, annual leave, sick leave and on-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that are due to be settled within 12 months after the end of the period in which **the employees render the service are recognised and measured in respect of employees'** services up to the reporting date at undiscounted 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.

(b) Long service leave and superannuation

DECCW's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. DECCW 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'** (see note 7).

Long service leave is measured using the present value basis in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 09/04) to employees with five or more years of service, using current rates of pay. These factors were determined on an actuarial review to approximate present value.

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.**

(iv) Other provisions

Other provisions exist when: DECCW has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when DECCW has a detailed formal plan and

has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(l) Equity and reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. **This accords with DECCW's policy on the revaluation of property, plant and equipment as discussed in note 1(j)(iii).**

(ii) Accumulated funds

The category accumulated funds includes all current and prior period retained funds.

(iii) Separate reserve accounts are recognised in the financial statements only if such accounts are required by specific legislation or Australian Accounting Standards (e.g. asset revaluation reserve).

(m) 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 (refer note 1(j)(i)) is **designated as a contribution by owners and recognised as an adjustment to 'Accumulated funds'**. This treatment is consistent with AASB 1004 *Contributions by Owners* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-owned Public Sector Entities*.

The administrative restructure of 1 July 2009, which created DECCW and set up the new NOW within the **Department, is treated as a contribution by owners and recognised as an adjustment to 'Accumulated funds'**. **The transfers are** recognised at the amount at which the assets and liabilities were recognised by the former DWE immediately prior to the restructure, which is at fair value.

Note 22 includes comparative statements of comprehensive income for the former Department and transferred functions and discloses the assets and liabilities transferred.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the asset was recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, DECCW **recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from** recognising internally generated intangibles, DECCW does not recognise that asset.

(n) Budgeted amounts

The budgeted amounts are drawn from budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations under sections 21A, 24, and/or 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the statement of comprehensive income 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 because 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).

(o) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, the comparative information disclosed in respect of the previous period for all amounts reported in the financial statements, is limited to that of the former DECC, given that this is the first financial year of the amalgamated Department.

(p) New Australian Accounting Standards issued but not effective

In the current year, DECCW has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the operations and effective for the current reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policies notes in the financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2010 reporting period. In accordance with the NSW Treasury mandate (TC 10/08), DECCW did

not early adopt any of these accounting standards and interpretations that are not yet effective:

- AASB 9 and AASB 2009-11 regarding financial instruments
- AASB 2009-5 regarding annual improvements
- AASB 2009-8 regarding share based payments
- AASB 2009-9 regarding first time adoption
- AASB 2009-10 regarding classification of rights
- AASB 124 and AASB 2009-12 regarding related party transactions
- Interpretation 19 and AASB 2009-13 regarding extinguishing financial liability with equity instruments
- AASB 2009-14 regarding prepayments of a minimum funding requirement
- AASB 2010-1 regarding AASB 7 comparatives for first time adopters.

2. Expenses excluding losses

(a) Employee related expenses

	2010 \$'000	2009 \$'000
Salary and wages (including recreation leave)*	400,303	331,941
Superannuation – defined benefit plans	15,590	13,524
Superannuation – defined contribution plans	26,816	21,701
Long service leave	20,258	16,154
Workers' compensation insurance	6,635	6,591
Payroll tax and fringe benefits tax	27,060	23,012
Other	3,865	574
	500,527	413,497

The employee related expenses include \$26,319,078 (2009: \$24,846,531) for the Royal Botanic Gardens and the Domain Trust and Lord Howe Island Board, \$1,222,294 for the Dams Safety Committee and \$50,455,408 (2009: \$52,341,732) for the Catchment Management Authorities. Refer also to notes 1(a) and 3(e).

* Salaries and wages amounting to \$2,780,958 (2009: \$1,935,114) have been capitalised and therefore excluded from the above.

(b) Other operating expenses

	2010 \$'000	2009 \$'000
Fees and services	59,314	78,485
Contractor – projects	57,520	35,282
Maintenance*	35,529	28,053
Fleet costs	28,326	21,549
Stores and minor assets	20,402	15,208
Operating lease rental expenses (minimum lease payments)	19,252	15,105
Insurance	15,283	17,230

Other occupancy costs	10,819	8,265
Information dissemination	10,391	6,628
Travel costs	10,190	7,657
Communication costs	7,581	6,219
Purchase of water licences under the control of other entities	5,403	57,533
Legal costs	2,418	2,594
Fees for water metering and billing	2,238	–
Cost of sales	1,294	1,289
Energy costs	516	488
Auditor's remuneration (audit of the financial statements)	462	311
Maintenance undertaken free of charge (refer note 3(d))	454	468
Other	273	756
Impairment of assets and bad debts	117	133
Expenses capitalised	(1,646)	(1,075)
	286,136	302,178
<i>*Reconciliation – total maintenance</i>		
Maintenance expense – contracted labour and other (non-employee related), as above	35,529	28,053
Employee related maintenance expense included in note 2(a)	28,131	25,977
Total maintenance expenses included in notes 2(a) and 2(b)	63,660	54,030

(c) Depreciation and amortisation expense

	2010 \$'000	2009 \$'000
Depreciation:		
Buildings and improvements	10,828	10,041
Roads and other access	31,920	21,070
Utilities and other infrastructure	16,809	9,712
Plant and equipment	14,472	14,152
Furniture and fittings	3,023	1,630
	77,052	56,605
Amortisation of intangibles	10,450	7,330

	87,502	63,935
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(d) Grants and subsidies

	2010 \$'000	2009 \$'000
Federal Government	9,588	4,474
NSW Government	301,297	167,744
Local Government	27,246	24,598
Waste performance improvement payments	20,664	12,340
Energy Savings Fund	72,332	25,313
Water Savings Fund	6,815	5,776
Non-government organisations	43,759	30,791
Achieving Sustainable Groundwater Entitlements Program	2,217	-
Country Towns Water Supply and Sewerage Scheme Program	58,736	-
Other	33,464	10
	576,118	271,046

(e) Finance costs

	2010 \$'000	2009 \$'000
Interest expense from financial liabilities not at fair value through profit or loss	1,994	2,053
	1,994	2,053

(f) Other expenses

	2010 \$'000	2009 \$'000
Bank charges	233	199
Miscellaneous	109	2
	342	201

3. Revenue

(a) Sale of goods and services

	2010 \$'000	2009 \$'000
Sale of goods:		
Annual and day entry	15,340	15,450

Camping fees	9,163	8,198
Sale of assets under \$5,000	69	94
Sale of publications and stock	2,214	2,258
	26,786	26,000
Rendering of services:		
Community service	3,182	3,065
Hire of facilities	1,185	1,100
Miscellaneous park service	3,232	2,412
Income from water operations	25,864	-
Minor user charges	29,244	2,345
	62,707	8,922
Total	89,493	34,922

(b) Investment revenue

	2010 \$'000	2009 \$'000
Interest revenue from financial assets at fair value through profit and loss	7,363	8,284
TCorp Hour-Glass Investment Facilities designated at fair value through profit and loss	1,929	2,476
Lease and rental of premises*	23,020	16,612
	32,312	27,372

* Lease and rental revenue is derived by DECCW from commercial leases and licences with private operators within the national parks.

(c) Retained fees and fines

	2010 \$'000	2009 \$'000
Fees:		
Licences and permits	803	914
Kangaroo and other royalties	1,099	947
	1,902	1,861
Fines:		
Parking, court and other	1,240	1,731
	1,240	1,731
	3,142	3,592

(d) Grants and contributions

	2010 \$'000	2009 \$'000
Funding was provided by the Commonwealth and State Governments together with private and corporate sponsorship as follows (refer note 5):		
Federal Government	89,426	60,246
NSW Government	248,346	151,643
Other state governments	103	57,306
Local Government	4,394	376
Non-government organisations	2,038	2,406
Contributed assets (refer note 14)	2,322	1,806
Services free of charge (refer note 2(b))	454	468
	347,083	274,251

(e) Personnel services

	2010 \$'000	2009 \$'000
Personnel services income	73,544	71,963
	73,544	71,963

(f) Other revenue

	2010 \$'000	2009 \$'000
Insurance recoveries	28,756	14,860
Miscellaneous	4,812	5,773
	33,568	20,633

(g) Revenue forgone

DECCW's revenue does not include park use fees which DECCW forgoes through concessions such as free and discounted park-use permits provided to certain groups, including pensioners, volunteer fire-fighters, etc.

4. Gain/(loss) on disposal

	2010 \$'000	2009 \$'000
Proceeds from disposal of current/non-current assets:		
Land and buildings	211	4,519
Plant and equipment	869	551
Infrastructure	-	7
Written down value of current/non-current assets disposed of:		

Land and buildings	(580)	(4,621)
Plant and equipment	(877)	(3,951)
Infrastructure	(91)	(141)
Intangibles	(83)	-
Net (loss) on disposal	(551)	(3,636)

5. Conditions on contributions

DECCW received contributions for specific purposes, e.g. restoration works or scientific research projects. The amount received during the year was \$333,014,957 (2009: \$272,444,673). Contributions received during the year include climate change funds of \$179,331,929 (2009: \$82,937,668).

