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General information

These financial statements report on the Department of Environment and Resource Management for the reporting period 27 March 2009 to 30 June 2009.

The Department of Environment and Resource Management is a Queensland Government department established under the *Public Service Act 2008*.

It is controlled by the State of Queensland which is the ultimate parent. The head office and principal place of business of the department is:

Level 13, Mineral House
41 George Street
Brisbane Qld 4000

A description of the nature of the operations and principal activities of this department is included in the notes to the financial statements.

The Department of Environment and Resource Management was established as a result of the Public Service Departmental Arrangements Notice (No.2) 2009. Further details on this administrative restructuring is included in the notes to the financial statements.

For information in relation to these financial statements please call (07) 3247 4259.

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Financial statements

**Department of Environment and Resource Management
Statement of Comprehensive Income
for the period 27 March 2009 to 30 June 2009***

	Notes	2009 \$'000
Income from continuing operations		
Revenue		
Output revenue	1	154,562
User charges	2	20,125
Grants and other contributions	3	39,441
Royalties, property and other territorial revenue	4	4,282
Interest revenue	5	55
Other revenue	7	4,436
Gains		
Gain on sale of property, plant and equipment	8	225
Total income from continuing operations		223,126
Expenses from continuing operations		
Employee expenses	9	107,057
Supplies and services	10	60,422
Grants and subsidies	11	31,035
Rebates **	12	(6,856)
Depreciation and amortisation	13	17,972
Finance/borrowing costs	14	57
Other expenses	16	4,219
Total expenses from continuing operations		213,906
Operating result from continuing operations		9,220
Other comprehensive income		
Increase in asset revaluation reserve	32	5,975
Total other comprehensive income		5,975
Total comprehensive income		15,195

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

** The negative expenditure relates to an over estimation by the former Department of Natural Resources and Water at 26 March 2009, of the number and extent of claims likely to be lodged in the wind up of the Home Water Wise Rebate Scheme. The final actual expenditure of \$14.125 million was not determined until cessation of this scheme at 30 June 2009.

Department of Environment and Resource Management
Statement of Comprehensive Income
for the period 27 March 2009 to 30 June 2009*

<i>Administered on a whole-of-Government basis</i>		
	Notes	2009 \$'000
Income from continuing operations		
Revenue		
Administered appropriation revenue **	1	(1,044)
Fees and fines	2	58,210
Grants and other contributions	3	5,141
Royalties, property and other territorial revenue	4	199
Interest revenue	5	564
Land transfers from non-Queensland Government entities	6	126,062
Gains		
Gain on sale of property, plant and equipment	8	528
Total income from continuing operations		189,660
Expenses from continuing operations		
Supplies and services	10	372
Grants and subsidies	11	7,196
Depreciation	13	92
Finance/borrowing costs	14	1
Land transfers	15	96,779
Other expenses	16	5,578
Total expenses from continuing operations		110,018
Net operating result before transfers to government		79,642
Transfers of administered item revenue to government		53,034
Operating result from continuing operations		26,608
Other comprehensive income		
Increase in asset revaluation reserve	32	40,460,551
Total other comprehensive income		40,460,551
Total comprehensive income		40,487,159

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

** Subsequent to the abolition of the Department of Natural Resources and Water on 26 March 2009, appropriation funding received by the former department was determined to be in excess of requirements and returned by the new Department of Environment and Resource Management to Consolidated Fund on behalf of the former entity. The funding requirements of the new department for the period 27 March 2009 to 30 June 2009 were subsequently less than the amount returned to Consolidated Fund thus resulting in net negative appropriation funding for the new entity.

Department of Environment and Resource Management
Statement of Financial Position
as at 30 June 2009*

	Notes	2009 \$'000
Current assets		
Cash and cash equivalents	17	84,390
Receivables	18	42,328
Inventories	20	2,104
Unexpended advances	21	8,126
Other	22	11,376
		148,324
Non current assets classified as held for sale	23	161
Total current assets		148,485
Non current assets		
Receivables	18	399
Property, plant and equipment	24	3,511,102
Intangible assets	25	25,413
Total non current assets		3,536,914
Total assets		3,685,399
Current liabilities		
Payables	26	38,630
Accrued employee benefits	28	10,650
Unearned revenue	29	21,161
Other financial liabilities	27	529
Proposals and deposits	30	10
Other	31	54,546
Total current liabilities		125,526
Non current liabilities		
Other financial liabilities	27	1,896
Total non current liabilities		1,896
Total liabilities		127,422
Net assets		3,557,977
Equity		
Contributed equity	34	3,542,782
Retained surpluses		9,220
Asset revaluation reserve	32	5,975
Total equity		3,557,977

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Financial Position
as at 30 June 2009*

<i>Administered on a whole-of-Government basis</i>		
	Notes	2009 \$'000
Current assets		
Cash and cash equivalents	17	37,638
Receivables	18	68,485
		106,123
Non current assets classified as held for sale	23	8,269
Total current assets		114,392
Non current assets		
Receivables	18	50,918
Property, plant and equipment	24	63,983,240
Total non current assets		64,034,158
Total assets		64,148,550
Current liabilities		
Payables	26	30,300
Proposals and deposits	30	35,449
Other	31	2,418
Total current liabilities		68,167
Total liabilities		68,167
Net assets		64,080,383
Equity		
Contributed equity	34	23,593,224
Retained surpluses		26,608
Asset revaluation reserve	32	40,460,551
Total equity		64,080,383

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Changes in Equity
for the period 27 March 2009 to 30 June 2009*

	Contributed equity (note 34)	Retained surpluses	Asset revaluation reserve (note 32)
	2009	2009	2009
	\$'000	\$'000	\$'000
Balance at 27 March 2009	-	-	-
Total comprehensive income	-	9,220	5,975
Transactions with owners as owners			
Equity injections (note 1)	(439)	-	-
Equity withdrawals (note 1)	(4,370)	-	-
Non-appropriated equity withdrawals	(2,064)	-	-
Net transfer of assets / liabilities from other government agencies	6,711	-	-
Correction of error **	(71)	-	-
Net assets received via machinery-of-Government change	3,543,015	-	-
Balance at 30 June 2009	3,542,782	9,220	5,975

** Refer note 44

<i>Administered on a whole-of-Government basis</i>	Contributed equity (note 34)	Retained surpluses	Asset revaluation reserve (note 32)
	2009	2009	2009
	\$'000	\$'000	\$'000
Balance at 27 March 2009	-	-	-
Total comprehensive income	-	26,608	40,460,551
Transactions with owners as owners			
Equity injections (note 1)	-	-	-
Equity withdrawals (note 1)	(527)	-	-
Non-appropriated equity withdrawals	(8,078)	-	-
Transfers of land (to) from other government and related agencies	(2,001)	-	-
Prior period adjustment **	19,286	-	-
Net assets received via machinery-of-Government change	23,584,544	-	-
Balance at 30 June 2009	23,593,224	26,608	40,460,551

** Refer note 44

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Cash Flows
for the period 27 March 2009 to 30 June 2009*

	Notes	<u>2009</u> <u>\$'000</u>
Cash flows from operating activities		
<i>Inflows:</i>		
Output receipts		159,718
User charges		25,687
Grants and other contributions		37,306
Royalties, property and other territorial receipts		4,039
Interest receipts		112
GST input tax credits received from Australian Taxation Office		9,769
GST collected from customers		853
Other		11,279
<i>Outflows:</i>		
Employee expenses		(108,920)
Supplies and services		(76,573)
Grants and subsidies		(31,311)
GST remitted to Australian Taxation Office		(1,941)
GST remitted to suppliers		(3,333)
Borrowing costs		(57)
Rebates		(14,210)
Other		(4,196)
Net cash from operating activities	35	<u>8,222</u>
Cash flows from investing activities		
<i>Inflows:</i>		
Sales of property, plant and equipment		1,049
Loans and advances redeemed		171
<i>Outflows:</i>		
Payments for property, plant and equipment and intangibles		<u>(19,353)</u>
Net cash (used in) investing activities		<u>(18,133)</u>
Cash flows from financing activities		
<i>Inflows:</i>		
Equity injections		8,158
<i>Outflows:</i>		
Borrowing redemptions		(125)
Equity withdrawals		(13,106)
Non-appropriated equity withdrawals		<u>(2,064)</u>
Net cash provided by (used in) financing activities		<u>(7,137)</u>
Net increase (decrease) in cash and cash equivalents		(17,048)
Transfer of cash due to machinery-of-Government change		101,438
Cash and cash equivalents at beginning of reporting period		-
Cash and cash equivalents at end of reporting period	17	<u><u>84,390</u></u>

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Cash Flows
for the period 27 March 2009 to 30 June 2009*

<i>Administered on a whole-of-Government basis</i>		2009
	Notes	\$'000
Cash flows from operating activities		
<i>Inflows:</i>		
Fees and fines		53,820
Grants and other contributions		280
Royalties, property and other territorial receipts		4,257
Interest receipts		544
GST input tax credits received from Australian Taxation Office		45
Other		5,997
<i>Outflows:</i>		
Administered appropriation revenue returned to Queensland Treasury		(2,964)
Transfers of administered item revenue to government		(62,975)
Supplies and services		(764)
GST remitted to Australian Taxation Office		(665)
Other		(3,167)
Net cash (used in) operating activities	35	(5,592)
Cash flows from investing activities		
<i>Inflows:</i>		
Sales of property, plant and equipment		11,327
Finance leases redeemed		827
<i>Outflows:</i>		
Payments for property, plant and equipment		(1,839)
Loans and advances made		(22)
Net cash provided by investing activities		10,293
Cash flows from financing activities		
<i>Outflows:</i>		
Equity withdrawals		(527)
Non-appropriated equity withdrawals		(8,078)
Net cash provided by (used in) financing activities		(8,605)
Net increase (decrease) in cash and cash equivalents		(3,904)
Transfer of cash and cash equivalents due to machinery-of-Government		41,542
Administered cash and cash equivalents at beginning of reporting period		-
Administered cash and cash equivalents at end of reporting period	17	37,638

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Comprehensive Income by Outputs / Major Activities
for the period 27 March 2009 to 30 June 2009*

	Water and catchment services	Land and vegetation services	Conservation and environmental services	Sustainable futures	Performance capability	Total
	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income** from continuing operations						
Revenue						
Output revenue	40,584	42,407	57,097	10,056	4,418	154,562
User charges	2,061	16,328	330	1,184	222	20,125
Grants and other contributions	19,461	227	3,251	14,263	2,239	39,441
Royalties, property and other territorial revenue	31	4,251	-	-	-	4,282
Interest revenue	42	13	-	-	-	55
Other revenue	113	165	4,109	6	43	4,436
Gains						
Gain on sale of property, plant and equipment	4	15	211	1	(6)	225
Total income from continuing operations	62,296	63,406	64,998	25,510	6,916	223,126
Expenses** from continuing operations						
Employee expenses	22,257	38,910	32,415	9,910	3,565	107,057
Supplies and services	13,690	17,152	18,611	8,844	2,125	60,422
Grants and subsidies	26,566	(427)	179	4,552	165	31,035
Rebates	(6,952)	96	-	-	-	(6,856)
Depreciation and amortisation	1,136	2,573	13,686	154	423	17,972
Finance/borrowing costs	-	-	-	-	57	57
Other expenses	334	2,848	658	325	54	4,219
Total expenses from continuing operations	57,031	61,152	65,549	23,785	6,389	213,906
Operating result from continuing operations	5,265	2,254	(511)	1,725	527	9,220

**Allocation of corporate services income and expenses to outputs (disclosure only):

Income from ordinary activities	12,560	21,957	5,319	1,206	567	41,609
Expenses from ordinary activities	12,560	21,957	6,358	1,441	678	42,994

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

**Statement of Comprehensive Income by Outputs / Major Activities
for the period 27 March 2009 to 30 June 2009***

Administered on a whole-of-Government basis

	Water and catchment services	Land and vegetation services	Conservation and environmental services	Sustainable futures	Performance capability	Total
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Income						
Revenue						
Administered appropriation	322	(1,366)	-	-	-	(1,044)
Fees and fines	2,118	48,588	7,504	-	-	58,210
Grants and other contributions	5,141	-	-	-	-	5,141
Royalties, property and other territorial revenue	174	(65)	90	-	-	199
Interest revenue	1	563	-	-	-	564
Land transfers from non-Queensland government entities	-	126,062	-	-	-	126,062
Gains						
Gain on sale of property, plant and equipment	-	528	-	-	-	528
Total income	7,756	174,310	7,594	-	-	189,660
Expenses						
Supplies and services	372	-	-	-	-	372
Grants and subsidies	4,849	2,347	-	-	-	7,196
Depreciation	-	92	-	-	-	92
Land transfers	-	96,779	-	-	-	96,779
Finance/borrowing costs	-	-	1	-	-	1
Other expenses	-	5,561	17	-	-	5,578
Total expenses	5,221	104,779	18	-	-	110,018
Net operating result before transfers to government	2,535	69,531	7,576	-	-	79,642
Transfers of administered item revenue to government	2,227	45,994	4,813	-	-	53,034
Operating result from continuing operations	308	23,537	2,763	-	-	26,608

The accompanying notes form part of these statements

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

**Department of Environment and Resource Management
Statement of Assets and Liabilities by Outputs / Major Activities
as at 30 June 2009***

	Water and catchment services	Land and vegetation services	Conservation and environmental services	Sustainable futures	Performance and capability	General-not attributable	Total
	2009	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets							
Cash and cash equivalents	-	-	-	-	-	84,390	84,390
Receivables	7,063	17,221	-	-	-	18,044	42,328
Inventories	1,799	15	200	7	83	-	2,104
Unexpended advances	6,221	-	-	-	-	1,905	8,126
Other	2,689	3,636	-	-	-	5,051	11,376
	17,772	20,872	200	7	83	109,390	148,324
Non current assets classified as held for sale	76	85	-	-	-	-	161
Total current assets	17,848	20,957	200	7	83	109,390	148,485
Non current assets							
Receivables	-	399	-	-	-	-	399
Property, plant and equipment	72,282	103,260	3,258,820	39,320	37,420	-	3,511,102
Intangibles	5,172	13,337	4,481	1,575	848	-	25,413
Total non current assets	77,454	116,996	3,263,301	40,895	38,268	-	3,536,914
Total assets	95,302	137,953	3,263,501	40,902	38,351	109,390	3,685,399
Current liabilities							
Payables	10,756	15,503	-	-	-	12,371	38,630
Accrued employee benefits	328	5,820	-	-	-	4,502	10,650
Unearned revenue	10,101	7,121	1,447	1,916	576	-	21,161
Proposals and deposits	-	10	-	-	-	-	10
Other financial liabilities	-	-	-	-	529	-	529
Other	(520)	55,066	-	-	-	-	54,546
Total current liabilities	20,665	83,520	1,447	1,916	1,105	16,873	125,526
Non current liabilities							
Other financial liabilities	-	-	-	-	-	1,896	1,896
Total non current liabilities	-	-	-	-	-	1,896	1,896
Total liabilities	20,665	83,520	1,447	1,916	3,001	16,873	127,422
Net assets	74,637	54,433	3,262,054	38,986	35,350	92,517	3,557,977

The department has systems in place to allocate assets and liabilities by output.

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Statement of Assets and Liabilities by Outputs / Major Activities
as at 30 June 2009*

	Administered on a whole-of-Government basis							Total
	Water and catchment services	Land and vegetation services	Conservation and environmental services	Sustainable futures	Performance capability	General-not attributable	2009 \$'000	
Current assets	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Cash and cash equivalents	-	-	4,320	-	-	33,318	37,638	
Receivables	5,504	56,220	6,761	-	-	-	68,485	
	5,504	56,220	11,081	-	-	33,318	106,123	
Non current assets classified as held for sale	-	8,269	-	-	-	-	8,269	
Total current assets	5,504	64,489	11,081	-	-	33,318	114,392	
Non current assets								
Receivables	-	50,918	-	-	-	-	50,918	
Property, plant and equipment	116,538	63,866,702	-	-	-	-	63,983,240	
Total non current assets	116,538	63,917,620	-	-	-	-	64,034,158	
Total assets	122,042	63,982,109	11,081	-	-	33,318	64,148,550	
Current liabilities								
Payables	4,312	24,368	1,620	-	-	-	30,300	
Proposals and deposits	-	35,449	-	-	-	-	35,449	
Other liabilities	-	2,418	-	-	-	-	2,418	
Total current liabilities	4,312	62,235	1,620	-	-	-	68,167	
Total liabilities	4,312	62,235	1,620	-	-	-	68,167	
Net assets	117,730	63,919,874	9,461	-	-	33,318	64,080,383	

The department has systems in place to allocate assets and liabilities by output.

* Refer to note (a) regarding the machinery-of-Government changes that led to the establishment of the Department of Environment and Resource Management.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

Note	Note title
	Objectives and principal activities of the department
	Summary of significant accounting policies
1	Reconciliation of payments from Consolidated Fund
2	User charges, fees and fines
3	Grants and other contributions
4	Royalties, property and other territorial revenue
5	Interest revenue
6	Land transfers from non-Queensland Government entities
7	Other revenue
8	Gain on sale of property, plant and equipment
9	Employee expenses
10	Supplies and services
11	Grants and subsidies
12	Rebates
13	Depreciation and amortisation
14	Finance/borrowing costs
15	Land transfers
16	Other expenses
17	Cash and cash equivalents
18	Receivables
19	Leases
20	Inventories
21	Unexpended advances
22	Other current assets
23	Non current assets classified as held for sale
24	Property, plant and equipment
25	Intangibles
26	Payables
27	Other financial liabilities
28	Accrued employee benefits
29	Unearned revenue
30	Proposals and deposits
31	Other liabilities
32	Asset revaluation reserve
33	Net assets received via machinery-of-Government
34	Contributed equity reconciliation
35	Reconciliation of net operating result from continuing operations to net cash
36	Non-cash financing and investing activities
37	Commitments for expenditure
38	Contingencies
39	Events occurring after balance date
40	Interest in joint ventures
41	Financial instruments
42	Trust transactions and balances
43	Agency transactions
44	Correction of error

Objectives and principal activities of the department

The objectives of the Department of Environment and Resource Management are to:

- effectively manage the state's water resources;
- partner with the community and stakeholders to enhance catchment health;
- facilitate effective management and sustainable use of the state's natural resources;
- implement effective land ownership and access strategies and protection of cultural heritage and native title, for Indigenous Queenslanders;
- provide security of access to resources to underpin the state's economic activity;
- provide environmentally sustainable solutions for Queensland's future through leadership in:
 - conservation of Queensland's landscapes;
 - enablement of sustainable development;
 - improvement of business and industry's environmental performance;
 - developing climate change policy responses; and
 - building community knowledge and participation.
- develop and support staff in fulfilling their roles to enable business areas to deliver their outcomes.

The department is funded for the outputs it delivers principally by parliamentary appropriations. It also provides the following on a fee for service basis:

- land and environmental information services including maps, publications, statistics, surveys, valuations and searches and other products and the provision of services for the Queensland Government Agency Project and Smart Services Queensland;
- native vegetation information and services including publications, research and scientific analysis;
- provision of training and technical and science support; and
- sale of timber and quarry materials.

Department of Environment and Resource Management Notes to and forming part of the financial statements

Summary of significant accounting policies

(a) Basis of accounting

These financial statements have been prepared in accordance with Australian Accounting Standards. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the period ending 30 June 2009 and other authoritative pronouncements.

These financial statements constitute a general purpose financial report. Except where stated, the historical cost convention is used.

The Department of Environment and Resource Management was formed by the amalgamation of the former Department of Natural Resources and Water and the former Environmental Protection Agency. Under *Public Service Departmental Arrangements Notice (No.2) 2009*, effective 26 March 2009, responsibility for the functions previously undertaken by these former entities was transferred to the Department of Environment and Resource Management.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department.

The outputs/major activities undertaken by the department are disclosed in paragraph (y).

These financial statements also incorporate the financial balances of the Wet Tropics Management Authority and Joint Field Management Program of the Great Barrier Marine Park Authority as performed by Queensland Parks and Wildlife.

(c) Administered transactions and balances

The department administers, but does not control, certain resources on behalf of the Government. In doing so, it is responsible and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

The principal resource administered by the department is state-owned land (which includes leasehold land, land under roads, unallocated state land and reserves) with associated activities being the allocation and management of this land.