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

DECCW 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.

No externally imposed financial restrictions are operable in respect of **DECCW'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 immateriality, all costs incurred are expensed.

The contributions which were unexpended as at 30 June 2010 were \$126,637,432 (2009: \$162,694,897).

Contributions which are unexpended at the balance date are considered to be restricted assets (refer note 16).

6. Appropriations

	2010 \$'000	2009 \$'000
Recurrent appropriation		
Total recurrent draw-downs from NSW Treasury*	883,524	670,955
Less: Liability to Consolidated Fund* (refer note 21)	-	(518)
	883,524	670,437
Comprising:		
Recurrent appropriation**	782,666	604,144
Transfer payments (see note 8)	100,858	66,293
	883,524	670,437
Capital appropriation		
Total capital draw-downs from NSW Treasury*	45,865	54,151
Less: Liability to Consolidated Fund*	-	-
	45,865	54,151
Comprising:		
Capital appropriation**	45,865	54,151

	45,865	54,151
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* As per summary of compliance

** As per statement of comprehensive income

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

	2010 \$'000	2009 \$'000
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	15,591	13,524
Long service leave	19,960	13,808
Payroll tax on superannuation	880	673
	36,431	28,005

8. Transfer payments

	2010 \$'000	2009 \$'000
Foundation for National Parks and Wildlife	50	50
Lord Howe Island Board	1,407	1,378
Zoological Parks Board	37,166	25,735
Nature Conservation Trust	–	1,000
State Water Corporation	23,624	–
Catchment Management Authorities	38,611	38,130
	100,858	66,293

9. Service groups of the Department

Service Group 1: Climate Change, Policy and Programs

Objective(s): **This service group covers the State's climate change policy response. It delivers water and energy conservation and waste sustainability programs.** It develops, implements and reviews strategic policies, programs and procedures pertaining to native vegetation, biodiversity, landscape conservation, environment protection and coastal protection. This service group also develops and manages private land conservation programs including the Biobanking Scheme, NSW Riverbank and other environmental water recovery programs, as well as supporting Catchment Management Authorities.

Service Group 2: Environment Protection and Regulation

Objective(s): This service group delivers credible, targeted and cost-effective regulation and enforcement across a range of environment protection, conservation, native vegetation and Aboriginal heritage areas. It implements market-based and regulatory programs for industry and local government to reduce environmental impacts.

Service Group 3: Parks and Wildlife

Objective(s): This service group covers managing and acquiring parks and protected areas. Within the reserve system, the service group conserves and manages nature and cultural heritage, provides a range of opportunities and experiences for visitors to enjoy parks and other protected areas, controls pests and weeds, and suppresses and manages fires. The service group also partners with Aboriginal communities and private landholders for

conservation outcomes. The service group manages on-park Aboriginal and historic heritage sites and areas, and buildings of significance, as well as protecting, managing and licensing native wildlife.

Service Group 4: Country, Culture and Heritage

Objective(s) This service group works with Aboriginal communities and private and public landholders to conserve Aboriginal cultural heritage. It develops policies, strategies, programs and systems that support Aboriginal participation in the management of their traditional lands, waters and natural resources. The service group also provides technical services for the conservation of cultural heritage within parks, reserves and botanic gardens, **and leads the development of the 'Strengthening Community Wellbeing' strategy.**

Service Group 5: Scientific Services

Objective(s): This service group covers scientific research, investigation, monitoring, analysis, evaluation and reporting on a range of climate change, natural resource, and environmental and cultural heritage matters. The service group also interprets and communicates environmental data to inform internal and external decision making, as well as providing laboratory and analytical services to support environment protection, conservation and natural resource programs, and emergency services.

Service Group 6: Urban Water Utilities

Objective(s): This service group covers the planning and policy development for urban water industries; coordination and review of the Metropolitan Water Plan; facilitation of water recycling across NSW; leadership, guidance and technical assistance in best practice management; operation and maintenance for non-metropolitan urban water utilities; overseeing and monitoring utility performance; funding backlog water and sewerage infrastructure and providing emergency drought assistance.

Service Group 7: Water Management

Objective(s): This service group covers the sharing of water to provide stimulus for businesses and social benefits, and to improve the condition of NSW rivers, wetlands and aquifers. Key services include: interstate water management; statutory water sharing planning; licence administration and compliance; water quantity and quality assessment; allocation of available water; development and implementation of water trading rules; and advice on ecosystem protection strategies and plans.

10. Current assets – cash and cash equivalents

	2010 \$'000	2009 \$'000
For the purposes of the statement of cash flows, cash and cash equivalents include all of the following:		
Cash at bank	180,816	135,730
Cash on hand	170	162
Cash at TCorp	37,197	48,757
Closing cash and cash equivalents (as per statement of cash flows)	218,183	184,649

Refer note 16 for details on restricted cash balances.

Refer note 31 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

11. Current assets – receivables

	2010 \$'000	2009 \$'000
Sale of goods and services	24,776	26,521
Retained fees and fines	196	285
Less: Allowance for impairment	(3,696)	(122)

Accrued income	43,293	10,122
Prepayments	1,383	1,435
GST	12,722	11,545
Other receivables	2,735	63
	81,409	49,849

	2010 \$'000	2009 \$'000
Debts written off during the year	110	153
Movement in the allowance for impairment		
Balance at 1 July	122	142
Carrying amount transferred in as a result of administrative restructure	3,657	-
Amounts written off during the year	(49)	(26)
Amounts recovered during the year	(1,345)	(84)
Amounts adjusted in equity as a result of administrative restructure	(90)	-
Increase in allowance recognised in profit or loss	1,401	90
Balance at 30 June	3,696	122

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in note 31.

12. Current assets – inventories

	2010 \$'000	2009 \$'000
Held for resale		
Finished goods – shop stocks at cost	736	731
	736	731

13. Current/non-current assets – other financial assets

	2010 \$'000	2009 \$'000
Current		
Other loans and deposits	16	16
	16	16
Non-current		

Other loans and deposits	5	-
	5	-

Refer note 31 for further information regarding credit risk, liquidity risk and market risk arising from financial instruments.

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

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
At 1 July 2009 – fair value				
Gross carrying amount	2,288,771	133,822	1,463,320	3,885,913
Accumulated depreciation and impairment	(194,044)	(74,123)	(399,126)	(667,293)
Net carrying amount	2,094,727	59,699	1,064,194	3,218,620
At 30 June 2010 – fair value				
Gross carrying amount	2,409,021	157,767	2,053,603	4,620,391
Accumulated depreciation and impairment	(225,637)	(86,696)	(443,817)	(756,150)
Net carrying amount	2,183,384	71,071	1,609,786	3,864,241

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
Year ended 30 June 2010				
Net carrying amount at start of year	2,094,727	59,699	1,064,194	3,218,620
Additions	29,202	24,382	17,982	71,566
Disposals	(580)	(877)	(91)	(1,548)
Acquisitions through administrative restructures	(83,100)	4,880	505,415	427,195
Net revaluation increment less revaluation decrements	155,288	-	36,837	192,125
Share of jointly controlled assets in the River Murray Operations joint venture (note 23)	613	260	30,139	31,012
Depreciation expense	(10,826)	(17,495)	(48,730)	(77,051)
Transfers in/(out)	(4,065)	25	4,040	-

Other movements – free of cost	2,125	197	–	2,322
Net carrying amount at end of year	2,183,384	71,071	1,609,786	3,864,241

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
At 1 July 2008 – fair value				
Gross carrying amount	2,337,306	131,517	1,039,329	3,508,152
Accumulated depreciation and impairment	(184,229)	(68,621)	(326,592)	(579,442)
Net carrying amount	2,153,077	62,896	712,737	2,928,710
At 30 June 2009 – fair value				
Gross carrying amount	2,288,771	133,822	1,463,320	3,885,913
Accumulated depreciation and impairment	(194,044)	(74,123)	(399,126)	(667,293)
Net carrying amount	2,094,727	59,699	1,064,194	3,218,620

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Total \$'000
Year ended 30 June 2009				
Net carrying amount at start of year	2,153,077	62,896	712,737	2,928,710
Additions	63,395	16,481	16,016	95,892
Disposals	(146)	(3,951)	(141)	(4,238)
Acquisitions through administrative restructures	1,926	48	–	1,974
Net revaluation increment less revaluation decrements	(115,290)	7	366,364	251,081
Depreciation expense	(10,041)	(15,782)	(30,782)	(56,605)
Other movements – free of cost	1,806	–	–	1,806
Net carrying amount at end of year	2,094,727	59,699	1,064,194	3,218,620

DECCW also continues to derive service potential and economic benefit from some fully depreciated assets that have not been revalued this financial year. The impact of valuation is likely to be minimal as most fully depreciated assets are likely to be in poor condition and therefore may or may not have zero value.