(d) Trust and agency transactions and balances

The department holds cash and bank guarantees on behalf of companies and individuals for the following:

- a. As a condition of volumetric leases entered into under the *Land Act 1994*, the lessee is required to provide a security in the form of a bank guarantee to be retained by the department to ensure compliance with specific requirements. The security together with the lease agreement commits the lessee to perform specific reparation conditions set out in the lease.
- b. As a condition of the environmental authority for petroleum leases under the *Petroleum and Gas (Production and Safety) Act 2004*, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- c. As a condition of forestry products timber sales contracts, a financial security of cash or bank guarantee must be provided to the department to ensure achievement of specific requirements. Upon receipt of the cash deposits, the department recognises interest accrued during the period the department has custody of the moneys. The amount of interest accrued each year is recognised as an expense.
- d. For development applications under the *Vegetation Management Act 1999* and *Integrated Planning Act 1997*, applicants may be required to provide financial security of cash or bank guarantee as a means of meeting a particular aspect of a vegetation management code. The security together with the agreement commits the developer to providing a vegetation offset within twelve months. No interest is paid by the department in respect to the cash security held.
- e. At balance date the department also held, in a fiduciary capacity, monies deposited in the various Single Holding Accounts representing funding provided by the Commonwealth Government yet to be released or distributed to specific proponents.

As the department acts only in a custodial role in respect of these transactions and balances, they are not recognised in the financial statements, but are disclosed in note 42. Applicable audit arrangements are also shown.

The department acts as an agent in the collection and distribution of charges and levies for various public sector agencies and local governments both through its Queensland Government Agency Project (QGAP) offices and the Smart Service Queensland Project.

The department also acts as an agent for employees in the collection and distribution of certain moneys through the salary sacrifice facility of the departmental payroll system. Refer to note 43.

Department of Environment and Resource Management Notes to and forming part of the financial statements

(e) Output revenue/administered revenue

Appropriations provided under the annual Appropriation Act are recognised as revenue when received. Approval has been obtained from Queensland Treasury to recognise specific adjustments to output revenue. Refer to note 1.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations. Approval has been obtained from Queensland Treasury to recognise specific adjustments to administered appropriation revenue. Refer to note 1.

(f) User charges, fees and fines

User charges and fees controlled by the department are recognised as revenues when invoices for the related services are issued. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. Refer to note 2.

Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to note 2.

(g) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the department obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased if they had not been donated.

(h) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June 2009, as well as deposits with financial institutions.

(i) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within a ranged trading term from 14 days to 30 days from invoice date depending on the service provided.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June 2009.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Other than receivables from government, settlement terms of these debtors are between 14-30 days net, with the exception of loan and finance lease receivables that range from 2-40 years.

Collateral in the form of security over property is held for loan and finance lease receivables. On full repayment of finance leases, the title for the relevant land is transferred to the purchaser. Refer to notes 18 and 19.

(j) Inventories

Inventories held for sale are valued at the lower of cost and net realisable value.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Net realisable value is determined on the basis of the department's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

(k) Non current assets classified as held for sale

Non current assets held for sale consists of those assets which management has determined are available for immediate sale in their present condition, for which their sale is highly probable within the next twelve months.

These assets are measured at the lower of the assets' carrying amounts and their fair values less costs to sell. These assets are not depreciated.

(l) Work in progress

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment and intangibles constructed in-house are recorded as work in progress until completion of the project using all direct costs and, where reliably attributable, indirect costs. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

Department of Environment and Resource Management Notes to and forming part of the financial statements

(m) Acquisitions of assets

Actual cost is used for the initial recording of all non current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, such as architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government department, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(n) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Asset Class	Threshold
Land	\$ 1
Buildings and Infrastructure	\$ 10,000
Other (including heritage and cultural)	\$ 5,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken by the department are included with Buildings or Infrastructure based on the proximity of the asset to which they relate.

Research, design and appraisal studies

Preliminary appraisal costs, cost estimates and/or investigating study costs that precede management decisions on the acceptance of particular projects are expensed as incurred.

Land Under Roads

In Queensland, land under roads not subject to freehold or leasehold title or reserve tenure vests in the State of Queensland as per the *Land Act 1994*. The Department of Environment and Resource Management administers the *Land Act 1994* on behalf of the State and land under roads that is not subject to such title is therefore considered an administered asset of the department.

Land under roads subject to freehold or leasehold title or reserve tenure is recorded by the entity that holds the freehold or leasehold title or trusteeship of a reserve.

In accordance with AASB 1051 *Land Under Roads* and Queensland Treasury policy, the former Department of Natural Resources and Water elected to recognise only land under roads acquired post 1 July 2008. Upon the creation of the Department of Environment and Resource Management on 27 March 2009, this department assumed administrative responsibility for land under roads from the former department and in so doing, recognised the balance of the value of all land under roads that had not been previously recognised.

The unrecognised balance at 27 March 2009 was recorded as a revaluation and accounted for through the asset revaluation reserve.

Quarries

Quarries have not been valued on the basis that it is not practicable to determine the surrounding reserves available for extraction. Revenue from extraction of quarry materials is recognised when the permittee lodges a return of material extracted.

Native Forests

The department is currently overseeing the final harvesting of forest timber from state owned native forests and certain leasehold lands. This activity is part of a process of transitioning native forests into nature conservation reserves managed by the department. Under the guidelines of AASB 141 *Agriculture* the department considers that it does not meet the criteria of managing agricultural activity which would require the valuation of available timber as biological assets. Consequently, the value of native forest products has not been recognised in the Balance Sheet. This assessment will be reviewed should circumstances change.

Deeds of grant in trust

The department administers certain parcels of land, which are granted to and controlled by other entities in terms of Deeds of Grant in Trust under the *Land Act 1994*. The value of this land should be recognised in the financial statements of the entities using the land and are therefore not included in the department's financial statements. At 30 June 2009, the department administered 429 parcels of land in this category.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

(n) Property, plant and equipment (continued)

Land transfers from non-Queensland Government entities

Land is transferred from non Queensland Government entities for public use at no charge in accordance with certain planning and legislative requirements. Assets acquired at no value are recognised as revenue, using fair value, at the time of transfer. Refer note (g).

Land transfers to non-Queensland Government entities

Land, no longer required and transferred to non Queensland Government entities at no charge in accordance with certain planning and legislative requirements, is recognised as expenditure, using fair value, at the time of transfer. Refer note (g).

Library materials

Items in the department's technical library are expensed on acquisition.

Repairs and maintenance

Expenditure incurred in normal operations to ensure that an asset realises its normal operating capacity until the conclusion of its useful life is regarded as repairs and maintenance and is expensed.

Expenditure that enhances an existing asset, significantly replaces or refurbishes an asset, or extends the asset's useful life, capacity, function and/or efficiency is capitalised into the carrying amount of the asset.

(o) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the department, less any anticipated residual value. The residual value is zero for all the department's intangible assets.

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Internally Generated Software

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the department, namely 3 – 10 years.

Purchased Software

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the department, namely 3 – 10 years.

(p) Amortisation of intangibles and depreciation of property, plant and equipment

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department.

Assets under construction (work in progress) are not depreciated or amortised until they reach service delivery capacity.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of leases includes any option period where exercise of the option is probable.

Plant and equipment subject to a finance lease is amortised on a straight line basis over the term of the lease, or, where it is likely that the department will obtain ownership of the asset, the expected useful life of the asset to the department.

(p) Amortisation of intangibles and depreciation of property, plant and equipment (continued)

For each class of depreciable asset the following depreciation and amortisation rates are used:

Physical asset class	Rate %		
Buildings	1.25	-	14.3
Heritage			0
Infrastructure	1.0	-	7.0
Plant and equipment			
Motor vehicles	10.0		20.0
Heavy vehicles	10.0	-	20.0
Scientific and technical equipment	6.7	-	33.3
Office equipment	10.0	-	20.0
Computer equipment	20.0	-	33.3
Leasehold improvements	10.0	-	14.3
Boats and boating equipment	7.0	-	10.0
Other equipment	5.0	-	33.3
Intangible asset class			
Internally generated software	10.0	-	33.0
Purchased software	10.0	-	33.0

(q) Impairment of non current assets

All non current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note (r).

(r) Revaluations of non current physical and intangible assets

Land, buildings, infrastructure, major plant and equipment and heritage and cultural assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

Heritage and cultural assets, excluding land gazetted under the *Nature Conservation Act 1992* are indexed on an annual basis.

Non current physical assets measured at fair value are comprehensively revalued at least once every five years with interim valuations, using appropriate indices, being otherwise performed on an annual basis where there has been a material variation in the index.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation reserve of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation reserve relating to that class. On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Only those assets, the total values of which are material compared to the value of the class of assets to which they belong, are comprehensively revalued.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Department of Environment and Resource Management Notes to and forming part of the financial statements

(s) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Where a non current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

(t) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

(u) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss
- Receivables – held at amortised cost
- Payables – held at amortised cost

All borrowings are held at amortised cost. Any borrowing costs are added to the carrying amount of the borrowing to the extent they are not settled in the period in which they arise.

The department does not enter transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the department holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the department are disclosed in note 41.

(v) Employee benefits

Wages, salaries, and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the nominal salary rates. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual leave

The Queensland Government's Annual Leave Central Scheme became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Effective 30 June 2008, no provision for annual leave has been recognised in the department's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

(v) Employee benefits (continued)

Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on the department to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper.

Therefore, no liability is recognised for accruing superannuation benefits in the department's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Executive remuneration

The executive remuneration disclosures in the employee expenses note (note 9) in the financial statements include:

- the aggregate remuneration of all senior executive officers (including the Chief Executive Officer) whose remuneration for reporting period 27 March 2009 to 30 June 2009 is \$25,000 or; and
- the number of senior executives whose total remuneration for the reporting period 27 March 2009 to 30 June 2009 falls within each successive \$5,000 band equivalent, commencing at \$25,000.

The remuneration disclosed is all remuneration paid or payable, directly or indirectly, by the department or any related party in connection with the management of the affairs of the department or any of its subsidiaries, whether an executive or otherwise. For this purpose, remuneration includes:

- salaries and wages;
- accrued leave (that is, the increase/decrease in the amount of annual and long service leave paid to an executive, inclusive of any increase in the value of leave balances as a result of salary rate increases or the like);
- performance pay paid or due and payable in relation to the financial year, provided that a liability exists (namely a determination has been made prior to the financial statements being signed), and can be reliably measured even though the payment may not have been made during the financial period;
- accrued superannuation (being the value of all employer superannuation contributions during the financial period, both paid and payable as at 30 June 2009);
- car parking benefits and the cost of motor vehicles, such as lease payments, fuel costs, registration/insurance, repairs/maintenance and fringe benefits tax on motor vehicles incurred by the department during the financial period, both paid and payable as at 30 June 2009, net of any amounts subsequently reimbursed by the executives;
- housing, being the market value of the rent or rental subsidy, where rent is part-paid by the executive during the financial period, both paid and payable as at 30 June 2009;
- allowances (which are included in remuneration agreements of executives, such as airfares or other travel costs paid to/for executives whose homes are situated in a location other than the location they work in); and
- fringe benefits tax included in remuneration agreements.

The disclosures apply to all senior executives appointed by Governor-in-Council and classified as SES1 and above, with remuneration above \$100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:

- paid to an executive by the department where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed; or
- in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the entity or any of its subsidiaries.

In addition, separate disclosure of separation and redundancy/termination benefit payments is included.

(w) Financing/borrowing costs

Finance costs are recognised as an expense in the period in which they are incurred.

(x) Allocation of corporate services revenue and expenses to outputs

The department discloses income and expenses attributable to corporate services in the Income Statement by Outputs/Major Activities.

Department of Environment and Resource Management Notes to and forming part of the financial statements

(y) Outputs/major activities of the department

The identity and purpose of the outputs/major activities undertaken by the department during the reporting period 27 March 2009 to 30 June 2009 are as follows:

- **Conservation and environmental services**

The activities delivered by the conservation and environmental services output provide a whole of landscape perspective for managing the present for an environmentally sustainable future.

- **Land and vegetation services**

The land and vegetation services output encompasses land, vegetation, forest products, registry and information, and Indigenous services relating to natural resources.

- **Performance and capability**

This output leads organisational sustainability in environmental protection activities through the valuing of people, their capability and knowledge.

- **Sustainable futures**

The sustainable futures output takes a strategic approach to planning for, designing and communicating an environmentally sustainable future.

- **Water and catchment services**

The water and catchment services output incorporates activities under the State's water reform agenda, Commonwealth-State bilateral agreements on natural resource management issues, and activities in relation to whole-of-Government preparedness for climate change.

(z) Insurance

The department's non current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(aa) Services received free of charge or for nominal value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and as an expense.

(ab) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to 'Contributed equity' in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(ac) Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Department of Environment and Resource Management. As such, GST credits receivable from/payable to the Australian Taxation Office is recognised (refer note 18).

(ad) Issuance of Financial Statements

These financial statements are authorised for issue by the Director-General and the General Manager, Finance and Asset Management at the date of signing the Management Certificate.

Department of Environment and Resource Management Notes to and forming part of the financial statements

(ae) Judgements and assumptions

Land under roads is valued at fair value in accordance with AASB 116 *Property, Plant and Equipment* by multiplying the total area of land under roads within each local government area by the average unimproved value of all freehold and leasehold land within the corresponding local government area. The average unimproved value for each local government area is calculated by dividing the total value of such land by the total area of that land. This approach has been adopted as it best reflects the fact that all such properties in a local government area are serviced by the local road network. The initial recognition of land under roads previously not recognised by the former Department of Natural Resources and Water, and any movements in such land during the period, have been identified using departmental databases that manage the land and land title registry of Queensland.

The former Department of Natural Resources and Water and the former Environmental Protection Agency used a proxy cut off date of 31 March 2009 for 26 March 2009. Any movement in financial balances between these dates that were considered material were adjusted for. The closing balances for these abolished agencies using these judgements were then assumed by the Department of Environment and Resource Management.

(af) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

As this is the first financial report of the Department of Environment and Resource Management there are no comparatives included in this report.

(ag) New and revised accounting standards

The department did not voluntarily change any of its accounting policies during the reporting period. The significance of those new and amended Australian accounting standards that were applicable for the first time in the 2008-09 financial year and have had a significant impact on the department's financial statements is as follows.

A review has been undertaken of revised accounting standard AASB 1004 *Contributions* and it is considered the financial statements adequately reflect the matters required to be disclosed, given the department's present operating circumstances.

New accounting standard AASB 1052 *Disaggregated Disclosures* now requires disclosure of the amounts of assets and liabilities attributable to each departmental output. This is set out in the new Statement of Assets and Liabilities by Outputs/Major Activities.

The department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from the Treasury Department. Consequently, the department has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The department will apply these standards and interpretations in accordance with their respective commencement dates.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the department, or have no material impact on the department.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

1. Reconciliation of payments from Consolidated Fund

Reconciliation of payments from Consolidated Fund to output revenue recognised in the Statement of Comprehensive Income

Budgeted output appropriation revenue	-
Transfers from (to) other departments	
Former Department of Natural Resources and Water	121,766
Former Environment Protection Agency	89,197
Transfers to other headings	(2,166)
Less lapsed appropriations	(49,079)
Total output receipts	159,718
Plus: Closing balance of output revenue receivable	3,504
Less: Opening balance of output revenue receivable*	(8,660)
Output revenue recognised in the Statement of Comprehensive Income	154,562

* Transferred from former Department of Natural Resources and Water

Reconciliation of payments from Consolidated Fund to equity adjustment recognised in Contributed Equity

Budgeted equity adjustment appropriation	-
Transfers from (to) other departments	
Former Environmental Protection Agency	(6,975)
Transfers from other headings	2,166
Total equity adjustment receipts	(4,809)
Equity adjustment recognised in Contributed Equity	(4,809)

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

1. Reconciliation of payments from Consolidated Fund (continued)

Administered on a whole-of-Government basis

Reconciliation of payments from Consolidated Fund to administered appropriation revenue recognised in the Statement of Comprehensive Income

Budgeted administered appropriation revenue	-
Transfers from (to) other departments	
Former Department of Natural Resources and Water	967
Department of Infrastructure and Planning	5,819
Less lapsed appropriation	(9,750)
Total administered appropriation receipts **	(2,964)
Plus: Closing balance of administered appropriation revenue receivable	7,568
Less: Opening balance of administered revenue receivable*	(5,648)
Administered appropriation revenue recognised in the Statement of Comprehensive Income **	(1,044)

* Transferred from former Department of Natural Resources and Water

Reconciliation of payment from Consolidated Fund to equity adjustment recognised in Contributed Equity

Budgeted administered equity adjustment	-
Transfers from (to) other departments	
Former Department of Natural Resources and Water	17,386
Less lapsed equity adjustment	(17,913)
Total administered equity adjustment (payments) **	(527)
Equity adjustment recognised in Contributed Equity **	(527)

** Subsequent to the abolition of the Department of Natural Resources and Water on 26 March 2009, appropriation funding received by the former department was determined to be in excess of requirements and returned by the new Department of Environment and Resource Management to the Consolidated Fund on behalf of the former entity. The funding requirements of the new department for the period 27 March 2009 to 30 June 2009 were subsequently less than the amount returned to the Consolidated Fund thus resulting in net negative appropriation funding for the new entity.

2. User charges, fees and fines

Services rendered	19,483
Sale of goods	497
Rent	52
Other	93
	20,125

Administered on a whole-of-Government basis

Fees	58,245
Fines	(35)
	58,210

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

3. Grants and other contributions

Commonwealth grants	37,899
Funding from external bodies, state and local governments	1,336
External and Industry contributions	(2,268)
Donations	1,586
Goods and services received at below fair value	888
	<u>39,441</u>

Administered on a whole-of-Government basis

Dam spillway grant	5,141
	<u>5,141</u>

4. Royalties, property and other territorial revenue

Forest products and quarries royalties	3,859
Property and territorial revenue	123
Joint venture royalties	300
	<u>4,282</u>

Administered on a whole-of-Government basis

Riverine quarry material royalties	174
Other	25
	<u>199</u>

5. Interest revenue

Interest received on fund balances	36
Other interest	19
	<u>55</u>

Administered on a whole-of-Government basis

Finance lease interest	442
Other interest	122
	<u>564</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

6. Land transfers from non-Queensland Government entities

<i>Administered on a whole-of-Government basis</i>	
Land transfers from non-Queensland Government entities	126,062
	<u>126,062</u>

7. Other revenue

Insurance recoveries	1,225
Recoveries	55
Fees, permits and fines	2,865
Property rental	2
Other	289
	<u>4,436</u>

8. Gain on sale of property, plant and equipment

Gain on sale of plant and equipment	223
Gain on sale of buildings	2
	<u>225</u>

<i>Administered on a whole-of-Government basis</i>	
Gain on sale of land	528
	<u>528</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	2009
	\$'000
9. Employee expenses	
<i>Employee benefits</i>	
Salaries and wages	85,848
Employer superannuation contributions *	10,496
Long service leave levy *	4,462
Other employee benefits	3,188
Capitalised salary expenses	(108)
<i>Employee related expenses</i>	
Salary related taxes **	2,999
Workers' compensation **	172
	<u>107,057</u>

* Employer superannuation contributions, and the long service leave levy are regarded as employee benefits.

** Costs of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses.

The number of employees at balance date including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2009
<i>Number of employees:</i>	5,449

Executive remuneration:

The number of senior executives who received, or were due to receive, total remuneration of \$25,000, (\$100,000 full financial year) or more for period 27 March 2009 to 30 June 2009:

\$25,000 to \$29,999 (Annual: \$100,000 to \$119,999)	-
\$30,000 to \$34,999 (Annual: \$120,000 to \$139,999)	2
\$35,000 to \$39,999 (Annual: \$140,000 to \$159,999)	4
\$40,000 to \$44,999 (Annual: \$160,000 to \$179,999)	7
\$45,000 to \$49,999 (Annual: \$180,000 to \$199,999)	8
\$50,000 to \$54,999 (Annual: \$200,000 to \$219,999)	10
\$55,000 to \$59,999 (Annual: \$220,000 to \$239,999)	4
\$60,000 to \$64,999 (Annual: \$240,000 to \$259,999)	2
\$65,000 to \$69,999 (Annual: \$260,000 to \$279,999)	2
\$100,000 to \$104,999 (Annual: \$400,000 to \$419,999)	1
	<u>40</u>

	2009
	\$'000
Total remuneration of executives shown above: *	<u>2,011</u>

* The amount calculated as executive remuneration in these financial statements includes the direct remuneration received, as well as items not directly received by senior executives, such as the movement in leave accruals and fringe benefits tax paid on motor vehicles. This amount will therefore differ from advertised executive remuneration packages which do not include the latter items.