	2010 \$'000	2009 \$'000
Buildings	13,102	11,938
Plant and equipment	13,945	5,735
Infrastructure	11,625	7,687
Gross carrying amount	38,672	25,360

15. Intangible assets

	Software \$'000	Water licences \$'000	Water entitlements \$'000	Total \$'000
At 1 July 2009				
Cost (gross carrying amount)	49,749	130,095	–	179,844
Accumulated amortisation and impairment	(24,985)	–	–	(24,985)
Net carrying amount	24,764	130,095	–	154,859
At 30 June 2010				
Cost (gross carrying amount)	70,822	150,035	123,773	344,630
Accumulated amortisation and impairment	(33,961)	–	–	(33,961)
Net carrying amount	36,861	150,035	123,773	310,669
Year ended 30 June 2010				
Net carrying amount at start of year	24,764	130,095	–	154,859
Additions	12,532	18,854	–	31,386
Disposals	(83)	–	–	(83)
Acquisitions through administrative restructures	10,098	1,086	84,463	95,647
Share of jointly controlled assets in the River Murray Operations and the Living Murray Initiative joint ventures (note 23)	–	–	39,310	39,310
Amortisation (recognised in 'Depreciation and amortisation')	(10,450)	–	–	(10,450)
Net carrying amount at end of year	36,861	150,035	123,773	310,669
At 1 July 2008				
Cost (gross carrying amount)	38,047	78,335	–	116,382
Accumulated amortisation and impairment	(17,655)	–	–	(17,655)
Net carrying amount	20,392	78,335	–	98,727
At 30 June 2009				
Cost (gross carrying amount)	49,749	130,095	–	179,844
Accumulated amortisation and impairment	(24,985)	–	–	(24,985)
Net carrying amount	24,764	130,095	–	154,859

Year ended 30 June 2009				
Net carrying amount at start of year	20,392	78,335	-	98,727
Additions	11,702	51,760	-	63,462
Disposals	-	-	-	-
Acquisitions through administrative restructures	-	-	-	-
Amortisation (recognised in 'Depreciation and amortisation')	(7,330)	-	-	(7,330)
Net carrying amount at end of year	24,764	130,095	-	154,859

DECCW also continues to derive service potential and economic benefit from some fully amortised assets that have not been revalued this financial year. The impact of valuation is likely to be minimal as most fully amortised assets are likely to be obsolete and therefore may or may not have zero value.

	2010 \$'000	2009 \$'000
Software	12,235	9,771
Gross carrying amount	12,235	9,771

16. Restricted assets

	2010 \$'000	2009 \$'000
Current		
Cash as TCorp	26,872	38,873
Climate Change Fund	91,473	121,665
Other contributions	8,292	2,157
	126,637	162,695

The above amounts are recognised as restricted assets as there are specific legislative or contractual conditions associated with the use of these funds.

Cash at TCorp was provided by Snowy Hydro Ltd to assist with the remediation of sites formerly occupied by that organisation.

DECCW has a wide range of assets under its control, 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 DECCW's stakeholders as well as other legislation governing the use of historic sites and buildings.

DECCW also has a bank account that facilitates the payment of employee entitlements for Catchment Management Authority staff. This account is controlled by the Department of Services, Technology and Administration.

17. Investments accounted for under the equity method

	2010 \$'000
Share of operating result of joint ventures accounted for under the equity method	
Dumaresq–Barwon Border Rivers Commission	(1,376)
	(1,376)
Non-current investments accounted for under the equity method	
Dumaresq–Barwon Border Rivers Commission	36,218
	36,218

	2010 \$'000
Joint venture entity: Dumaresq–Barwon Border Rivers Commission	36,218

The Dumaresq–Barwon Border Rivers Commission was established by the NSW–Queensland Border Rivers Agreement and is responsible for sharing the waters of the rivers and streams that form or intersect the boundary between the two states and the associated groundwater resources. The Commission undertakes the investigation, construction and operation of works to conserve and regulate those waters where considered desirable.

	2010 \$'000
Ownership interest	50%
Dumaresq–Barwon Border Rivers Commission reporting date	30 June

	2010 \$'000
Net assets audited	72,436

	2010 \$'000
<i>Summarised financial information as at 30 June 2010</i>	
Statement of financial position	
Assets	
Current assets	
Cash and cash equivalents	3,007

Receivables	67
Non-current assets	
Property, plant and equipment	69,641
Total assets	72,715
Liabilities	
Current liabilities	
Payables	279
Total liabilities	279
Net assets	72,436
Statement of comprehensive income	
Revenues	2,376
Expenses	(2,969)
Loss on disposal	-
Loss for the year	(593)
Aggregate asset revaluation increment for the financial year	147
Share of operating loss	(297)
Prior period error adjustment	21
Contribution for the financial year	(1,100)
Share of operating result	(1,376)

18. Current liabilities – payables

	2010 \$'000	2009 \$'000
Accrued salaries, wages and on-costs	7,945	8,701
Creditors	39,500	17,289
Unearned revenue	3,710	603
Voluntary redundancies	424	119
	51,579	26,712

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in note 31.

19. Current/non-current liabilities – borrowings

	2010 \$'000	2009 \$'000
Non-current		
Treasury advances repayable	48,120	42,852
	48,120	42,852

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings, are disclosed in note 31.

The repayable schedule of the interest-bearing Treasury repayable advances has been determined in the context of the State Infrastructure Strategy. No repayments are scheduled to commence within the next 12 months.

Although DECCW did not have the power 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.

20. Current/non-current liabilities – provisions

	2010 \$'000	2009 \$'000
Current		
Employee benefits and related on-costs ¹		
Recreation leave ²	44,936	38,003
Recreation leave on-costs ²	2,636	1,822
Long service leave on-costs ^{2,3}	13,492	10,147
	61,064	49,972
Non-current		
Employee benefits and related on-costs ¹		
Long service leave on-costs ³	685	504
	685	504
Other		
Restoration costs	5,872	–
	5,872	–
	6,557	504
Total provisions	67,621	50,476
Aggregate employee benefits and related on-costs		
Provisions – current	61,064	49,972
Provisions – non-current	685	504

Accrued salaries, wages and on-costs (note 18)	7,945	8,701
	69,694	59,177

1 Includes employee benefits and related on-costs for the Catchment Management Authorities, Royal Botanic Gardens and Domain Trust, Dams Safety Committee and the Lord Howe Island Board (refer note 1(a)).

2 The value of employee benefits and related on-costs expected to be paid after 12 months is \$6,486,154 (2008–09: \$4,707,484).

3 DECCW's liabilities for long service leave are assumed by the Crown Entity. However, DECCW has an obligation to meet the long service leave related on-costs.

Movements in provisions (other than employee benefits)

Movements in the restoration costs provision during the financial year are set out below.

2010	\$'000
Carrying amount at the beginning of the financial year	–
Carrying amount transferred in as result of administrative restructure	1,146
Additional provisions recognised	4,749
Unwinding/change in the discount rate	(23)
Carrying amount at the end of the financial year	5,872

21. Current/non-current liabilities – other

	2010 \$'000	2009 \$'000
Current		
Security deposits	1,752	307
Funds and interest held in trust (Catchment Management Authorities)	2,729	1,896
Unamortised discount	134	–
Liability to Consolidated Fund (refer note 6)	–	518
	4,615	2,721
Non-current		
Unamortised discount	134	402
	134	402
Total other liabilities	4,749	3,123

22. Increase/decrease in net assets from equity transfers

	2010 \$'000	2009 \$'000
Administrative restructures transferred since the formation of the Department are:		
Increase in assets and liabilities from 1 July 2009 administrative restructure (below (a))	712,320	–
Increase in assets and liabilities from 27 April 2007 administrative restructure	–	1,974
(Decrease)/increase in assets and liabilities – other administrative restructures (below (b))	(110,552)	–
	601,768	1,974

(a) Administrative restructure – 1 July 2009

On 27 July 2009, DECCW was created as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009*. This note includes comparative information for the statements of comprehensive income of former DECC and transferred water functions from the former DWE for the year ended 30 June 2009, and discloses the assets and liabilities transferred on 1 July 2009.