	2009
	\$'000
Aggregate amount of separation and redundancy/termination benefit payments to executives shown above:	<u>542</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	2009
	\$'000
10. Supplies and services	
Advertising	597
Building fitouts	313
Computer expenses	3,266
Consultants and contractors	18,031
Electricity	956
Land development and maintenance	581
Materials	5,152
Minor plant and equipment	1,899
Motor vehicles	1,270
Office accommodation	885
Operating leases	5,197
Personnel costs	1,170
Postage and freight	592
Printing	459
Rental lease and hire	3,371
Repairs and maintenance	5,609
Rural land protection	436
Service costs other Government agencies	255
Shared service provider costs paid to Shared Service Agency	2,557
Staff and client travel	3,764
Stock consumption	339
Storage and archive services	596
Subscriptions and memberships	181
Telephone and facsimile	1,791
Testing and analytical services	574
Other	581
	<u>60,422</u>

<i>Administered on a whole-of-Government basis</i>	
Contractors	567
Other	197
Capitalised Supplies and Services	(392)
	<u>372</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	2009
	\$'000
11. Grants and subsidies	
Caring for our country	17,997
Community service obligation payments to SunWater	625
Community Service obligation payments to SEQ Water	2,045
Contribution to cooperative research centres	719
Dam safety program	280
Development of International River Symposium	350
Energy rebates	1,890
Natural disaster relief assistance	384
Nature refuges	469
Queensland heritage	484
Rural water use efficiency initiative	568
SEQ irrigation futures	507
SEQ urban water security research alliance	1,250
SEQ healthy waterways	1,554
Sustainable industry grants	473
Trust extension	1,174
Sponsorships of external groups	34
Scholarships	1
Other *	231
	<u>31,035</u>

* These grants and subsidies represent individual amounts that are less than \$250,000.

<i>Administered on a whole-of-Government basis</i>	
Land grants to Indigenous bodies	5,600
Logan Reserves Project	1,596
	<u>7,196</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

12. Rebates

Home water wise rebates *	(6,952)
Forestry rebates	96
	(6,856)

* The negative expenditure relates to an over estimation by the former Department of Natural Resources and Water at 26 March 2009, of the number and extent of claims likely to be lodged in the wind up of this scheme. The final actual expenditure of \$14.125 million was not determined until cessation of this scheme at 30 June 2009.

13. Depreciation and amortisation

Incurred in respect of:

Buildings	4,633
Heritage	13
Infrastructure	9,083
Plant and equipment	3,192
Water facilities	296
Intangibles	755
	17,972

Administered on a whole-of-Government basis

Incurred in respect of:

Buildings	53
Infrastructure	39
	92

14. Finance/borrowing costs

Interest on promissory note *	57
	57

* Promissory note relates to financing for the Tweed River Sand Bypassing System, refer note 27.

Administered on a whole-of-Government basis

Finance/borrowing costs	1
	1

15. Land transfers

Administered on a whole-of-Government basis

Land transfers to non-Queensland government entities	96,779
	96,779

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	2009
	\$'000
16. Other expenses	
Legal fees	2,620
Insurance premiums – Queensland Government Insurance Fund *	872
External audit fees**	186
Bank and statutory fees	31
Bad and impaired debts	(97)
Assets written off	108
Insurance premiums – general	29
Losses from disposal of property, plant and equipment	9
Goods and services provided below fair value	216
Donations and gifts	5
Special payments:	
Ex -gratia payments	6
Sponsorships	216
Commission paid	6
Expenses on sale of land	6
Other	6
	<u>4,219</u>

* Certain losses of public property are insured by the Queensland Government Insurance Fund (QGIF). The claims made in respect of these losses have yet to be assessed by QGIF and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of the claims, revenue will be recognised for the agreed settlement amount and disclosed as 'Other revenues – Insurance recoveries'.

** Total external audit fees relating to the reporting period 27 March 2009 to 30 June 2009 are estimated to be \$160,000. There are no non-audit services included in this amount.

<i>Administered on a whole-of-Government basis</i>	
Bad and impaired debts	16
Commissions	1,746
Discounts on early settlement of finance leases	455
Special payments*	494
Rent remissions	3
Loss on sale of land	2,863
Other	1
	<u>5,578</u>
* The 2009 amount includes payments made in lieu of mining royalties.	

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

17. Cash and cash equivalents

Cash at bank and on hand	84,303
Imprest accounts	87
	<u>84,390</u>

Specifically identified cash holding with the Queensland Treasury Corporation earned interest at rates between 2.11% and 6.11% for the period 27 March to 30 June 2009.

Administered on a whole-of-Government basis

Cash at bank	37,638
	<u>37,638</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	2009
	\$'000
18. Receivables	
Trade debtors	18,880
Accruals of an operating nature	5,413
Less: Provision for impairment	(275)
	<u>24,018</u>
GST receivable	4,357
GST payable	(874)
	<u>3,483</u>
Finance leases (note 19)	170
Less: Provision for impairment	(22)
	<u>148</u>
Annual leave claim receivable	6,873
Grants revenue	1,890
Output revenue	3,504
Long service leave reimbursements	2,023
Loans and advances	116
Interest revenue	44
Other	229
	<u>42,328</u>
<i>Non current</i>	
Finance leases (note 19)	399
	<u>399</u>
Movements in the allowance of provision for impairment	
Balance at 27 March 2009	405
Amounts recovered during the period	(172)
Amounts written off during the period	(7)
Decrease in allowance recognised in profit or loss	71
Balance at 30 June 2009	<u>297</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

18. Receivables (*continued*)

<i>Administered on a whole-of-Government basis</i>	
<i>Current</i>	
Trade debtors	7,095
Less: Provision for impairment	(15)
	7,080
GST receivable	11
GST payable	(400)
	(389)
Finance leases (note 19)	3,657
Less: Provision for impairment	(85)
	3,572
Operating leases (note 19)	2,091
Less: Provision for impairment	(1,820)
	271
Prepayments to Queensland Treasury *	35,449
Valuation fees	12,604
Administered appropriation receivable	7,568
Regulatory fees receivable	1,424
Land sales	253
Interest revenue	653
	68,485
<i>Non current</i>	
Finance leases (note 19)	50,918
	50,918
* Represents remittances to Queensland Treasury that relate to proposals and deposits on administered land sales before the transactions are legally finalised.	
Movements in the allowance of provision for impairment	
Balance via machinery-of-Government 27 March 2009	1,932
Amounts recovered during the period	(6)
(Increase) decrease in allowance recognised in profit or loss	(6)
Balance at 30 June 2009	1,920

Department of Environment and Resource Management
Notes to and forming part of the financial statements

19. Leases

Finance leases

The department issues finance leases under the provisions of the *Land Act 1994* whereby the lessee elects to pay the purchase price over a number of years. The aggregate of the minimum lease payments for lease receivables is as follows:

Finance lease receivables

	1 year or less \$'000	1-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Current	170	-	-	170
Non current	-	216	183	399
	170	216	183	569

Operating leases

The department issues operating leases, both term and perpetual, including permits and licences, as conditional contracts under the provisions of the *Land Act 1994*. Rent is determined as a percentage of unimproved capital value, dependent on the purpose and category of the allocated asset.

Administered on a whole-of-Government basis

Finance leases

The department issues finance leases under the provisions of the *Land Act 1994* whereby the lessee elects to pay the purchase price over a number of years. The aggregate of the minimum lease payments for lease receivables is as follows:

Finance lease receivables

	1 year or less \$'000	1-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Current	3,657	-	-	3,657
Non current	-	12,055	38,863	50,918
	3,657	12,055	38,863	54,575

Operating leases

The department issues operating leases, both term and perpetual, including permits and licences, as conditional contracts under the provision of the *Land Act 1994*. Rent is determined as a percentage of unimproved capital value, dependent on the purpose and category of the allocated asset.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

20. Inventories

Current

Held for resale:

Maps, publications and souvenirs

319

Less: Provision for impairment

(110)

209

Not held for resale:

Casing and piping

1,112

Other

783

1,895

2,104

21. Unexpended advances

Current

Grants

8,126

8,126

22. Other current assets

Current

Prepayments

11,376

11,376

23. Non current assets classified as held for sale

Current

Land

18

Buildings

143

161

Assets are continually reviewed to ensure they support the service delivery objectives of the department. The assets identified as held for sale are surplus to departmental requirements in meeting these objectives. The sale of these assets is actively pursued by the department with an expectation they will be sold within 12 months of the date of classification. The assets are not depreciated during this time.

Administered on a whole-of-Government basis

Current

Land

8,269

8,269

Assets are held for sale as directed by the Queensland Government after an assessment to determine the most efficient use of the land has occurred. The sale of these assets is being actively pursued by the department with an expectation that they will be sold within 12 months of the date of classification.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	<u>2009</u> <u>\$'000</u>
24. Property, plant and equipment	
<i>Non current</i>	
Land	
At valuation	670,256
	<u>670,256</u>
Buildings	
At valuation	459,783
Less: accumulated depreciation	<u>(251,385)</u>
	208,398
Heritage	
At cost	1,405,532
Less: accumulated depreciation	<u>(147)</u>
	1,405,385
Infrastructure	
At valuation	1,712,292
Less: accumulated depreciation	<u>(575,214)</u>
	1,137,078
Plant and equipment	
At cost	119,706
Less: accumulated depreciation	<u>(74,419)</u>
	45,287
Work in progress	
At cost	<u>44,698</u>
	<u>3,511,102</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

24. Property, plant and equipment (*continued*)

Property, plant and equipment reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period

	Net assets received via machinery- of- Government	Acquisitions	Depreciation	External transfers	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	633,832	26,157	-	6,778	-	-	3,656	(167)	670,256
Buildings	201,446	682	(4,633)	-	-	9,619	1,601	(317)	208,398
Heritage	1,405,268	25	(13)	-	-	105	-	-	1,405,385
Infrastructure	1,138,919	6	(9,379)	-	-	6,873	718	(59)	1,137,078
Plant and equipment	43,885	3,564	(3,192)	-	-	1,213	-	(183)	45,287
Work in progress	54,306	8,202	-	-	-	(17,810)	-	-	44,698
	3,477,656	38,636	(17,217)	6,778	-	-	5,975	(726)	3,511,102

Land was revalued to fair value using indices, where material, provided from the department's State Valuation Services as at 30 June 2009.

Buildings and infrastructure were revalued to fair value using the Implicit Price Deflator for the relevant construction types as at 30 June 2009.

Plant and equipment is valued at cost as prescribed in Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

All building and infrastructure assets have been comprehensively valued in the last five years by the Department's State Valuation Services.

Land (including National Parks disclosed as Heritage and Cultural assets) have been comprehensively valued within the last five years.

The department has property, plant and equipment with an original cost of \$52.759 million with a written down value of zero still being used in the provision of services.

24. Property, plant and equipment (continued)

<i>Administered on a whole-of-Government basis</i>		
<i>Non current</i>		
Land		
At valuation		63,969,727
		<u>63,969,727</u>
Buildings		
At valuation		3,158
Less: accumulated depreciation		(1,230)
		<u>1,928</u>
Infrastructure		
At valuation		13,326
Less: accumulated depreciation		(5,645)
		<u>7,681</u>
Work in progress		3,904
		<u>3,904</u>
		<u>63,983,240</u>

Property, plant and equipment reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period.

	Net assets received via machinery- of- Government	Acquisitions	Depreciation	External Transfers	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land *	23,482,102	19,286	-	118,425	(18)	-	40,460,366	(110,434)	63,969,727
Buildings	1,912	-	(53)	35	-	-	34	-	1,928
Infrastructure	7,569	-	(39)	-	-	-	151	-	7,681
Work in progress	3,513	391	-	-	-	-	-	-	3,904
	<u>23,495,096</u>	<u>19,677</u>	<u>(92)</u>	<u>118,460</u>	<u>(18)</u>	<u>-</u>	<u>40,460,551</u>	<u>(110,434)</u>	<u>63,983,240</u>

Land was revalued to fair value using indices, where material, provided from the department's State Valuation Services as at 30 June 2009. The value of land under roads included in land is \$40.370 billion.

Unallocated state land and reserves are measured at fair value and are comprehensively revalued every three to five years. Each property has an individual factor change applied which is derived from the review of market transactions. These movements are determined having regard to the review of unimproved land values undertaken for each local government area by the Chief Executive Officer of the Department of Environment and Resource Management.

Land subject to operating leases is valued at fair value.

The remaining state land, buildings, and infrastructure administered on a whole-of-Government basis were revalued to fair value using indices provided by the Department's State Valuation Services as at 30 June 2009.

The department has property, plant and equipment with an original cost of \$1.116 million and a written down value of zero still being used in the provision of services.

* Land valued at \$19.286 million has been brought to account as a prior period adjustment as a result of a continuing asset identification and validation project. This has been reflected as an acquisition adjustment.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

25. Intangibles

Internally generated software		
At cost		27,577
Less: accumulated amortisation		(17,219)
		<u>10,358</u>
Purchased software		
At cost		11,082
Less: accumulated amortisation		(7,159)
		<u>3,923</u>
Software development in progress		
At cost		11,132
		<u>25,413</u>

The department has internal use software with an original cost of \$5.469 million and a written down value of zero still being used in the provision of services.

Intangibles reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period

	Net assets received via machinery-of- Government	Acquisitions	Depreciation	Transfers between classes	Transfers	Disposals	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Internally generated	6,627	-	(547)	4,278	-	-	10,358
Purchased software	3,012	-	(208)	1,119	-	-	3,923
Software development in progress	14,822	1,707	-	(5,397)	-	-	11,132
	<u>24,461</u>	<u>1,707</u>	<u>(755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,413</u>

Amortisation of intangibles is included in the line item 'Depreciation and amortisation' in the Statement of Comprehensive Income.

All intangible assets have finite useful lives and are amortised on a straight line basis (note (p)).

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

	<u>2009</u> <u>\$'000</u>
26. Payables	
<i>Current</i>	
Trade creditors	24,703
Grants and subsidies payable	9,834
Taxes payable	2,060
Capital items payable	1,332
Other creditors	701
	<u>38,630</u>

<i>Administered on a whole-of-Government basis</i>	
<i>Current</i>	
Transfer of administered item revenue to government payable	16,927
Payables of an operating nature	5,705
Interest payable	6
Special payments payable	7,521
Stamp duties and zoning fees payable	128
Other	13
	<u>30,300</u>

27. Other financial liabilities

<i>Current</i>	
Promissory note	529
	<u>529</u>
<i>Non current</i>	
Promissory note	1,896
	<u>1,896</u>

The promissory note which relates to the Tweed River Sand Bypassing system, is in Australian dollar denominated amounts and is recognised at face value, interest being expensed as it is accrued. No interest has been capitalised during the reporting period. Repayment dates vary over the note's term to 4 May 2013. Principal and interest repayments are made quarterly in arrears. The fair value of this note is disclosed in note 41.

28. Accrued employee benefits

<i>Current</i>	
Annual leave levy payable	8,906
Salary and wages related payable	185
Long service leave levy payable	1,559
	<u>10,650</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

29. Unearned revenue

Current

Commonwealth grants	6,221
Other grants and contributions	14,625
User charges	315
	<u>21,161</u>

30. Proposals and deposits

Current

Proposals and deposits on land sales and leases	10
	<u>10</u>

Administered on a whole-of-Government basis

Current

Proposals and deposits on land sales and leases	35,449
	<u>35,449</u>

These monies represent funds paid by applicants in relation to prospective land dealings and are held by the department contingent upon the applicant progressing the dealing to finalisation. Failure to finalise the dealing requires the department to return all monies to the applicant.

31. Other liabilities

Current

Other agencies' land purchases	54,546
	<u>54,546</u>

Administered on a whole-of-Government basis

Current

Other agencies' land sales	2,418
	<u>2,418</u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

32. Asset revaluation reserve

Asset revaluation reserve by class:

	Net assets received via machinery-of- Government	Transfer to contributed equity at 27 March 2009 *	Revaluation increments (decrements)	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000
Land	93,175	(93,175)	3,656	3,656
Buildings	28,142	(28,142)	1,601	1,601
Infrastructure	20,383	(20,383)	718	718
	141,700	(141,700)	5,975	5,975

The asset revaluation reserve represents the net effect of upward and downward revaluations of assets to fair value.

* Pursuant to Queensland Treasury instruction, the closing balance of the asset revaluation reserve the abolished Department of Natural Resources and Water and Environmental Protection Agency was transferred to Contributed Equity as at 27 March 2009.

Administered on a whole-of-Government basis

Asset revaluation reserve by class:

	Net assets received via machinery-of- Government	Transfer to contributed equity at 27 March 2009 *	Revaluation increments (decrements)	Carrying amount at 30 June 2009
	\$'000	\$'000	\$'000	\$'000
Land	17,744,178	(17,744,178)	40,460,366	40,460,366
Buildings	440	(440)	34	34
Infrastructure	747	(747)	151	151
	17,745,365	(17,745,365)	40,460,551	40,460,551

The asset revaluation reserve represents the net effect of upward and downward revaluations of assets to fair value.

* Pursuant to Queensland Treasury instruction, the closing balance of the asset revaluation reserve for the abolished Department of Natural Resources and Water and Environmental Protection Agency was transferred to Contributed Equity as at 27 March 2009.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

33. Net assets received via machinery-of-Government

As a result of the *Public Service Departmental Arrangements Notice (No.2) 2009*, dated 26 March 2009, responsibility for the functions previously undertaken by the abolished department of Natural Resources and Water and the abolished Environmental Protection Agency were transferred to the Department of Environment and Resource Management.

As a result of these changes, the following assets were transferred and liabilities assumed:

	Department of Natural Resources and Water	Environmental Protection Agency	Net assets received via machinery-of- Government
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	71,323	30,115	101,438
Receivables	51,316	49,602	100,918
Inventories	1,876	287	2,163
Unexpended advances	21,088	-	21,088
Other current assets	3,046	3,480	6,526
Non current assets classified as held for sale	372	-	372
Property, plant and equipment	169,605	3,308,052	3,477,657
Intangible assets	17,336	7,125	24,461
Total assets	335,962	3,398,661	3,734,623
Liabilities			
Payables	57,074	24,063	81,137
Accrued employee benefits	19,741	14,328	34,069
Unearned revenue	32,161	-	32,161
Proposals and deposits	191	-	191
Other financial liabilities	-	2,550	2,550
Other liabilities	37,898	3,602	41,500
Total liabilities	147,065	44,543	191,608
Net assets	188,897	3,354,119	3,543,015

<i>Administered on a whole-of-Government basis</i>				
	Department of Natural Resources and Water	Environmental Protection Agency	Monies transferred to Fiduciary Trust *	Net assets received via machinery-of- Government
	\$'000	\$'000	\$'000	\$'000
Assets				
Cash and cash equivalents	35,845	9,052	(3,355)	41,542
Receivables	93,063	4,012	-	97,075
Non current assets classified as held for sale	8,402	-	-	8,402
Property, plant and equipment	23,495,096	-	-	23,495,096
Total assets	23,632,406	13,064	(3,355)	23,642,115
Liabilities				
Payables	34,812	3,004	(3)	37,813
Proposals and deposits	16,651	-	-	16,651
Other liabilities	3,107	3,352	(3,352)	3,107
Total liabilities	54,570	6,356	(3,355)	57,571
Net assets	23,577,836	6,708	-	23,584,544
* Refer note 44				

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

34. Contributed equity reconciliation

Balance at 27 March 2009	-
Equity injections	(439)
Equity withdrawals	(4,370)
Non-appropriated equity withdrawals	(2,064)
Correction of error *	(71)
Net assets received via machinery-of-Government change	3,543,015
Net transfer of assets / liabilities from other government agencies	
Department of Environment and Resource Management (Administered)	2,271
Department of Infrastructure and Planning	4,507
Former Department of Natural Resources and Water	(67)
Balance at 30 June 2009	<u>3,542,782</u>

* Refer note 44

Administered on a whole-of-Government basis

Balance at 27 March 2009	-
Equity injections	(527)
Non-appropriated equity withdrawals	(8,078)
Prior year adjustment *	19,286
Net assets received via machinery-of-Government change	23,584,544
Transfers of assets (to) from other government agencies:	
Department of Environment and Resource Management (Controlled)	(2,271)
Department of Employment, Economic Development and Innovation	270
Balance at 30 June 2009	<u>23,593,224</u>