Statements of comprehensive income for former DECC and transferred water functions from DWE for the year ended 30 June 2009

	DECC	Water functions transferred from former DWE
	2009 \$'000	2009 \$'000
Expenses excluding losses		
Operating expenses		
Employee related	413,497	68,236
Other operating expenses	302,178	45,798
Depreciation and amortisation	63,935	6,957
Grants and subsidies	271,046	198,214
Finance costs	2,053	147
Other expenses	201	28,030
Total expenses excluding losses	1,052,910	347,382
Revenue		
Sale of goods and services	34,922	42,855
Investment revenue	27,372	2,030

Retained fees and fines	3,592	–
Grants and contributions	274,251	9,433
Personnel services	71,963	–
Other revenue	20,633	9,625
Total revenue	432,733	63,943
Loss on disposal	(3,636)	(15)
Other gains/(losses)	–	(2,121)
Share of operating result of joint ventures accounted for under the equity accounting method	–	23,915
Loss on transition of joint venture from jointly controlled entity to jointly controlled assets	–	(114,758)
Increase in share of jointly controlled assets in joint ventures	–	17,471
Net cost of services	623,813	358,947
Government contributions		
Recurrent appropriation	604,144	264,602
Capital appropriation	54,151	8,348
Asset sale proceeds transferred to the Crown Entity	–	(449)
Acceptance by the Crown Entity of employee benefits and other liabilities	28,005	6,681
Total government contributions	686,300	279,182
SURPLUS/(DEFICIT) FOR THE YEAR	62,487	(79,765)

	DECC	Water functions transferred from former DWE
	2009 \$'000	2009 \$'000
Other comprehensive income		
Net increase in property, plant and equipment asset revaluation reserve	251,081	60,142
Net increase/(decrease) on revaluation of investments accounted for under the equity method	–	11,662
Net increase/(decrease) on revaluation of share of jointly controlled assets in joint ventures	–	10,108
Re-instatement of current liabilities (Payables-other) written off against accumulated funds in prior year	–	(1,509)
Other comprehensive income for the year	251,081	80,403
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	313,568	638

Assets and liabilities for former DECC and transferred from water functions from former DWE as at 1 July 2009

	DECC	Water functions transferred from former DWE
	2009 \$'000	2009 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	184,649	48,946
Receivables	49,849	31,219
Inventories	731	–
Other financial assets	16	634
Total current assets	235,245	80,799
Non-current assets		
Other financial assets	–	5
Property, plant and equipment		
Land and buildings	2,094,727	15,049
Plant and equipment	59,699	5,620

	DECC	Water functions transferred from former DWE
	2009 \$'000	2009 \$'000
Infrastructure systems	1,064,194	516,072
Intangibles	154,859	96,906
Investments accounted for under the equity method	–	36,420
Total non-current assets	3,373,479	670,072
Total assets	3,608,724	750,871
LIABILITIES		
Current liabilities		
Payables	26,712	18,084
Borrowings	–	650
Provisions	49,972	8,755
Liability to Consolidated Fund (refer note 6)	518	6,258
Other	2,203	1,731
Total current liabilities	79,405	35,478
Non-current liabilities		
Borrowings	42,852	–
Provisions	504	3,073
Other	402	–
Total non-current liabilities	43,758	3,073
Total liabilities	123,163	38,551
Net assets	3,485,561	712,320
Increase in net assets from equity transfers		712,320

(b) Other administrative restructures

Assets and liabilities transferred in 2009–10 due to other administrative restructures:

Department/Agency	Non-current assets				Current assets	
	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Intangibles \$'000	Receivables \$'000	Payables \$'000
Western Sydney Parklands Trust	(102,354)	-	(8,139)	-	-	-
Water Administration Ministerial Corporation	(3)	(740)	(2,518)	(1,259)	-	-
Land and Property Management Authority	3,722	-	-	-	-	-
State Property Authority	448	-	-	-	-	-
Department of Industry and Investment	-	-	-	-	258	(5)
Department of Planning	31	-	-	-	-	-
Roads and Traffic Authority	6	-	-	-	-	-
Sydney Catchment Authority	1	-	-	-	-	-
Net assets from other administrative restructures	(98,149)	(740)	(10,657)	(1,259)	258	(5)

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

Department/Agency	2010 \$'000	2009 \$'000
State Forests of NSW	-	1,757
Western Sydney Parklands Trust	(110,493)	-
Water Administration Ministerial Corporation	(3)	-
Land & Property Management Authority	3,722	150
State Property Authority	448	-
Department of Planning	31	105
Roads and Traffic Authority	6	-
Department of Industry and Investment	-	(323)

Sydney Catchment Authority	1	237
	(106,288)	1,926
Equity transfers (other than land and associated infrastructure)		
Water Administration Ministerial Corporation	(4,517)	-
Department of Industry and Investment	253	
Lake Illawarra Authority	-	(15)
Department of Services, Technology and Administration – ServiceFirst	-	63
	(4,264)	48
	(110,552)	1,974

23. Accounting for share of jointly controlled assets in joint ventures

Reconciliation of movement in share of jointly controlled assets in joint ventures

NOW has a 26.67% ownership interest in the jointly controlled assets of the Living Murray Initiative and the River Murray Operations joint ventures. The movement in **NOW's share of these jointly controlled assets** during the financial year is detailed below.

	Property, plant and equipment				Intangibles			Grand total \$'000
	Land and buildings \$'000	Plant and equipment \$'000	Infrastructure systems \$'000	Subtotal \$'000	Water entitlements \$'000	Flooding easements \$'000	Subtotal \$'000	
Share of jointly controlled assets at beginning of the year	1,343	2,357	515,969	519,669	84,463	1,085	85,548	605,217
Share of additions	613	505	16,051	17,169	28,682	-	28,682	45,851
Share of disposals	-	(245)	(430)	(675)	-	-	-	(675)
	613	260	15,621	16,494	28,682	-	28,682	45,176
Depreciation expense	-	(354)	(7,013)	(7,367)	-	-	-	(7,367)
Share of net revaluation increment less revaluation decrements	-	-	14,518	14,518	10,628	-	10,628	25,146
Share of net carrying amount at end of year	1,956	2,263	539,095	543,314	123,773	1,085	124,858	668,172

The above disclosures are based upon the audited special purpose financial statements of the Living Murray Initiative and the River Murray Operations joint ventures for the financial year ended 30 June 2010.

24. Commitments for expenditure and revenue

	2010 \$'000	2009 \$'000
Commitments for expenditure		
(a) Capital commitments*		
Aggregate capital expenditure contracted at balance date and not provided for:		
Not later than one year	2,990	1,848
Total (including GST)	2,990	1,848
(b) Other expenditure commitments*		
Aggregate other expenditure contracted at balance date and not provided for:		
Not later than one year	105,140	5,245
Later than one year and not later than five years	57,677	-
Total (including GST)	162,817	5,245
(c) Operating lease** commitments*		
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	32,717	26,303
Later than one year and not later than 5 years	52,984	32,132
Later than 5 years	6,164	1,142
Total (including GST)	91,865	59,577

* Commitments above include input tax credits of \$22,928,537 (2009: \$6,060,907) that are expected to be recoverable from the Australian Taxation Office.

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

	2010 \$'000	2009 \$'000
Commitments for revenue		
(a) Operating lease** commitments – receivables*		
Further non-cancellable operating leases not provided for and receivable:		
Not later than one year	8,060	7,586
Later than one year and not later than five years	29,652	28,226
Later than five years	126,991	124,346
Total (including GST)	164,703	160,158

* Commitments above include GST payable of \$14,900,390 (2009: \$14,484,419) that are expected to be payable to the Australian Taxation Office.

** DECCW's revenue commitments arise from a varied portfolio of commercial leases that enable private operators to provide visitor services and experiences 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 because 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. DECCW management considers that this category of leases cannot be reliably measured and has therefore excluded these leases from the above figures.

The lease commitments involving receivables 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.

25. Contingent liabilities and contingent assets

Contingent liabilities

(a) Claims on the Treasury Managed Fund

DECCW is a member of the NSW Treasury Managed Fund (TMF) self insurance scheme. The Fund manages a number of civil claims against DECCW in relation to issues such as negligence and public liability. As at 30 June 2010 these included:

- The Director General is a joint defendant in Supreme Court and Land and Environment Court proceedings that commenced in December 2008. The matter relates to advice given on clearing **native vegetation and bore water licences on the plaintiffs' property.**
- A civil law suit before the Supreme Court for a claim of losses arising from a failure to grant a water licence.
- Civil law suits against DECCW by property holders who sustained property damage during the fires across a large proportion of the State in December to January 2001–02 and 2002–03.
- Civil law suits arising in relation to the January 2003 bushfires in Canberra.
- Civil law suits by individuals that have sustained injuries and/or damage to their personal property.
- Civil law suits involving claims for incidents occurred within national parks.

It is not practical to estimate the financial effect of these claims. DECCW's insurable risk should adequately cover all these claims.

(b) Superannuation guarantee contributions

As at the balance date, DECCW has a contingent liability for superannuation guarantee contributions (SGC) on incident payments. These payments are related to fire and other extraordinary situations that **arise and which are 'declared incidents'.** It is not practical to reliably estimate the value of this liability due to uncertainty around the liability to pay additional SGC and the applicable timeframe.

(c) Other claims

There are presently no other unresolved disputes where legal action has been taken against DECCW.

Other than the above, DECCW is not aware of any significant or material-contingent liability in existence at 30 June 2010 or that has emerged subsequent to this date which may materially impact on the financial position of DECCW as shown in the financial statements.

Contingent assets

(a) Treasury Managed Fund

Apart from the civil claims managed by the TMF disclosed above, there are no known contingent assets at balance date.

26. Budget review

Net cost of services

Actual net cost of service: variation of \$10.835 million was primarily due to the following:

	\$m
(a) Additional revenue received for the capital expenditure, mainly from the Australian Government, such as old Dromana in the Gwydir wetlands, Riverbank, River Environmental Restoration Program and water licences for the Riverbank Program.	(22)
(b) Additional depreciation due to revaluation increments in 2008–09.	10
(c) Net increase in expenditure from the Climate Change Fund, primarily relating to the household rebates.	10
(d) Unspent external revenue for projects, including hydrometrics services to the Local Councils and to the State Water Corporation, and modernisation of hydrometrics network.	(8)

Assets and liabilities

Net assets: variation of \$85.752 million was primarily due to the following:

	\$m
(a) Net increment due to the revaluation of non-current assets – 'land' and 'other amenities and facilities' .	192
(b) Net transfer of land and associated infrastructure, under administrative restructuring.	(111)

Cash flows

Net decrease in cash: variation of \$4.983 million was primarily due to the following:

(a) Net increase in expenditure from the Climate Change Fund, primarily relating to the household rebates partly offset by additional external revenue.

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

	2010 \$'000	2009 \$'000
Net cash used on operating activities	(79,568)	(129,037)
Cash flows from government/appropriations	821,756	658,813
Acceptance by the Crown Entity of employee benefits and other liabilities	36,431	28,005
Depreciation and amortisation	87,502	63,935
Contributed assets	(2,322)	(1,806)
Borrowings	1,994	2,053
Leasehold obligations	(9)	-
Joint venture operating result	1,376	-
Increase in share of jointly controlled assets in joint ventures	(45,176)	-
(Increase) in receivables	(100)	(12,873)
Decrease/(increase) in inventories	(5)	4
Increase in provisions	438	3,112
Increase in creditors	6,694	12,645
Increase/(decrease) in other liabilities	413	(4,674)
Net effect on accumulated funds from restructure	253	-
Net loss on sale of plant and equipment	551	3,636
Net cost of services	830,228	623,813

28. Administered assets, liabilities and income

	2010 \$'000	2009 \$'000
Administered assets		
Receivables	2,511	2,056
Allowance for impairment	(112)	(364)
Cash	381	3,074
Remittance clearing	(381)	(3,074)
Accrued income	10,086	6,298
Total administered assets	12,485	7,990
Administered liabilities		
Creditors	9	70
Total administered liabilities	9	70
Administered income		
Pollution licences and approvals	45,120	45,619
Radiation licences	891	1,464
Other fees and licences	1,542	1,416
Waste-related levies and fees	290,285	248,681
Coal wash levy	10,995	–
Waste levy rebates	(2,526)	(632)
Fines	777	806
Total administered income	347,084	297,354

Receipts collected on behalf of the Consolidated Fund are not included in DECCW's statement of comprehensive income. They are brought to account as revenue in the Treasurer's Public Accounts.

29. Administered income – debts written off

	2010 \$'000	2009 \$'000
Debts written off	–	600
	–	600

30. Administered income – schedule of uncollected amounts

Schedule of uncollected amounts

	2010 \$'000
Waste audit levies	94
Pollution control licences	2,417
	2,511

	Total \$'000	Waste audit levies		Pollution control licences		Radiation control licences	
		Past due but not impaired \$'000	Considered impaired \$'000	Past due but not impaired \$'000	Considered impaired \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2010							
< 3 months overdue	55	–	–	55	–	–	–
3–6 months overdue	93	–	–	93	–	–	–
> 6 months overdue	112	–	73	–	39	–	–

Note: The ageing analysis excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the schedule of uncollected amounts.

31. Financial instruments

DECCW's principal financial instruments are outlined below. These financial instruments arise directly from DECCW's operations or are required to finance these operations. DECCW does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

DECCW's main risks arising from financial instruments are outlined below, together with DECCW's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Director General has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by DECCW, to set risk limits and controls, and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee/internal auditors on a continuous basis.

(a) Financial instrument categories

Financial assets	Note	Category	Carrying amount	Carrying amount
			2010 \$'000	2009 \$'000
Class:				
Cash and cash equivalents	10	N/A	218,183	184,649
Receivables ¹	11	Loans and receivables (at amortised cost)	67,304	36,869
Other financial assets	13	Other loans and term deposit	21	16

Financial liabilities	Note	Category	Carrying amount	Carrying amount
			2010 \$'000	2009 \$'000
Class:				
Payables ²	18	Financial liabilities measured at amortised cost	39,500	17,289
Borrowings	19	Financial liabilities measured at amortised cost	48,120	42,852

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).
2. Excludes statutory payables and unearned revenue (i.e. not within the scope of AASB 7).

(b) Credit risk

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations, resulting in a financial loss to the Department. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Department, including cash, receivables, loans and Department deposits. No collateral is held by the Department. The Department has not granted any financial guarantees.

Credit risk associated with the Department's financial assets, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards. The Department's deposits held with NSW TCorp are guaranteed by the State.

Cash

Cash comprises cash on hand and bank balances within the NSW 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 NSW Treasury. The TCorp Hour-Glass cash facility is discussed in paragraph (d) below.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility of trade debtors is **reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to** recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not

be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. Interest is earned at 9% p.a. (2009: 9% p.a.) on some outstanding bulk water related trade debtors. Sales are made on 30-day terms.

The Department is not materially exposed to concentrations of credit risk to a single trade debtor, although it has a potential material exposure to the group of trade debtors comprising bulk water users **during periods of prolonged and severe drought. Of the Department's total impairment provision for trade debtors, \$2,440,743 relates to these bulk water users being determined from past payment experience.**

Based on past experience, debtors that are not past due (2010: \$7,504,741) and not less than one month past due (2010: \$4,054,332) are not considered impaired and together these represent 76% of the total **trade debtors. Most of the Department's debtors have a good credit rating.** There are no debtors which are currently not past due or impaired whose terms have been renegotiated.

All lease revenue falls due immediately after the issue of the customer invoice except where the lease rent schedule conditions stipulate otherwise.

The only financial assets that are past due or impaired are 'sales of goods and services' in the 'receivables' category of the statement of financial position.

	\$'000		
	Total ^{1,2}	Past due but not impaired ^{1,2}	Considered impaired ^{1,2}
2010			
< 3 months overdue	1,774	1,714	60
3–6 months overdue	2,493	2,140	353
> 6 months overdue	3,948	665	3,283
2009			
< 3 months overdue	8,071	8,071	–
3–6 months overdue	60	60	–
> 6 months overdue	162	40	122

Notes:

1. Each column in the table reports 'gross receivables'.

2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7, and excludes receivables that are not past due and **not impaired. Therefore, the 'total' will not reconcile to the receivables total** recognised in the statement of financial position.

Other financial assets

As at 30 June 2010, DECCW held two fixed-term interest-bearing deposits to the value of \$15,500 (2009: \$15,500) with the Commonwealth Bank of Australia.

The deposits at 30 June 2010 were earning an interest rate of 4.4% (2009: 7.4%) while over the year the weighted average interest rate was 4.4% (2009: 7.4%).

(c) Liquidity risk

Liquidity risk is the risk that the Department will be unable to meet its payment obligations when they fall due. The Department continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

DECCW does not have any bank overdraft facility. However, it does have a number of operational activities/limits with the bank that have the potential to be a liability. These include cheque cashing authorities, purchase card limits and a payroll agreement.

During the current and prior years, there were no defaults or breaches on any payables. No assets have been pledged as collateral. The Department's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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. There was no penalty interest paid during this financial year (2009: \$Nil).

The table below summarises the maturity profile of the Department's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial assets and liabilities

\$'000								
	Weighted average effective int. rate	Nominal amount ¹	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	<1 year	1-5 years	>5 years
2010								
Payables		39,500	-	-	39,500	39,500	-	-
<i>Borrowings:</i>								
Advances repayable	5.61	48,120	48,120	-	-	-	10,274	37,846
		87,620	48,120	-	39,500	39,500	10,274	37,846
2009								
Payables		17,289	-	-	17,289	17,289	-	-
<i>Borrowings:</i>								
Advances repayable	5.25	42,852	42,852	-	-	-	6,565	36,287
		60,141	42,852	-	17,289	17,289	6,565	36,287

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the statement of financial position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. DECCW's exposure to market risk are primarily through interest rate risk on DECCW's borrowings and other price risks associated with the movement in the unit price of the Hour-Glass Investment Facilities. DECCW has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which DECCW operates and the time-frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis was performed on the same basis as for 2009. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through DECCW's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. DECCW does not account for any fixed-rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments a change in interest rates would not affect profit or loss or equity. A reasonably possible change of $\pm 1\%$ is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. DECCW's exposure to interest rate risk is set out below.

\$'000					
	Carrying amount	-1%		1%	
		Profit	Equity	Profit	Equity
2010					
Financial assets					
Cash and cash equivalents	218,183	(2,182)	-	2,182	-
Receivables	67,304	(673)	-	673	-
Other financial assets	21	-	-	-	-
Financial liabilities					
Payables	39,500	395	-	(395)	-
Borrowings	48,120	481	-	(481)	-
2009					
Financial assets					
Cash and cash equivalents	184,649	(1,846)	-	1,846	-
Receivables	36,869	(369)	-	369	-
Other financial assets	16	-	-	-	-
Financial liabilities					
Payables	17,289	173	-	(173)	-
Borrowings	42,852	429	-	(429)	-

Other price risk – TCorp Hour-Glass facilities

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour-Glass Investment Facilities, which are held for strategic rather than trading purposes. DECCW has no direct equity investments. DECCW holds units in the following Hour-Glass investment trusts:

Facility	Investment sectors	Investment horizon	2010 \$'000	2009 \$'000
Cash facility	Cash, money market instruments	Up to 1.5 years	37,197	48,757

The unit price of each facility is equal to the total fair value of net assets held by the facility divided by the number of units on issue for that facility. Unit prices are calculated and published daily.

NSW TCorp, as trustee for the above facility, is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Facility. A significant portion of the administration of the facilities is outsourced to an external custodian.

Investment in the Hour-Glass facilities limits DECCW's exposure to risk, as it allows diversification across a pool of funds, with different investment horizons and a mix of investments.

NSW TCorp provides sensitivity analysis information for each of the investment facilities, using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). The TCorp Hour-Glass Investment Facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on profit (rather than equity). A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value as at 30 June each year for each facility (balance from Hour-Glass statement).

	Impact on profit/loss		
	Change in unit price	2010 \$'000	2009 \$'000
Hour-Glass Investment Cash Facility	±4.46%	1,659	2,175

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. As discussed, the value of the Hour-Glass investments is based on DECCW's share of the value of the underlying assets of the facility, based on the market value. All of the Hour-Glass facilities are valued using 'redemption' pricing.

The amortised cost of financial instruments recognised in the statement of financial position approximates fair value because of the short-term nature of the financial instruments.

(f) Fair value recognised in the statement of financial position

The Department uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

Level 1 – derived from quoted prices in active markets for identical assets/liabilities

Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly

Level 3 – derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs).

	2010			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value				
TCorp Hour-Glass Investment Facility	–	37,197	–	37,197

No financial liabilities were measured at fair value in the statement of financial position. There were no transfers between level 1 and 2 during the year ended 30 June 2010.

32. After balance date events

There are no significant events subsequent to the statement of financial position date.

End of audited financial statements.

Environment Protection Authority



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Environment Protection Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Environment Protection Authority (the Authority), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and a statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Board's Responsibility for the Financial Statements

The members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by members of the Board, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Steven Martin
Director, Financial Audit Services

20 October 2010
SYDNEY

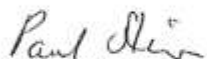
ENVIRONMENT PROTECTION AUTHORITY

Financial Report

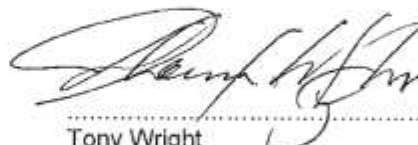
For the year ended 30 June 2010

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 2010*, we state that:

- (a) the accompanying financial report has been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions;
- (b) the report exhibits a true and fair view of the financial position and transactions of the Authority; and
- (c) there are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



Paul Stein
Chair, EPA Board
20 October 2010



Tony Wright
Deputy Chair, EPA Board
20 October 2010

Environment Protection Authority

ADOPTION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

I hereby adopt the Financial Statements of the Environment Protection Authority (EPA), which have been prepared in accordance with the statute provisions of the Public Finance and Audit Act, 1983, and the Public Finance and Audit Regulation 2010 and the Treasurer's Directions.

Pursuant to section 41C of the Public Finance and Audit Act 1983, I recommend that:

two members of the EPA Board provide a statement to the effect that in their opinion 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 2010 and the Treasurer's Directions; that the statements exhibit a true and fair view of the financial position and transactions of the Authority, and they are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Frank Sartor
Minister for Climate Change and the Environment

19

October 2010

Beginning of audited financial statements

ENVIRONMENT PROTECTION AUTHORITY

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
Revenue			
Other revenue	2	82,742	84,804
Total revenue		82,742	84,804
Less:			
Expenses			
Operating expenses			
Board member fees and related costs	3(a)	351	356
Audit fees	3(a)	10	10
Other expenses	3(b)	82,381	84,438
Total expenses		82,742	84,804
SURPLUS/(DEFICIT) FOR THE YEAR		-	-

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Accumulat ed funds \$'000	Total \$'000
Balance as at 1 July 2009		-	-
Surplus/deficit for the year		-	-
Balance as at 30 June 2010		-	-
Balance as at 1 July 2008		-	-
Surplus/deficit for the year		-	-
Balance as at 30 June 2009		-	-

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash		-	-
Receivables		-	-
Total current assets		-	-
Non-current assets			
Property, plant and equipment			
Land and buildings		-	-
Plant and equipment		-	-
Total non-current assets		-	-
Total assets		-	-
LIABILITIES			
Current liabilities			
Payables		-	-
Provisions		-	-
Total current liabilities		-	-
Non-current liabilities			
Provisions		-	-
Total non-current liabilities		-	-
Total liabilities		-	-
Net assets		-	-
EQUITY			
Reserves			
Accumulated funds		-	-
Total equity		-	-

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2010

Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments		
Employment related	-	-
Grants and subsidies	-	-
Other	-	-
Total payments	-	-
Receipts		
Sale of goods and services	-	-
Retained fees and fines	-	-
Investment income	-	-
Other	-	-
Government contributions	-	-
Total receipts	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	-	-
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	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings and advances	-	-
Repayments of borrowings and advances	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE/(DECREASE) IN CASH HELD		
Opening cash and cash equivalents	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

FOR YEAR ENDED 30 JUNE 2010

1. Summary of significant accounting policies

(a) Reporting entity

The *Public Sector Employment and Management (Environment and Conservation) Order 2003* (PSEM) 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. On the 27 April 2007, the Department of Environment and Conservation became the Department of Environment and Climate Change (DECC). On 1 July 2009, the Department of Environment, Climate Change and Water (DECCW) was created as a result of the *Public Sector Employment and Management (Departmental Amalgamations) Order 2009* by combining responsibilities of the former Department of Environment and Climate Change with the water management responsibilities of the former Department of Water and Energy (DWE).

A need was identified 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 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*, in order to facilitate certain activities of DECCW staff.

The EPA has no staff of its own, no material assets under its control and no material liabilities.

While the activities of the EPA are fully integrated within DECCW operations, as a statutory body the EPA is required to produce separate financial statements. The fair value of the expenditure of the EPA has been derived through an assessment by management of the resources consumed by DECCW to enable the EPA to discharge its obligations. A notional grant has been provided by DECCW as an offset.

These financial statements were authorised for issue by the Minister in October 2010.

(b) Basis of preparation

The EPA's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include accounting interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and its Regulation.

Judgements, key assumptions and estimates made by management are disclosed in the relevant notes to the financial statements.

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

(c) Early adoption of standards

At reporting date, a number of Australian Accounting Standards have been issued by the Australian Accounting Standards Board but are not yet operative. These have not been early adopted by the Authority. These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

2. Revenue

	2010 \$'000	2009 \$'000
Other revenue		
Grant from DECCW	82,742	84,804
	82,742	84,804

3. Expenses

	2010 \$'000	2009 \$'000
(a) Operating expenses		
Board member fees and related costs	351	356
Audit fees	10	10
	361	366
(b) Other expenses		
Fees for service – DECCW	82,381	84,438
	82,381	84,438
Total expenditure	82,742	84,804

4. Expenditure by the Department of Environment, Climate Change and Water (DECCW)

Total expenses relating to the EPA have been spent by DECCW in a number of its service groups. This **expenditure is reported in note 1(a) of DECCW's financial statements. A description of each program, its objectives and the amount expended follows.**

Service Group: Climate Change, Policy and Programs

Objective(s): **This service group covers the State's climate change policy response. It delivers water and energy conservation and waste sustainability programs. It develops, implements and reviews strategic policies, programs and procedures pertaining to native vegetation, biodiversity, landscape conservation, environment protection and coastal protection. This service group also develops and manages private land conservation programs including the Biobanking Scheme, NSW Riverbank and other environmental water recovery programs, as well as supporting Catchment Management Authorities.**

Service Group: Environment Protection and Regulation

Objective(s): This service group covers delivering credible, targeted and cost-effective regulation and enforcement across a range of environment protection, conservation, native vegetation and Aboriginal heritage areas. It implements market-based and regulatory programs for industry and local government to reduce environmental impact.

Service Group: Scientific Services

Objective(s): This service group covers scientific research, investigation, monitoring, analysis, evaluation and reporting on a range of climate change, natural resource, and environmental and cultural heritage matters. The service group also interprets and communicates environmental data to inform internal and external decision making, as well as providing laboratory and analytical services to support environment protection, conservation and natural resource programs, and emergency services.

Service Group	2010 \$'000	2009 \$'000
Climate Change and Policy Programs	12,829	17,096
Environment Protection and Regulation	65,631	55,918
Scientific Services	3,921	11,424
	82,381	84,438

5. Contingent liabilities

There are no known contingent liabilities that would impact on the state of affairs of the EPA or have a material impact on the financial statements.

6. After balance date events

There are no known events that would impact on the state of affairs of the EPA or have a material impact on the financial statements.

End of audited financial statements.

Marine Parks Authority



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Marine Parks Authority

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Marine Parks Authority (the Authority), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and a statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Authority as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

Members' Responsibility for the Financial Statements

The members of the Authority are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by members of the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



Steven Martin
Director, Financial Audit Services

20 October 2010
SYDNEY

STATEMENT BY MARINE PARKS AUTHORITY

Financial Report

for the year ended 30 June 2010

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 2010*, we state that:

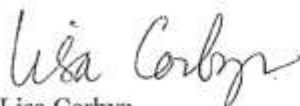
- (a) the accompanying financial report has been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the *Treasurer's Directions*;
- (b) the report exhibits a true and fair view of the financial position and transactions of the Authority; and
- (c) there are no circumstances which would render any particulars included in the financial report to be misleading or inaccurate.



Brendan O'Reilly
Chair, Marine Parks Authority
18 October 2010



Richard Sheldrake 18.10.10
Member, Marine Parks Authority
October 2010



Lisa Corbyn
Member, Marine Parks Authority
17 October 2010

Beginning of audited financial statements

MARINE PARKS AUTHORITY

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
<hr/>			
Revenue			
Retained fees and fines	2(a)	90	78
Government contributions	2(b)	5,536	5,116
Investment revenue	2(c)	11	10
Other revenue	2(d)	29	34
<hr/>			
Total revenue		5,666	5,238
<hr/>			
Less:			
<hr/>			
Expenses			
Operating expenses			
Other operating expenses	3(a)	2,115	1,711
Personnel services	3(b)	3,709	3,402
<hr/>			
Total expenses		5,824	5,113
<hr/>			
Gain/(loss) on disposal of non-current assets		-	-
<hr/>			
SURPLUS/(DEFICIT) FOR THE YEAR		(158)	125
<hr/>			

The accompanying notes form part of these financial statements.

MARINE PARKS AUTHORITY

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Accumulat ed funds \$'000	Total \$'000
Balance at 1 July 2009		408	408
Surplus/(deficit) for the year		(158)	(158)
Balance as at 30 June 2010		250	250
Balance at 1 July 2008		283	283
Surplus/(deficit) for the year		125	125
Balance at 30 June 2009		408	408

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	250	408
Receivables		-	-
Other		-	-
Total current assets		250	408
Non-current assets			
Property, plant and equipment		-	-
Land and buildings		-	-
Plant and equipment		-	-
Total property, plant and equipment		-	-
Intangible assets		-	-
Total non-current assets		-	-
Total assets		250	408
LIABILITIES			
Current liabilities			
Payables		-	-
Borrowings		-	-
Provisions		-	-
Other		-	-
Total current liabilities		-	-
Non-current liabilities			
Borrowings		-	-
Provisions		-	-
Total non-current liabilities		-	-
Total liabilities		-	-
Net assets		250	408

EQUITY

Reserves	-	-
Accumulated funds	250	408
<hr/>		
Total equity	250	408
<hr/>		

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$'000	2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employment related		-	-
Other		(5,824)	(5,113)
Total payments		(5,824)	(5,113)
Receipts			
Retained fees and fines		90	78
Government contributions		5,536	5,116
Interest received		11	10
Other		29	34
Total receipts		5,666	5,238
NET CASH FLOWS FROM OPERATING ACTIVITIES	5	(158)	125
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of land and buildings, and plant and equipment		-	-
Purchases of land and buildings, and plant and equipment		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and advances		-	-
Repayments of borrowings and advances		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH HELD		(158)	125
Opening cash and cash equivalents		408	283
CLOSING CASH AND CASH EQUIVALENTS		250	408

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements

FOR YEAR ENDED 30 JUNE 2010

1. Summary of significant accounting policies

(a) Reporting entity

The Marine Parks Authority (MPA) is a reporting entity established under the *Marine Parks Act 1997*, whose activities are administered by the Department of Environment, Climate Change and Water (DECCW).

The MPA has no staff of its own, no material assets under its control or liabilities.

Transactions relating to the operations of the MPA, as represented in the financial statements, are salaries and operational expenses, and any revenues identified by the administering agency.

The financial statements were authorised for issue by the Chair of the authority during October 2010.

(b) Basis of preparation

The Authority's financial statements are general purpose statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* and Regulations.

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

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

(c) Income recognition

Income is recognised when DECCW has control of the income or right to receive. It is probable that the economic benefits will flow to DECCW and the amount of revenue can be measured reliably.

(d) Employee benefits

The MPA does not employ staff of its own. Staff from DECCW are used to perform various functions in relation to the activities of the MPA.

(e) Capital charge

The MPA does not own assets. It utilises assets controlled by DECCW for the undertaking of its functions. A charge-out cost has been included within operating expenses to reflect the use of these assets. The Marine Parks Authority utilises items such as marine craft, computers, buildings and general plant and equipment.

(f) Marine Parks Act 1997

The *Marine Parks Act 1997* (the Act) commenced on 1 July 1998. The objectives of the Act are to conserve marine biological diversity and marine habitats by declaring and providing for the management of a comprehensive system of marine parks; to maintain ecological processes in marine parks; to provide for the ecologically sustainable use of fish (including commercial and recreational fishing) and marine vegetation in marine parks; and to provide opportunities for public appreciation, understanding and enjoyment of marine parks.

The Act provides for the establishment of a Marine Parks Fund in which all fees and charges under the Act and money received in connection with administration of the Act are paid. During 2009–10, the fund was administered by DECCW.

(g) Early adoption of Australian Accounting Standards

At reporting date, a number of Australian Accounting Standards have been issued by the Australian Accounting Standards Board but are not yet operative. These standards have not been early adopted by the Authority. These standards have been assessed for their possible impact on financial statements, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

2. Revenue

	2010 \$'000	2009 \$'000
(a) Retained fees and fines		
Retained fees and fines	90	78
	90	78
(b) Grants and contributions		
Agency contributions	5,311	4,718
NSW Government	107	127
Federal Government	118	271
	5,536	5,116
(c) Investment revenue		
Interest on bank account	11	10
	11	10
(d) Other revenue		
Other	29	34
	29	34
3. Expenses		
(a) Other operating expenses		
Fees – general	2,115	1,711
	2,115	1,711
(b) Personnel services		
Personnel services provided by DECCW staff	3,709	3,402
	3,709	3,402
4. Cash and cash equivalents		
Cash at bank (Marine Parks Fund)	250	408
	250	408
5. Reconciliation of net cash flows from operating activities to surplus for the year		
Net cash flows from operating activities	(158)	125
Surplus for year	(158)	125

6. Commitments

The MPA did not have any commitments at 30 June 2010.

7. Contingent liabilities

The MPA Board is not aware of any contingent liabilities at 30 June 2010.

End of audited financial statements.

Office of the Hawkesbury–Nepean



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Office of the Hawkesbury-Nepean

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Office of the Hawkesbury-Nepean (the Office), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income for the period 26 February to 30 June 2010, the statement of changes in equity and statement of cash flows for the period then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Office as at 30 June 2010, and its financial performance for the period 26 February to 30 June 2010 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

The Director's Responsibility for the Financial Statements

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Office's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Director, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

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

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- 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 of New South Wales are not compromised in their role by the possibility of losing clients or income.



M T Spriggins
Director, Financial Audit Services

20 October 2010
SYDNEY

Office of the Hawkesbury-Nepean

**Certificate under Section 41C (1B) and (1C) of the Public Finance and Audit Act
1983 and under clause 7 of the Public Finance and Audit Regulation 2010**

Pursuant to the *Public Finance and Audit Act 1983* and under clause 7 of the *Public Finance and Audit Regulation 2010*, I declare that in my opinion:

- (a) The accompanying financial statements exhibits a true and fair view of the financial position of the Office of the Hawkesbury-Nepean as at 30 June 2010, and transactions for the period 26 February 2010 to 30 June 2010.
- (b) The report has been prepared in accordance with :
- applicable Australian Accounting Standards (which include Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standard Board; and
 - the provisions of the *Public Finance and Audit Act 1983* and under clause 7 of *Public Finance and Audit Regulation 2010*.
- (c) As at the date of this Certificate, there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Maree Abood
A/g Director, Office of the Hawkesbury-Nepean

Date: 20.10.10

Beginning of audited financial statements

OFFICE OF THE HAWKESBURY-NEPEAN

Statement of comprehensive income

FOR THE PERIOD 26 FEBRUARY TO 30 JUNE 2010

	Notes	26/2/2010 to 30/6/2010 \$'000
<hr/>		
Revenue		
Government contributions	2(a)	10,268
Investment revenue	2(b)	161
<hr/>		
Total revenue		10,429
<hr/>		
Less:		
<hr/>		
Expenses		
Other operating expenses	3(a)	175
Grants	3(b)	189
Personnel services	3(c)	374
<hr/>		
Total expenses		738
<hr/>		
Gain/(loss) on disposal of non-current assets		-
<hr/>		
SURPLUS FOR THE PERIOD	5	9,691
<hr/>		
Other comprehensive income for the period		-
<hr/>		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,691
<hr/>		

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2010

	Notes	2010 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	4	9,779
Total current assets		9,779
Non-current assets		
Total non-current assets		-
Total assets		9,779
LIABILITIES		
Current liabilities		
Payables		88
Total current liabilities		88
Non-current liabilities		
Total non-current liabilities		-
Total liabilities		88
Net assets		9,691
EQUITY		
Accumulated funds		9,691
Total equity		9,691

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE PERIOD 26 FEBRUARY TO 30 JUNE 2010

	Notes	Accumulat ed funds \$'000	26/2/2010 to 30/6/2010 \$'000
Balance as at 26 February 2010		-	-
Surplus for the period	5	9,691	9,691
Other comprehensive income for the period		-	-
Balance as at 30 June 2010		9,691	9,691

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE PERIOD 26 FEBRUARY TO 30 JUNE 2010

	26/2/2010 to 30/6/2010
Notes	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments	
Employment related	(342)
Other	(278)
Total payments	(620)
Receipts	
Government contributions	10,238
Interest received	161
Total receipts	10,399
NET CASH FLOWS FROM OPERATING ACTIVITIES	5 9,779
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of land and buildings, and plant and equipment	-
Purchases of land and buildings, and plant and equipment	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings and advances	-
Repayments of borrowings and advances	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	-
NET INCREASE/(DECREASE) IN CASH HELD	9,779
Cash and cash equivalents at the beginning of financial period	-
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	9,779

The accompanying notes form part of these financial statements.

Notes to the financial statements

FOR THE PERIOD ENDED 30 JUNE 2010

1. Summary of significant accounting policies

(a) Reporting entity

The Office of Hawkesbury–Nepean (the Office), is a NSW Government agency established on 26 February 2010 under the *Hawkesbury–Nepean Rivers Act 2009*. The activities of the Office are administered by the NSW Office of Water, a division of the Department of Environment, Climate Change and Water (DECCW).

The Office is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Office is a Statutory Body.

The Office has no staff of its own.

Transactions relating to the operations of the Office as represented in the financial statements are salaries and operational expenses, and any revenues identified by the administering agency.

The financial statements were authorised for issue by the Acting Director of the Office on 20 October 2010.

(b) Basis of preparation

The Office's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards and Australian Accounting Interpretations
- the requirements of the *Public Finance and Audit Act 1983* and Regulations.

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

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

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

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Income recognition

Income is recognised when (a) the Office has control of, or right to receive, the income (b) it is probable that the economic benefits will flow to the Office and (c) the amount of revenue can be measured reliably.

(e) Employee benefits

The Office does not employ staff of its own. Staff from DECCW are used to perform various functions in relation to the activities of the Office.

(f) Assets

The Office utilises DECCW assets, such as computers and general plant and equipment, for the undertaking of its functions.

Cash assets relating to unspent project funding are held within the bank account of DECCW as at the reporting date.

(g) Hawkesbury–Nepean Rivers Act 2009

The *Hawkesbury–Nepean Rivers Act 2009* (the Act) commenced on 26 February 2010. The objects of the Act are (a) to improve the coordination and implementation of management strategies in relation to the health of the Hawkesbury–Nepean river system, (b) to improve public access to information about management strategies in relation to the health of the Hawkesbury–Nepean river system, (c) to provide increased opportunities for public involvement in the development of management strategies in relation to the health of the Hawkesbury–Nepean river system, (d) to improve the management of development in

the Hawkesbury–Nepean waters.

(h) Early adoption of Australian Accounting Standards

At reporting date a number of Australian Accounting Standards have been issued by the Australian Accounting Standards Board but are not yet operative. These have not been early adopted by the Office. These standards have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

2. Revenue

	2010 \$'000
(a) Government contributions	
NSW Government	30
Federal Government	10,238
	<hr/> 10,268 <hr/>
(b) Investment revenue	
Interest earned on funds held in DECCW bank account	161
	<hr/> 161 <hr/>

3. Expenses

(a) Other operating expenses	
Fees	139
Other	36
	<hr/> 175 <hr/>
(b) Grants	
Other grants and subsidies	189
	<hr/> 189 <hr/>
(c) Personnel services	
Personnel services provided by DECCW staff	374
	<hr/> 374 <hr/>

4. Cash and cash equivalents

Cash at bank held in DECCW bank account	9,779
	<hr/> 9,779 <hr/>

5. Reconciliation of surplus for the period to cash flows from operating activities

Surplus for the period	9,691
Increase in payables	88
Net cash flows from operating activities	<hr/> 9,779 <hr/>

6. Commitments

The Office did not have any material commitments at 30 June 2010.

7. Contingent liabilities

The Office is not aware of any contingent liabilities at 30 June 2010.

8. Financial instruments

The principal financial instruments of the Office are outlined below. These financial instruments arise directly from operations, or are required to finance the operations, of the Office. The Office does not enter into or trade financial instruments for speculative purposes. The Office does not use financial derivatives.

The Office's main risks arising from financial instruments are outlined below, together with the objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial statement.

The Office has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Office to set risk limits and controls and to monitor risk.

Compliance with policies is reviewed by the Office on a continuous basis.

(a) Financial instrument categories

	Notes	Category	Carrying amount 2010 \$'000
<hr/> Financial assets <hr/>			
Class:			
Cash and cash equivalents	4	N/A	9,779
			<hr/> 9,779 <hr/>
<hr/> Financial liabilities <hr/>			
Class:			
Payables ¹		Financial liabilities measured at amortised cost	88
			<hr/> 88 <hr/>

Note:

1. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

(b) Credit risk

Credit risk arises when there is a possibility of the Office's debtors defaulting on their contractual obligations resulting in financial loss. Maximum exposure to credit risk is generally represented by carrying amount of financial assets. Credit risk arises from the financial assets including cash, receivables, and authority deposits. No collateral is held by the Office. The Office has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances held in DECCW's bank account. Interest is earned on daily bank balances at the bank's annual effective rate.

(c) Liquidity risk

The Office manages its liquidity risk as much as practicable through the effective application of cash management practices. These practices aim to reduce the exposure to liquidity risk by ensuring the Office

has sufficient funds available to meet supplier obligations at all times.

This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various supplier liabilities.

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 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. During the period there were no interest charges for late payment.

The table below summarises the maturity profile of the Office of the Hawkesbury–Nepean's financial liabilities, together with the interest rate exposure.

	Weighted average effective interest rate %	Nominal amount ¹ \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing \$'000	<1 year \$'000	1-5 years \$'000	>5 years \$'000
30 June 2010								
Payables	–	88	–	–	88	88	–	–
	–	88	–	–	88	88	–	–

Note:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore may not reconcile to the Statement of Financial Position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate **because of changes in market prices. The Office's exposure to market risk is** through interest rate risks in relation to its interest earning deposits. The Office has no exposure to market risk related to borrowings or foreign currency dealings and it does not enter into commodity contracts.

Interest rate risk

Exposure to interest rate risk arises primarily through the Office's interest earning deposits. The Office uses a reasonably possible change of +/- 1% to assess its exposure to interest rate risk, which is consistent **with trends in interest rates. The Office's exposure to interest rate risk is set out below.**

	Carrying amount \$'000	-1%		1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010					
Financial assets					
Cash and cash equivalents	9,779	(98)	(98)	98	98
Financial liabilities					
Payables	88	–	–	–	–

End of audited financial statements.