* Refer note 44

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

35. Reconciliation of operating result from continuing operations to net cash

Operating result from continuing operations	9,220
Depreciation and amortisation expense	17,972
Bad and impaired debts	(97)
Assets written off	108
Inventory impairments and losses (writeback)	(18)
Net (gain)/loss on disposal of property, plant and equipment	(216)
Change in assets and liabilities	
(Increase) decrease in output revenue receivable	5,156
(Increase) decrease in net receivables	10,799
(Increase) decrease in long service leave reimbursement receivables	121
(Increase) decrease in annual leave claim receivable	10,456
(Increase) decrease in GST input tax credits receivable	1,386
(Increase) decrease in grants receivable	7,348
(Increase) decrease in inventories	76
(Increase) decrease in prepayments	10,017
Increase (decrease) in accounts payable	(34,186)
Increase (decrease) in grants payable	(8,995)
Increase (decrease) in annual leave levy payable	(8,720)
Increase (decrease) in provision for tax	90
Increase (decrease) in long service levy payable	104
Increase (decrease) in GST payable	530
Increase (decrease) in accrued employee benefits	(14,802)
Increase (decrease) in unearned revenue	(14,602)
Increase (decrease) in other liabilities	16,475
Net cash from operating activities	8,222

2009
\$'000

35. Reconciliation of operating result from continuing operations to net cash (*continued*)

<i>Administered on a whole-of-Government basis</i>	
Operating result from continuing operations	26,609
Bad and impaired debts	(6)
Land grants to Indigenous bodies	5,600
Discounts on early settlement of finance leases	455
Depreciation expense	92
Land transfers	96,779
Net (gain)/loss on sale of property, plant and equipment	2,421
Rent remissions	3
Land transfers from non-Queensland Government entities	(126,061)
Change in assets and liabilities:	
(Increase) decrease in administered appropriation revenue receivables	(1,920)
(Increase) decrease in net receivables	(1,852)
(Increase) decrease in GST input tax credits receivable	21
Increase (decrease) in other payables	2,428
Increase (decrease) in transfers to Government payable	(9,942)
Increase (decrease) in GST payable	309
Increase (decrease) in other liabilities	(528)
Net cash (used in) operating activities	(5,592)

36. Non-cash financing and investing activities

Assets received by the department are recognised as revenues and are set out in note 3.

Assets received by the department as a result of machinery-of-Government changes are set out in note (33).

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

37. Commitments for expenditure

(a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	31,357
Later than one year and not later than five years	66,778
Later than five years	9,308
	<u>107,443</u>

Operating leases are entered into as a means of acquiring access to office accommodation and storage facilities. Lease payments are generally fixed, but with inflation escalation clauses and periodic market reviews.

Some of the operating leases contain renewal and extension options. No operating lease contains restrictions on financing or other leasing activities.

(b) Capital expenditure commitments

Material classes of capital expenditure commitments inclusive of GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

Borrowings	1,681
Buildings	1,668
Infrastructure	4,041
Plant and equipment	2,314
Intangibles	1,027
	<u>10,731</u>

Payable:

Not later than one year	10,446
Later than one year and not later than five years	285
	<u>10,731</u>

Administered on a of whole-of-Government basis

Material classes of capital expenditure commitments inclusive of GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

Water facilities	1,792
	<u>1,792</u>

Payable:

Not later than one year	1,792
	<u>1,792</u>

2009
\$'000

37. Commitments for expenditure (continued)

(c) Commitments for subsidies

As at 30 June 2009, in accordance with a formal agreement, approval has been given to pay the following subsidies provided certain criteria are met:

Payable:

Not later than one year	9,783
Later than one year and not later than five years	768
	10,551

(d) Other commitments

Further material expenditure commitments inclusive of GST, contracted for at reporting date, but not recognised in the accounts are payable as follows:

Payable:

Not later than one year	27,654
Later than one year and not later than five years	3,300
	30,954

38. Contingencies

Contingent liabilities

Guarantees and undertakings

The following guarantees/undertakings are not recognised as liabilities in the Balance Sheet.

The department has been a party to numerous indemnity capped procurement arrangements. These contracts are primarily with suppliers of information technology infrastructure and software and related maintenance with indemnity caps of various levels of up to AUD\$1.2 million per occurrence and/or a ceiling of up to AUD\$10.0 million over the life of the contracts. Contract lives are up to 3 years. As some of the capping amounts are in US dollars, the final AUD capping amount would be dependent on the prevailing foreign exchange rates at the time of any claim.

Litigation in progress

At 30 June 2009, the following claims against the department were filed in the courts or lodged with the department:

	2009 Claims
Supreme Court	15
District Court	1
Magistrates Court	1
Jurisdiction not available – lodged with department *	44
	61

At reporting date it is not possible to estimate any probable outcome of these claims, or of any financial effect. Depending on the outcome of the litigation process, indemnity for the department may be sought in respect of some of the above matters through the Queensland Government Insurance Fund.

* The department has received notification of claims which are not yet subject to court action. These cases may or may not result in subsequent litigation.

**Department of Environment and Resource Management
Notes to and forming part of the financial statements**

38. Contingencies (continued)

Native title claims over departmental land

At 30 June 2009, there remained 287 unresolved native title claims over lands (including marine and terrestrial parks and offshore islands) either controlled or administered by the department.

At reporting date it is not possible to make an estimate of any probable outcome of these claims, or of any financial effects.

Land acquisitions

The department is currently engaged in a program of land acquisitions which will be used to further natural resource management objectives, the quantum of which is unable to be reliably measured at balance date.

Compensation for infrastructure on expired leases over the protected area estate

Currently the department issues leases or permits which allow activity such as grazing, tourist resorts etc to occur on parks and forestry estate it administers. On expiry of the lease or permit, the department may be required to pay compensation to the lessees for improvements made to the leased properties over the duration of these leases.

The amount of this liability is not quantifiable as the extent of the improvements to be valued will not be known until the expiration of the relevant leases or permits. Leases will progressively expire until the year 2045.

Contingent asset

SunWater land

An agreement entered into with SunWater in 2001 carries an obligation on SunWater to pay the department 50% of the net sale proceeds of a land parcel (5.8 hectares) at Rocklea. Due to changing circumstances surrounding the usage of the land, the variability of the presale holding period and council requirements for works to be completed before sale, no reliable estimate of the value of the land can be provided at balance date.

39. Events occurring after balance date

The Department of Environment and Resource Management will be subject to several administrative arrangements early in the 2009-10 financial year, including the inwards transfer of the corporate services responsibility of the Queensland Water Commission and the outwards transfer of the mining and petroleum Native Title assessment team to the Department of Employment, Economic Development and Industry. It is anticipated that the net impact of these transfers will be immaterial.

40. Interest in joint ventures

The department has interests in one joint venture entity and four joint venture operations, which are subject to agreements made with the relevant parties. The department's interests are limited to its rights and obligations under each of the agreements.

Public sector mapping venture

This venture is composed of the public sector mapping agencies of the Commonwealth, states and territories. It was established to create and facilitate access to national spatial datasets for both governmental and commercial use.

The joint venture arrangement involved the incorporation of a company, PSMA Australia Limited (PSMA), to coordinate, assemble and commercially deliver the various PSMA datasets on a national basis and to contribute to the establishment of the Australian Spatial Data Infrastructure.

The department in its capacity as the Queensland representative holds an equal one-eighth share in this company, which was established on 20 June 2001. The department made \$nil cash or in-kind contributions to the company in 2008-09, nor was any revenue derived from its operations. PSMA made royalty payments of \$0.286 million to Queensland during this reporting period.

Joint mapping venture with Hema Maps Pty Ltd

This venture is between the department and Hema Maps Pty Ltd with each holding an equal share in the joint venture arrangement. This venture was established to produce, promote, distribute and sell maps from the Sunmap Regional Map series.

Based on the undertaking signed, proceeds from the sale of the product are to be distributed in equal shares following the reimbursement of all related external costs. At 30 June 2009, the department received a total of \$0.014 million, which is made up of production cost recovery plus revenue from sales of the product.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments

(a) *Categorisation of financial instruments*

The department has the following categories of financial assets and financial liabilities:

Category	Note	2009 \$'000
Financial assets		
Cash	17	84,390
Receivables	18	42,727
		<u>127,117</u>
Financial liabilities		
Payables	26	38,630
Promissory note		2,425
		<u>41,055</u>

(b) *Financial Risk Management*

Financial risk management is implemented as per the whole-of-Government policy. This focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Department.

The Department measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) *Credit risk exposure*

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

	Note	2009 \$'000
Financial assets		
Cash and cash equivalents	17	84,390
Receivables	18	42,727
		<u>127,117</u>

No collateral is held as security relating to these financial assets.

The department manages credit risk through the use of the credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments (continued)

(c) Credit risk exposure (continued)

The method for calculating provisional impairment for risk is based on past experience of aged collection, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

The recognised impairment is \$0.297 million for the current period. This is a movement of \$0.180 million and is due to a number of loss events: the movement in impaired debtors through collections, write-offs or newly identified during the financial period. Refer note 18.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

Ageing of past due but not impaired as well as impaired financial assets are disclosed as follows:

2009 Financial assets past due but not impaired

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue				Total overdue \$'000	
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000		
Financial assets							
Receivables	29,280	7,972	2,420	1,597	1,458	13,447	42,727
	29,280	7,972	2,420	1,597	1,458	13,447	42,727

2009 Impaired financial assets

	Contractual Repricing/Maturity Date:						Total financial assets \$'000
	Not overdue \$'000	Overdue				Total overdue \$'000	
		Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000		
Financial assets							
Receivables	-	-	-	-	297	297	297
	-	-	-	-	297	297	297

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments (continued)

(d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities.

The department is exposed to liquidity risk through its trading in the normal course of business and borrowings from promissory notes.

The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. 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 employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

Note	2009 Payable in:			Total \$'000
	<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
Financial liabilities				
Payables	26	38,630	-	38,630
Promissory note	27	529	1,896	2,425
Total		39,159	1,896	41,055

(e) Market risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome to profit and loss if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets. The interest rate payable on the Promissory Note is fixed for the term of the borrowing and is not subject to interest rate sensitivity.

	2009 Interest rate risk				
	Carrying amount \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents					
- non-interest bearing	84,390				
Receivables					
- non-interest bearing	42,180				
- variable interest rate	547	(5)	(5)	5	5
Total	127,117	(5)	(5)	5	5

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments (continued)

(e) Market risk (continued)

Fair value

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for note disclosure purposes.

The fair value of cash and non-interest bearing monetary financial assets and payables approximate their carrying amounts as reported in the Balance Sheet.

The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments. The carrying amounts of all financial assets are representative of their fair value.

	Note	2009	
		Carrying amount \$'000	Fair value \$'000
Financial liability			
Promissory note		2,425	2,627
Total		<u>2,425</u>	<u>2,627</u>

Administered on a whole-of-Government basis

(a) Categorisation of financial instruments

The department has the following categories of financial assets and liabilities:

Category	Note	2009 \$'000
Financial assets		
Cash and cash equivalents	17	37,638
Receivables	18	119,403
		<u>157,041</u>
Financial liabilities		
Payables	26	30,300
		<u>30,300</u>

**Department of Environment and Resource Management
Notes to and forming part of the financial statements**

41. Financial instruments – Administered on a whole-of-Government basis (continued)

(b) Financial risk management

Financial risk management is implemented as per the Whole-of-Government policy. This focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Department.

The Department measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk	Note	2009 \$'000
Financial assets		
Cash and cash equivalents	17	37,638
Receivables	18	119,403
		<u>157,041</u>

No collateral is held as security relating to these financial assets.

The department manages credit risk through the use of the credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

The method for calculating provisional impairment for risk is based on past experience of aged collection, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

The recognised impairment is \$1.920 million for the current period.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments – Administered on a whole-of-Government basis (continued)

(c) Credit risk exposure (continued)

Ageing of past due but not impaired as well as impaired financial assets are disclosed as follows:

2009 Financial assets past due but not impaired

	Contractual Repricing/Maturity Date:					Total overdue \$'000	Total financial assets \$'000
	Less than 30 days	30-60 days	61-90 days	More than 90 days			
	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial assets							
Receivables	118,921	91	233	4	154	482	119,403
	118,921	91	233	4	154	482	119,403

2009 Impaired financial assets

	Not overdue \$'000	Contractual Repricing/Maturity Date:				Total overdue \$'000	Total financial assets \$'000
		Overdue					
		Less than 30 days	30-60 days	61-90 days	More than 90 days		
Financial assets							
Receivables	1,281	-	-	-	639	639	1,920
	1,281	-	-	-	639	639	1,920

(d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities.

The department is exposed to liquidity risk through its trading in the normal course of business.

The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and 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 employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

	Note	2008-09 Payable in:			Total \$'000
		<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	
Financial liabilities					
Payables	26	30,300	-	-	30,300
Total		30,300	-	-	30,300

Department of Environment and Resource Management
Notes to and forming part of the financial statements

41. Financial instruments – Administered on a whole-of-Government basis (continued)

(j) Market risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

Interest rate sensitivity analysis

The following interest rate sensitivity depicts the outcome to profit and loss if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets.

	2009 Interest rate risk				
	Carrying amount	-1%		+1%	
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents					
- non-interest bearing	37,638	-	-	-	-
Receivables					
- non-interest bearing	64,642				
- variable interest rate	54,761	(548)	(548)	548	548
Total	157,041	(548)	(548)	548	548

Fair value

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for note disclosure purposes.

The fair value of cash and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts as reported in the Balance Sheet.

The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments. The carrying amounts of all financial assets are representative of their fair value.

Department of Environment and Resource Management
Notes to and forming part of the financial statements

42. Trust transactions and balances

The department holds cash and bank guarantees on behalf of companies and individuals for the following:

- a. As a condition of volumetric leases entered into under the *Land Act 1994*, the lessee is required to provide a security in the form of a bank guarantee to be retained by the department to ensure compliance with specific requirements. The security together with the lease agreement commits the lessee to perform specific reparation conditions set out in the lease.
- b. As a condition of the environmental authority for petroleum leases under the *Petroleum and Gas (Production and Safety) Act 2004*, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority
- c. As a condition of forestry products timber sales contracts, a financial security of cash or bank guarantee must be provided to the department to ensure achievement of specific requirements. Upon receipt of the cash deposits, the department recognises interest accrued during the period the department has custody of the moneys. The amount of interest accrued each year is recognised as an expense.
- d. For development applications under the *Vegetation Management Act 1999* and *Integrated Planning Act 1997*, applicants may be required to provide financial security of cash or bank guarantee as a means of meeting a particular aspect of a vegetation management code. The security together with the agreement commits the developer to providing a vegetation offset within twelve months. No interest is paid by the department in respect to the cash security held.
- e. At balance date the department also held, in a fiduciary capacity, monies deposited in the various Single Holding Accounts representing funding provided by the Commonwealth Government yet to be released or distributed to specific proponents.

As the department performs only a custodial role in respect of these transactions and balances, they are not recognised in the financial statements but are disclosed in the notes for the information of users.

	2009
<u>Trust collections and distributions</u>	<u>\$'000</u>
<i>Collections</i>	
Forestry security deposits	182
Single holding accounts	7,425
Environmental securities	233
Total collections	<u>7,840</u>
<i>Distributions</i>	
Forestry security deposits	(53)
Single holding accounts	(798)
Total distributions	<u>(851)</u>
Increase (decrease) in trust assets	<u><u>6,989</u></u>

Department of Environment and Resource Management
Notes to and forming part of the financial statements

2009
\$'000

42. Trust transactions and balances (*continued*)

Trust assets and liabilities

Current assets

Cash	11,935
Total trust assets	<u>11,935</u>

Current liabilities

Forestry security deposits	131
Vegetation management	60
Single holding accounts	7,425
<i>Total current liabilities</i>	<u>7,616</u>

Non current liabilities

Forestry security deposits	731
Environmental securities	3,588
<i>Total non current liabilities</i>	<u>4,319</u>
Total trust liabilities	<u>11,935</u>

At 30 June 2009, the department held bank guarantees to the value of, and in relation to, the following:

- \$8.451 million in accordance with lease conditions under the *Land Act 1994*;
- \$51.341 million relating to financial security to ensure compliance with *Petroleum and Gas (Production and Safety) Act 2004*;
- \$4.453 million relating to forestry products timber sales contracts and agreements;
- \$4.477 million relating to environmental management activities; and
- \$1.349 million relating to vegetation management development applications.

This represents the maximum value the department is potentially entitled to if agreed conditions are not fulfilled. The Queensland Audit Office has incorporated a sample of trust transactions within the audit undertaken for the period.

**Department of Environment and Resource Management
Notes to and forming part of the financial statements**

43. Agency transactions

At balance date, the department holds monies from several different agency relationships.

The department acts as an agent in the collection and distribution of charges and levies for various public sector agencies and local governments both through its Queensland Government Agency Project (QGAP) offices and the Smart Service Queensland Project.

Additionally, its business unit Ecofund acts as an agent in the purchase of carbon and environmental offsets for various public sector agencies.

The department also collects authorised deductions from employees' salaries for on-payment to third parties.

A reconciliation of the amounts collected and distributed follows:

	2009
	\$'000
Balance as at 27 March 2009	2,047
Collections during reporting period	1
Distributions paid during reporting period	(888)
Balance as at 30 June 2009	<u>1,160</u>

During the reporting period, the department received fees of \$0.001 million for providing these agency services which are recognised as user charges.

44. Correction of error

(a) Prior period adjustment

An adjustment was made to Contributed Equity (refer to Statement of Changes in Equity) of \$19.286 million representing correction to the opening land balance transferred from the former Department of Natural Resources and Water. This adjustment is associated with land verified through a continuing project to confirm and validate all land held by the Administered entity. In previous years this adjustment has been performed against the comparatives as a prior period adjustment. However, due to the newly created Department of Environment and Resource Management not having a comparative year, the adjustment must be recognised through contributed equity.

(b) Fiduciary Trust monies

The former Environmental Protection Agency previously recognised fiduciary monies held within the reported cash and cash equivalents balance of their Administered entity. Within the balance of administered cash and cash equivalents of \$9.052 million that transferred into the Department of Environment and Resource Management, \$3.355 million represented fiduciary monies. On receipt of these monies, the Department of Environment and Resource Management reclassified \$3.355 million as Fiduciary Trust monies, resulting in a decrease of administered cash and cash equivalents transferred from the former Environmental Protection Agency to \$5.697 million. Refer notes 33, 42.

(c) Correction of error

During the current reporting period, an adjustment of \$0.071 million was made to Contributed Equity (refer to Statement of Changes in Equity), representing a correction of error associated with the timing of revenue attribution relevant to a sundry debtor that transferred to the Department of Environment and Resource Management from the former Environmental Protection Agency.

Certificate of the Department of Environment and Resource Management

These general purpose financial statements have been prepared pursuant to section 40(1) of the *Financial Administration and Audit Act 1977* (the Act) and other prescribed requirements. In accordance with section 40(3) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Environment and Resource Management for the financial period ended 30 June 2009 and of the financial position of the department at the end of that period.

Peter Philipson B.Econ.

General Manager, Finance and Asset Management
Department of Environment and Resource Management
31 August 2009

John Bradley

Director-General
Department of Environment and Resource Management
31 August 2009

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Environment and Resource Management

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Department of Environment and Resource Management for the period 27 March 2009 to 30 June 2009 included on the Department of Environment and Resource Management's website. The Accountable Officer is responsible for the integrity of the Department of Environment and Resource Management's website. I have not been engaged to report on the integrity of the Department of Environment and Resource Management's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from the Department of Environment and Resource Management, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Department of Environment and Resource Management, which comprises the statement of financial position and statement of financial position by outputs as at 30 June 2009, and the statement of comprehensive income, statement of changes in equity, statement cash flows and statement of income by outputs for the period 27 March 2009 to 30 June 2009, a summary of significant accounting policies, other explanatory notes and the certificates given by the Director-General and the General Manager, Finance and Asset Management.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 197*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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 to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2008*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standard*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report and any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the *Auditor-General Act 2009* -

- (a) I have received all the information and explanations which I have required; and
- (b) In my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Department of Environment and Resource Management for the period 27 March 2009 to 30 June 2009 and of the financial position as at the end of that period.



C F DOUGHERTY CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane