

Department of Environment and Heritage Protection

Financial Statements

for the year ended 30 June 2015

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General information

These financial statements report on the financial results for the Department of Environment and Heritage Protection for the financial year 1 July 2014 to 30 June 2015.

The Department of Environment and Heritage Protection 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
400 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 these financial statements.

For information in relation to these financial statements please call (07) 33305024, email info@ehp.qld.gov.au or visit the departmental internet site <http://www.ehp.qld.gov.au/>.

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

**Department of Environment and Heritage Protection
Statement of Comprehensive Income
for the year ended 30 June 2015**

		2015	2014
	Notes	\$'000	\$'000
Income from continuing operations			
<i>Revenue</i>			
Appropriation revenue for services	4	121,936	121,928
User charges, fees and fines	5	45,366	35,968
Grants and other contributions	6	9,575	8,233
Other revenue	7	2,423	7,698
Total revenue		179,300	173,827
<i>Gains</i>			
Gain on sale of property, plant and equipment		-	3
Total income from continuing operations		179,300	173,830
Expenses from continuing operations			
Employee expenses	8	98,598	102,829
Supplies and services	10	50,215	49,141
Grants and subsidies	11	22,327	23,463
Depreciation and amortisation	16 / 17	2,911	2,844
Other expenses	12	4,227	4,465
Total expenses from continuing operations		178,278	182,742
Total comprehensive income		1,022	(8,912)

The accompanying notes form part of these statements.

**Department of Environment and Heritage Protection
Statement of Financial Position
as at 30 June 2015**

		2015	2014
	Notes	\$'000	\$'000
Current assets			
Cash and cash equivalents	13	11,786	1,288
Receivables	14	12,982	23,769
Other assets	15	2,349	2,333
Total current assets		<u>27,117</u>	<u>27,390</u>
Non-current assets			
Property, plant and equipment	16	43,579	24,677
Intangibles	17	5,222	3,588
Total non-current assets		<u>48,801</u>	<u>28,265</u>
Total assets		<u><u>75,918</u></u>	<u><u>55,655</u></u>
Current liabilities			
Payables	18	6,913	7,013
Accrued employee benefits	19	3,625	3,395
Provisions		212	342
Other liabilities		60	9
Total current liabilities		<u>10,810</u>	<u>10,759</u>
Non-current liabilities			
Provisions		689	879
Total non-current liabilities		<u>689</u>	<u>879</u>
Total liabilities		<u><u>11,499</u></u>	<u><u>11,638</u></u>
Net assets		<u><u>64,419</u></u>	<u><u>44,017</u></u>
Equity			
Contributed equity		78,258	58,878
Accumulated surplus/deficit		(13,839)	(14,861)
Total equity		<u><u>64,419</u></u>	<u><u>44,017</u></u>

The accompanying notes form part of these statements.

Department of Environment and Heritage Protection
Statement of Changes in Equity
for the year ended 30 June 2015

	Accumulated surplus		Contributed equity			Total	
	2015	2014	2015	2014	2015	2014	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July	(14,861)	(5,948)	58,878	56,082	44,017	50,134	
<i>Total comprehensive income for the year</i>	1,022	(8,912)	-	-	1,022	(8,912)	
<i>Transactions with owners as owners</i>							
Equity injections (note 4)	-	-	21,023	7,806	21,023	7,806	
Equity withdrawals (note 4)	-	-	(672)	(672)	(672)	(672)	
Net transfer of assets/liabilities	-	-	(971)	(4,338)	(971)	(4,338)	
<i>Net transactions with owners as owners</i>	-	-	19,380	2,796	19,380	2,796	
Balance at 30 June	(13,839)	(14,861)	78,258	58,878	64,419	44,017	

The accompanying notes form part of these statements.

Department of Environment and Heritage Protection
Statement of Cash Flows
year to date ending 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Service appropriation receipts		121,225	120,781
User charges, fees and fines		54,492	96,903
Grants and other contributions		9,527	6,744
GST input tax credits received from Australian Taxation Office		7,440	12,414
Other		3,801	10,085
<i>Outflows:</i>			
Employee expenses		(98,736)	(98,216)
Supplies and services		(56,377)	(101,691)
Grants and subsidies		(22,787)	(22,039)
GST remitted to Australian Taxation Office		(600)	(1,377)
Other		(3,518)	(3,845)
Net cash provided by (used in) operating activities	20	14,467	19,759
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		6	3
<i>Outflows:</i>			
Payments for property, plant, equipment and intangibles		(24,326)	(10,230)
Net cash (used in) investing activities		(24,320)	(10,227)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity injections		21,023	7,806
<i>Outflows:</i>			
Equity withdrawals		(672)	(672)
Net cash provided by (used in) financing activities		20,351	7,134
Net increase (decrease) in cash and cash equivalents		10,498	16,666
Cash and cash equivalents at beginning of financial year		1,288	(15,378)
Cash and cash equivalents at end of financial year		11,786	1,288

The accompanying notes form part of these statements.

**Department of Environment and Heritage Protection
Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2015**

	Environment Management		Conservation Programs		Built Heritage		Corporate Partnership *		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from continuing operations **										
Appropriation revenue for services	72,710	46,588	35,796	59,548	3,356	4,810	10,075	10,982	121,936	121,928
User charges, fees and fines	43,638	34,422	1,490	1,439	112	107	126	-	45,366	35,968
Grants and other contributions	4,318	1,258	5,218	6,936	1	39	37	-	9,575	8,233
Other revenue	754	945	1,468	6,740	19	13	181	-	2,423	7,698
Total revenue	121,420	83,213	43,972	74,663	3,488	4,969	10,419	10,982	179,300	173,827
Gains										
Gain on sale of property, plant and equipment	-	-	-	3	-	-	-	-	-	3
Total income from continuing operations	121,420	83,213	43,972	74,666	3,488	4,969	10,419	10,982	179,300	173,830
Expenses from continuing operations **										
Employee expenses	58,302	57,039	29,496	34,388	2,373	3,228	8,427	8,174	98,598	102,829
Supplies and services	30,313	20,067	17,145	25,326	923	1,021	1,834	2,727	50,215	49,141
Grants and subsidies	7,031	714	15,170	22,619	126	130	-	-	22,327	23,463
Depreciation and amortisation	1,896	1,747	573	573	441	484	-	40	2,911	2,844
Other expenses	3,137	2,933	886	1,353	47	138	158	41	4,227	4,465
Total expenses from continuing operations	100,679	82,500	63,270	84,259	3,910	5,001	10,419	10,982	178,278	182,742
Total comprehensive income	20,741	713	(19,298)	(9,593)	(422)	(32)	-	-	1,022	(8,912)

* Refer to note 2.

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

Revenue	18,218	29,518	9,171	13,722	859	679	-	-	28,248	43,919
Expenses	18,218	29,518	9,171	13,722	859	679	-	-	28,248	43,919

The accompanying notes form part of these statements.

**Department of Environment and Heritage Protection
Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2015**

	Environment Management		Conservation Programs		Built Heritage		Corporate Partnership *		General not attributable		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	11,786	1,288	11,786	1,288
Receivables	10,415	7,343	2,222	2,377	345	232	-	-	-	13,817	12,982	23,769
Other assets	130	1,437	2,211	851	7	45	-	-	-	-	2,349	2,333
Total current assets	10,546	8,780	4,433	3,228	352	277	-	-	11,786	15,105	27,117	27,390
Non-current assets												
Property, plant and equipment	4,362	6,061	37,879	17,890	254	14	1,084	712	-	-	43,579	24,677
Intangible assets	4,247	3,522	-	66	975	-	-	-	-	-	5,222	3,588
Total non-current assets	8,609	9,583	37,879	17,956	1,229	14	1,084	712	-	-	48,801	28,265
Total assets	19,155	18,363	42,312	21,184	1,581	291	1,084	712	11,786	15,105	75,918	55,655
Current liabilities												
Payables	5,024	1,548	1,945	3,452	(56)	(50)	-	-	-	2,063	6,913	7,013
Accrued employee benefits	2,260	2,009	1,314	1,273	51	113	-	-	-	-	3,625	3,395
Provision - onerous contract	138	212	68	123	6	7	-	-	-	-	212	342
Other liabilities	52	6	8	3	0	-	-	-	-	-	60	9
Total current liabilities	7,473	3,775	3,335	4,851	1	70	-	-	-	2,063	10,810	10,759
Non-current liabilities												
Provision - onerous contract	448	545	220	316	21	18	-	-	-	-	689	879
Total non-current liabilities	448	545	220	316	21	18	-	-	-	-	689	879
Total liabilities	7,921	4,320	3,556	5,167	22	88	-	-	-	2,063	11,499	11,638
Net assets	11,234	14,043	38,756	16,017	1,560	203	1,084	712	11,786	13,042	64,419	44,017

* Refer to note 2.

The accompanying notes form part of these statements.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

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Department of Environment and Heritage Protection Notes to and forming part of the financial statements 2014-15

1. Objectives and principal activities of the department

The department is responsible for managing the health of the environment to protect Queensland's unique ecosystems, including its landscapes and waterways, as well as its native plants and animals and biodiversity, acting as a strong environmental regulator by supporting sustainable long-term economic development and identifying and conserving the State's built heritage places.

The department's two primary objectives are:

- balancing economic growth with environmental protection; and
- a responsive, respected and effective public service.

The department's primary objectives are achieved through partnering with government, business, industry and the community; and with innovative, evidence based environmental policies, programs and services; supported by a capable and accountable organisation.

Sources of departmental funding

The department is principally funded for the services it delivers by parliamentary appropriations, and the significant revenue collected from environmentally related licencing activities.

2. Major departmental services

During 2014-15 the department conducted its business through the Environment and Heritage Protection service. This service has three service areas:

- **Environment Management** – with a focus on avoiding, minimising or mitigating impacts to the environment by developing and coordinating policy, planning, legislative frameworks and regulatory enforcement;
- **Conservation programs** – provides focus on protecting the integrity of Queensland's ecosystems by ensuring the diversity and integrity of Queensland's natural ecosystems are preserved and conservation status of native species are maintained or enhanced; and
- **Built Heritage** - focuses on protecting Queensland's built heritage.

In addition to the corporate services provided to the Department of Environment and Heritage Protection, the department also participates in a corporate partnership arrangement whereby some departments "host" a number of strategic and operational corporate services provided to a number of other "recipient" departments. This arrangement was developed with a focus on ensuring economies of scale, service integration, scalability, and responsiveness.

The "host" department of each corporate service function receives the appropriation of funds and reports full time equivalent positions in the respective department. The model is multi-layered for different corporate services functions. That is, some functions are provided to two departments, and some provided to six departments with any combination in between.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

2. Major departmental services (continued)

As a "host", this department provides defined services to the following departments for which no charges are levied:

Recipient Department	Services provided by Department of Environment and Heritage Protection
Department of Agriculture and Fisheries	Internal Audit; Procurement; Right to Information
Department of Tourism, Major Events, Small Business and the Commonwealth Games	Internal Audit; Procurement; Right to Information
Department of Natural Resources and Mines	Internal Audit; Procurement; Right to Information
Department of Energy and Water Supply	Internal Audit; Procurement; Right to Information
Department of National Parks, Sport and Racing	Finance; Human Resources; Corporate Communications; Governance Oversight; Performance Management; Privacy and Ethics; Procurement; Right to Information.

Corporate Services income and expenses attributable solely to the Department of Environment and Heritage Protection are apportioned across the major departmental services while corporate services income and expenses attributable under the corporate partnership arrangements are outlined in the Statement of Comprehensive Income by Major Departmental Services.

Functions (and allocation of revenue and expenses) hosted by other departments in the corporate partnership are disclosed in the relevant department's financial statements.

The Department of Environment and Heritage Protection receives defined services from the following departments for which no charges are levied:

Provider Department	Services received by Department of Environment and Heritage Protection
Department of Agriculture and Fisheries	Fleet Management; Information and Communications Technology (ICT)
Department of Natural Resources and Mines	Property and Facilities Management; Legal Services

The department receives information technology services from the Department of Agriculture and Fisheries as a fee for service within the corporate partnership.

3. Summary of significant accounting policies

a) Statement of compliance

The Department of Environment and Heritage Protection has prepared these financial statements in compliance with section 42 of the Financial and Performance Management Standard 2009.

These general purpose financial statements have been prepared on an accrual basis, in accordance with Australian Accounting Standards and Interpretations. In addition, these financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the period ending 30 June 2015 and other authoritative pronouncements.

Being a not for profit entity, the department has applied the requirements of Australian Accounting Standards and interpretations applicable to not-for-profit entities.

Except where stated, the historical cost convention is used.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

b) 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 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.

Administered transactions and balances are disclosed in note 25. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

c) Trust and agency transactions and balances

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

- As a condition of the environmental authority for petroleum and gas leases under the Environmental Protection Act 1994, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements set by the state over petroleum and gas activities, to prevent or minimise any environmental harm, or to rehabilitate or restore the environment. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- As a condition of other miscellaneous environment management sections of the Environmental Protection Act 1994 and other relevant Acts, financial assurances are held in the form of cash or bank guarantee to ensure compliance with specific environmental requirements as determined.

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 26. Applicable audit arrangements are also shown.

d) Appropriation revenue for services 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 appropriation revenue for services. Refer to note 4.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations. As of 1 July 2012 the department no longer receives administered appropriation. Refer to note 25.

e) User charges, fees and fines

User charges and fees controlled by the department are recognised as revenues when revenue has been earned and can be measured reliably with a sufficient degree of certainty through invoicing or the recognition of accrued revenue. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. Refer to note 5.

Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to note 25.

f) Grants and other contributions

Grants, contributions, donations and gifts, non-reciprocal in nature, are recognised as revenue in the year in which the department obtains control over them. Where monies are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding agreements.

Contributed assets are recognised at their fair value. Contributions of services are recognised as an expense and revenue at equal amount, only where the services would have been purchased, had they not been donated.

g) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash on hand, cash at bank and cash and cheques received but not banked at 30 June 2015.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

h) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed sales/contract price. Settlement of these amounts is required within ranged trading terms of 14 days to 30 days from invoice date depending on the service provided.

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed values. Settlement terms of these debtors are generally between 14 - 30 days net, no interest is charged and no collateral is collected.

i) Works 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.

j) 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. 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.

k) 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.

l) Revaluations of non-current physical and intangible assets

Land, buildings, infrastructure, and heritage and cultural assets are measured at fair value in accordance with AASB 116 Property, Plant and Equipment, AASB 13 Fair Value Measurement and Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

In respect of the abovementioned asset classes, the cost of items acquired during the financial year has been judged by management of the department to materially represent their fair value at the end of the reporting period.

Plant and equipment, is measured at cost in accordance with the Non-Current Asset Policies. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

l) Revaluations of non-current physical and intangible assets (*continued*)

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

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they are measured at fair value).

Property, plant and equipment classes measured at fair value (refer above) are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by a team in the department's Finance and Asset Management branch, who determine the specific revaluation practices and procedures.

Revaluations using independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Materiality concepts (according to the Framework for the Preparation and Presentation of Financial Statements) are considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on the departments' own particular circumstances.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus 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 surplus relating to that asset class.

On revaluation:

- for assets revalued using a cost valuation approach (e.g. depreciated replacement cost) – accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'; and
- for assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'.

In previous years, Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector (NCAPs) mandated the gross method of revaluation for all revaluations. However, from 1 July 2014, the NCAPs now require either the gross or net method be used, according to the valuation approach adopted for individual assets (as explained above). In accordance with the above policies, this means a reported asset class may contain assets for which revaluations are accounted for using either method. While this does not impact on carrying amounts (i.e. fair values) reported, it does make a significant difference to the figures displayed for gross, accumulated depreciation and accumulated impairment losses (refer also to note 16 Property, Plant and Equipment for a comparison to figures reported for 2013-14).

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

l) Revaluations of non-current physical and intangible assets (*continued*)

Materiality concepts under AASB 1031 Materiality are considered in determining whether the difference between the carrying amount and the fair value of an asset is material.

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

m) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the department's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

n) Intangibles

Intangible assets with a cost or other value equal to or 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.

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

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.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

n) Intangibles (continued)

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 8 – 17 years.

o) Amortisation of intangibles and depreciation of property, plant and equipment

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

All intangible assets of the department have finite useful lives and are amortised on a straight line basis.

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. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

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.

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

Physical asset class	Rate %
Buildings	3.2 - 9.1
Heritage and cultural assets	1.0 - 1.0
Infrastructure	2.0 - 6.7
<i>Plant and equipment</i>	
Vehicles	10.0 - 20.0
Scientific and technical equipment	9.1 - 33.3
Office equipment	10.0 - 33.3
Computer equipment	12.5 - 33.3
Leasehold improvements	8.3 - 25.0
Boats and boating equipment	6.7 33.3
Intangible asset class	
Internally generated software	10.0 - 33.3
Purchased software	5.9 - 12.5

p) 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.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

p) Impairment of non-current assets (continued)

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 surplus 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 3 (l).

q) 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.

r) 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:

- Receivables – held at amortised cost; and
- Payables – held at amortised cost

The department does not enter into 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 24.

s) Employee benefits

Annual leave levies, long service leave levies and employer superannuation contributions are regarded as employee benefits.

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.

Wages, salaries, and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values.

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.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

s) Employee benefits (*continued*)

Annual and long service 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.

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 annual or 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 principally 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.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is 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.

t) 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.

u) 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 Heritage Protection. As such, GST credits receivable from/payable to the Australian Taxation Office are recognised. Refer note 14.

v) Issuance of Financial Statements

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

w) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions made that have a potential significant effect are outlined in the following notes to the financial statements:

- Property, plant and equipment: Note 16
- Contingencies: Note 22

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

w) Accounting estimates and judgements (*continued*)

Further, the matters covered in each of those notes (except for Depreciation and Amortisation) necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

x) Other presentation matters

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.

Comparative information, where necessary, has been restated to be consistent with disclosures in the current reporting period.

In addition, the classification of certain expenses was reviewed during 2014-15, with the comparative figures being restated. Further information on this can be found in note 10 (supplies and services) and note 11 (grants and subsidies).

y) New and revised accounting standards

The department did not voluntarily change any of its accounting policies during 2014-15. The Australian Accounting Standard applicable for the first time as from 2014-15 that had the most significant impact on the departments financial statements is AASB 1055 Budgetary Reporting.

AASB 1055 became effective from reporting periods beginning on or after 1 July 2014. In response to this new standard, the department has included in these financial statements a comprehensive new note 'Budget vs Actual Comparison' note 27. This note discloses the department's original published budgeted figures for 2014-15 compared to actual results, with explanations of major variances, in respect of the department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. Note 27 also includes a comparison between the original published budgeted figures for 2014-15 compared to actual results, and explanations of major variances, in respect of the department's major classes of administered income, expenses, assets and liabilities.

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 Queensland Treasury. Consequently, the department has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The department applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

From reporting periods beginning on or after 1 July 2016, the department will need to comply with the requirements of AASB 124 Related Party Disclosures. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. The department already discloses information about the remuneration expenses for key management personnel. Refer to note 9 in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for the department's financial statements will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

AASB 15 Revenue from Contracts with Customers will become effective from reporting periods beginning on or after 1 January 2017. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

y) New and revised accounting standards (continued)

AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, all of the department's financial assets are expected to be required to be measured at fair value (instead of the measurement classifications presently used in notes 3(r) and 24. In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the department's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the department's receivables. Assuming no substantial change in the nature of the department's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the department will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment, and investments in equity instruments measured at fair value through other comprehensive income (e.g. the 'held to maturity' investment) and de-recognition of these.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities amends AASB 13 Fair Value Measurement effective from annual reporting periods beginning on or after 1 July 2016. The amendments provide relief from certain disclosures about fair values categorised as level 3 under the fair value hierarchy (refer to note 3(m)). Accordingly, the following disclosures for level 3 fair values in note 16 will no longer be required:

- the disaggregation of certain gains/losses on assets reflected in the operating result;
- quantitative information about the significant unobservable inputs used in the fair value measurement; and
- a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

As the amending standard was released in early July 2015, the Department has not early adopted this relief in these financial statements, as per instructions from Queensland Treasury. However, the Department will be early adopting this disclosure relief as from the 2015-16 reporting period (also on instructions from Queensland Treasury).

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

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
4. Reconciliation of payments from consolidated fund		
Reconciliation of payments from Consolidated Fund to appropriation revenue for services recognised in the Statement of Comprehensive Income		
Budgeted appropriation revenue for services	128,436	128,162
Less lapsed appropriations *	(7,211)	(7,381)
Total appropriation receipts (cash)	<u>121,225</u>	<u>120,781</u>
Plus: Closing balance of output revenue receivable	1,837	1,126
Less: Opening balance of output revenue receivable	(1,126)	(159)
Less: Opening balance of deferred appropriation payable	-	180
Appropriation revenue for services recognised in the Statement of Comprehensive Income	<u>121,936</u>	<u>121,928</u>
* Reflects lapse of appropriation funding in excess of requirements.		
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in Contributed Equity		
Budgeted equity adjustment appropriation	26,310	21,758
Less lapsed equity adjustment	(5,959)	(14,624)
Total equity adjustment receipts/(payments)	<u>20,351</u>	<u>7,134</u>
Equity adjustment recognised in Contributed Equity	<u>20,351</u>	<u>7,134</u>
5. User charges, fees and fines		
Services rendered	980	658
Fees and permits	44,386	35,310
	<u>45,366</u>	<u>35,968</u>

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
6. Grants and other contributions		
Commonwealth grants *	7,240	3,315
Grant funding from external bodies, state and local governments *	1,618	2,528
Contributions from external and industry bodies *	649	205
Goods and services received at below fair value	48	279
Assets received below fair value	-	1,750
Sponsorships	9	136
Donations	11	20
	<u>9,575</u>	<u>8,233</u>

* Included in the 2015 figure for grants and other contributions are non-reciprocal grants funded by the Commonwealth and State Government, and other external bodies for a range of grant programs. These monies have been recognised as revenue in their entirety upon receipt as the agreements do not specify sufficient conditions to qualify as reciprocal. As at 30 June 2015, \$14.261 million (2014: \$13.939 million) of all grant funding remain unspent. The department expects to fully comply with the conditions of the grants and does not expect to recognise a future liability relating to the refund of unspent grant monies.

7. Other revenue

Recoveries	754	9,167
Koala Habitat Offsets - Restitution *	1,251	(1,777)
Public service housing rental	170	133
Revaluation increment	211	158
Other	37	17
	<u>2,423</u>	<u>7,698</u>

* Includes a credit note of \$2.13 million raised in 2014 relating to 2013 for a koala habitat offset program. The program did not go ahead as planned.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
8. Employee expenses		
<i>Employee benefits</i>		
Salaries and wages	78,310	75,425
Annual leave levy *	8,248	8,082
Employer superannuation contributions *	10,459	10,123
Long service leave levy *	1,812	1,760
Severance payments	-	2,494
Other employee benefits	78	6
Capitalised salary expenses	(798)	(58)
 <i>Employee related expenses</i>		
Salary related taxes **	82	4,547
Workers' compensation **	407	450
	<u>98,598</u>	<u>102,829</u>

* Refer to note 3(s).

** 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. From 1 July 2014 the department is not liable for payroll tax.

Corporate Partnership employee expenses aligned to this department associated with the provision of services to other departments are included in the above figures, refer note 2. The number of employees providing services to other departments at balance date is set out below.

	2015	2014
<i>Number of employees:</i>		
Department of Environment and Heritage Protection *	1,047	1,034
Corporate partnership arrangement	81	79

* Include corporate partnership employees.

The number of employees, including both full time and part time employees, is measured on a full time equivalent basis, reflecting Minimum Obligatory Human Resource Information (MOHRI) at 30 June of the respective years.

**Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15**

9. Key executive management personnel and remuneration

a) Key Management Personnel 2014-15

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2014-15. These senior executives as members of the departmental Management Group are responsible for providing leadership and oversight of strategic and/or critical issues and challenges facing the department. They ensure the effective and efficient performance of the agency in achieving strategic goals and operational objectives.

Further information on these positions may be found in the body of the Annual Report under the section relating to Executive Management.

Department of Environment and Heritage Protection Management Group 1 July 2014 – 30 June 2015

Position	Management Group Incumbency	
	Contract classification and appointment authority	Date appointed to Management Group (End date where relevant)
Director-General	CEO3, <i>Public Service Act 2008</i>	23 September 2013
Deputy Director-General, Conservation and Sustainability Services	SES3, <i>Public Service Act 2008</i>	1 July 2013
Deputy Director-General, Environmental Policy and Planning	SES3, <i>Public Service Act 2008</i>	1 May 2012
Deputy Director-General, Environmental Services and Regulation	SES4, <i>Public Service Act 2008</i>	1 May 2012
Acting Assistant Director-General, Corporate Services	SES3, <i>Public Service Act 2008</i>	31 March to 8 August 2014
Assistant Director-General, Corporate Services	SES3, <i>Public Service Act 2008</i>	11 August 2014
Executive Director, Governance and Strategy	SES2, <i>Public Service Act 2008</i>	1 May 2012
Executive Director, Office of the Great Barrier Reef	SES2, <i>Public Service Act 2008</i>	27 May 2015

**Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15**

9. Key executive management personnel and remuneration (continued)

b) Remuneration

The remuneration policy for the department's key management personnel is set by the Queensland Public Service Commission (PSC) as provided for under the Public Service Act 2008. The remuneration and other terms of employment (including motor vehicle entitlements) for the key executive management personnel are specified in employment contracts. The Director-General's contract under the previous Government also provided for an At Risk Component payment.

For the 2014-15 financial year, the remuneration of key management personnel increased by 2.2% in accordance with government policy.

The following disclosures focus on the expenses incurred by the department during the respective reporting periods that is attributable to key management positions. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Remuneration expenses for key management personnel comprise the following components:

- Short term employee benefits which include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specific position;
 - performance payments recognised as an expense during the year;
 - non-monetary benefits- consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment benefits expensed include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

9. Key executive management personnel and remuneration (*continued*)

b) *Remuneration (continued)*

Schedule of Remuneration made to Key Management Personnel 2014-15

Position (Date resigned if applicable)	Short term Employee Expenses		Long Term Employee Expenses \$'000	Post-Employment Expenses	Termination Benefits \$'000	Total Expenses \$'000
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Director-General	411	12	9	35	-	467
Deputy Director-General, Conservation and Sustainability Services	205	12	4	22	-	243
Deputy Director-General, Environmental Policy and Planning	216	11	5	24	-	256
Deputy Director-General, Environmental Services and Regulation	227	12	10	25	-	274
Acting Assistant Director-General, Corporate Services (1 July 2014 to 8 August 2014)	23	-	-	2	-	25
Assistant Director-General, Corporate Services (11 August 2014 to 30 June 2015)	185	10	4	19	-	218
Executive Director, Governance and Strategy	186	13	4	19	-	222
Executive Director, Office of the Great Barrier Reef (27 May 2015 to 30 June 2015)	21	1	-	2	-	24
Total Remuneration	1,474	71	36	148	-	1,729

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

9. Key executive management personnel and remuneration (*continued*)

b) *Remuneration (continued)*

Schedule of Remuneration made to Key Management Personnel 2013-14

Position (Date resigned if applicable)	Short term Employee Expenses		Long Term Employee Expenses \$'000	Post-Employment Expenses \$'000	Termination Benefits \$'000	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Director-General (1 July 2013 - 22 September 2013)	145	4	2	11	-	162
Director-General (23 September 2013 - 30 June 2014)	309	7	7	19	-	342
Deputy Director-General, Environmental Services and Regulation	211	11	5	24	-	251
Deputy Director-General, Environmental Policy and Planning	193	26	5	24	-	248
Deputy Director-General, Conservation and Sustainability Services	187	11	(7)	22	-	213
Deputy Director-General, Corporate Services (1 July 2013 - 28 March 2014)	121	28	3	15	-	166
Acting Assistant Director-General, Corporate Services (31 March 2014 - 30 June 2014)	52	-	1	5	-	58
Executive Director, Governance and Strategy	148	28	4	18	-	199
Total Remuneration	1,366	115	20	139	-	1,639

**Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15**

9. Key executive management personnel and remuneration (continued)

c) Performance payments

The remuneration package for the Director-General under the previous Government included a potential at risk component up to a maximum of \$60,575. Eligibility for such a performance payment in respect of 2013-14 was conditional on the achievement of objectives that are documented in that positions performance agreement.

The total remuneration package included a portion that is “at risk” and was paid only if they met or exceeded the agreed performance standards. The performance evaluation process comprised:

- reporting on end of year achievement and self-assessment by each chief executive against their performance agreement/intended outcomes;
- a rigorous, independent and objective assessment of Director-General’s performance at the end of the financial year, culminating in recommendations to the Premier; and
- the Premier’s ultimate discretion regarding whether the Director-General was paid an At Risk Component, and if so, how much.

No At Risk Component payment was made for 2014-15 in accordance with the Government’s commitment to discontinue such payments.

The basis for performance bonuses expenses in the 2014-15 financial years is set out below:

Position	Date Paid	Basis of Payment
Director-General	31 October 2014	Consistent with the above mentioned timeframe and process, this payment relates to the achievement of performance criteria during 2013-14. In accordance with the terms of the performance agreement for this position, it was determined that a payment of \$20,192 be awarded.

The basis for performance bonuses expenses in the 2013-14 financial years is set out below:

Position	Date Paid	Basis of Payment
Director-General (1 July 2013 - 22 September 2013)	15 November 2013	Consistent with the above mentioned timeframe and process, this payment relates to the achievement of performance criteria during 2012-13. In accordance with the terms of the performance agreement for this position, it was determined that a payment of \$48,244 be awarded.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
10. Supplies and services		
Advertising	768	286
Computer expenses	5,267	5,037
Consultants and contractors	10,951	6,760
Materials	779	1,214
Minor plant and equipment	889	425
Motor vehicles	428	496
Office accommodation	1,069	1,412
Operating leases	10,737	13,529
Outsourced frontline service delivery *	8,664	8,487
Personnel costs	768	864
Postage and freight	227	245
Repairs and maintenance	280	239
Rural land protection	574	338
Shared service provider costs paid to the Queensland Shared Services	3,329	4,069
Service costs - other Government agencies	1,959	1,219
Staff and client travel	2,379	1,886
Telephone and facsimile	1,338	940
Other **	(191)	1,695
	50,215	49,141

* During 2014-15, the department reviewed the classification of various expenses previously reported as either 'supplies and services' or 'grants and subsidies'. This is in response to the introduction by Queensland Treasury of new guidance to better distinguish between these two broad expense categories, and facilitate greater transparency about overall supplies and services expenses. This new guidance was effective as from 2014-15, and comparative figures for supplies and services have been restated accordingly. As a consequence of the department's review, \$8.487 million of expenses for 2013-14 has been reclassified to supplies and services from grants and subsidies.

** Includes supplies and services of \$2.164 million in 2015 (2014: \$1.285 million) which has subsequently been capitalised.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
11. Grants and subsidies		
E-reefs contribution 2014-15	1,000	-
Everyone's environment grants	4,303	2,368
Gladstone healthy harbour	1,551	1,841
Great Barrier Reef protection pack	2,180	172
Healthy waterways	1,290	2,210
Horticulture best management practice program	300	-
Indigenous land & sea grants	487	528
Indigenous land & sea rangers	7,772	6,472
Indigenous sea country management grants program	264	1,414
Contribution to koala conservation	933	1,334
National packaging covenant	409	297
Non-government conservation funding program	565	415
Other	1,273	6,412
	<u>22,327</u>	<u>23,463</u>

As explained in note 10, during 2014-15 the department reviewed the classification of various expenses previously reported as either 'supplies and services' or 'grants and subsidies'. Comparative figures for grants and subsidies have been restated accordingly. As a consequence, \$8.487 million of expenses for 2013-14 has been reclassified to supplies and services from grants and subsidies.

12. Other expenses

Legal fees	1,630	1,763
Insurance premiums - Queensland Government Insurance Fund	1,577	1,571
Bad and impaired debts	675	331
External audit fees *	202	54
Bank and statutory fees	54	54
Revaluation decrement	-	511
Losses:		
Public property	-	4
Public money	-	1
Special payments	15	16
Donations, gifts and awards	6	21
Other	68	139
	<u>4,227</u>	<u>4,465</u>

* Total audit fees payable to the Queensland Audit Office relating to the 2014-15 financial statements are quoted to be \$0.189 million (2014: \$0.195 million). There are no non-audit services included in this amount.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
13. Cash and cash equivalents		
Cash at bank	8,649	1,281
QTC Capital Guaranteed Cash Fund	3,132	-
Imprest accounts	5	7
	<u>11,786</u>	<u>1,288</u>

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation do earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

The department has a group limit facility of \$10 million and a business card facility of \$3.5 million with its balance cleared monthly.

The department holds two Capital Guaranteed Cash Funds with QTC which earn interest and are used to hold specific funds as outlined below.

An amount of \$0.1 million (Effective Rate 2.93%) (2014: Nil) was held as a result of financial offset payments in accordance with the *Environmental Offset Act 2014*. The use of these funds is restricted under the Act and can only be used for Conservation purposes or as otherwise permitted under section 86 of the Act.

As at 30 June 2015, an amount of \$3.0 million (Effective Rate 2.84%) (2014: Nil) was held for the Commonwealth Reef Trust grant. The use of these funds is restricted and can only be used for reef protection as permitted under the agreement.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
14. Receivables		
<i>Current</i>		
Trade debtors	8,477	17,311
Less: Allowance for impairment	(738)	(465)
	<u>7,739</u>	<u>16,846</u>
GST receivable	1,282	951
GST payable	(26)	-
	<u>1,256</u>	<u>951</u>
	<u>8,995</u>	<u>17,797</u>
Annual leave claim receivable	1,763	1,503
Machinery-of-government receivable	-	2,790
Appropriation revenue for services receivable	1,837	1,126
Long service leave receivable	384	517
Other	3	36
	<u>12,982</u>	<u>23,769</u>
15. Other Assets		
Prepayments	2,082	2,172
Advances for land purchases	267	161
	<u>2,349</u>	<u>2,333</u>

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

16. Property, plant and equipment

	Land		Buildings				Heritage and cultural				Infrastructure				Plant and equipment				Assets under construction				Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Carrying value at 1 July	16,254	12,173	1,370	848	4	27	296	107	6,721	6,479	32	-	24,677	19,634										
Acquisitions	19,660	8,352	1,216	986	-	-	-	-	441	327	27	410	21,344	10,075										
Depreciation	-	-	(127)	(93)	-	-	(23)	(9)	(1,460)	(1,455)	-	-	(1,610)	(1,557)										
External transfers in from other Queensland Government entities	-	252	-	190	-	-	-	40	24	1,613	-	-	24	2,095										
External transfers out to other Queensland Government entities	(885)	(4,096)	(110)	(500)	-	-	-	-	-	(597)	-	-	(995)	(5,193)										
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-										
Transfers between classes	-	-	47	22	-	(22)	-	-	-	378	(47)	(378)	-	-										
Revaluation increments / (decrements)	125	(427)	84	(83)	-	-	3	158	-	-	-	-	212	(352)										
Disposals	-	-	(52)	-	-	(1)	-	-	(21)	(24)	-	-	(73)	(25)										
Balance at 30 June	35,154	16,254	2,428	1,370	4	4	276	296	5,705	6,721	12	32	43,579	24,677										
Gross	35,154	16,254	3,087	2,048	5	5	662	656	12,395	12,130	12	32	51,315	31,125										
Less: Accumulated depreciation	-	-	(659)	(678)	(1)	(1)	(386)	(360)	(6,690)	(5,409)	-	-	(7,736)	(6,448)										
Balance at 30 June	35,154	16,254	2,428	1,370	4	4	276	296	5,705	6,721	12	32	43,579	24,677										

**Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15**

16. Property, plant and equipment (continued)

In 2015 the department applied a market based index for land, building and infrastructure assets as the majority of the property, plant and equipment asset base had been comprehensively acquired or valued in the last four years. This is in accordance with Queensland Treasury's Non-Current Asset Accounting Policies for the Queensland Public Sector.

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

The department has property, plant and equipment at an original cost of \$0.766 million (2014: \$0.808 million) with a written down value of zero still being used in the provision of services.

Land

The department has a number of different land tenures, containing different levels of restrictions, which impact the valuation methodology for the class. This class is comprised of land that is categorised as Freehold and Reserves administered under the Land Act 1994. Land values are determined using level 2 or level 3 inputs. The principal market is land of similar topography and location observable from readily available and reliable market data (recent land sales). Where there is insufficient market evidence and/or significant adjustments are necessary to available sales data, the valuation will be categorised within level 3 of the fair value hierarchy. For land that has restrictions, this market data is then adjusted by the valuer to reflect the nature of these restrictions and this land is categorised as being level 3 fair value. This approach reflects fair market value given the restrictive nature of relevant land. Land that has no restrictions, including those part of the land acquisition programs for future national park estate and koala refuge land, is categorised as being level 2 fair value. In the years an assessment is not made by an independent valuer, an index is supplied by valuers based on market movements.

Buildings and Infrastructure

The majority of the value of the building class and all of the infrastructure class is comprised of assets that are on restricted land which would not allow these assets to be sold. These assets are valued using depreciated replacement costs and are classified as having level 3. Depreciated replacement cost is the cost of replacing the asset with a modern equivalent and taking into account the condition and therefore the remaining useful life of the asset. Buildings purchased as part of land acquisition programs for future national park estate and koala refuge land are valued with market data (recent land sales in area).

Categorisation of fair values recognised as at 30 June 2015 (refer to note 3(m))

	Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	33,175	14,327	1,979	1,927	35,154	16,254
Buildings	1,686	502	742	868	2,428	1,370
Infrastructure	-	-	276	296	276	296
Heritage and cultural	-	-	4	4	4	4

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

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

Level 3 fair value reconciliation (refer to note 3(m))

	Land		Building		Heritage and cultural		Infrastructure	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Carrying value at 1 July	1,927	2,026	868	848	4	27	296	107
Acquisitions	-	-	16	11	-	-	-	-
Depreciation	-	-	(79)	(83)	-	-	(23)	(9)
External transfers in from other Queensland Government entities	-	252	-	190	-	-	-	40
External transfers out to other Queensland Government entities	-	-	(110)	(37)	-	-	-	-
Transfers between classes	-	-	47	22	-	(22)	-	-
Revaluation increments / (decrements)	52	(351)	52	(83)	-	-	3	158
Disposals	-	-	(52)	-	-	-	-	-
Balance at 30 June	1,979	1,927	742	868	4	4	276	296

Level 3 significant valuation inputs and relationship to fair value

Description	Fair Value \$'000		Type of significant level 3 inputs	Possible range for significant level 3 inputs	Inter-relationship between key unobservable inputs and fair value measurement
	2015	2014			
Land	1,979	1,927	Allowance for restrictions on the land	+/- 0% - 10%	Increase in restrictions would decrease the fair value. Decrease in restrictions would increase the fair value.
Buildings	742	868	Condition assessment	+/- 0% - 10%	A negative condition assessment would reduce the fair value. A positive condition assessment would increase the fair value.
Infrastructure	276	296	Condition assessment	+/- 0% - 10%	A negative condition assessment would reduce the fair value. A positive condition assessment would increase the fair value.
Heritage and cultural	4	4	Artistic and cultural attributes	Not applicable	Due to the value of the class to the property, plant and equipment portfolio it is not considered material.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

17. Intangibles

	Internally generated		Purchased software		Software development in progress		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying value at 1 July	3,046	2,775	404	895	138	307	3,588	3,977
Acquisitions	-	-	-	-	2,935	933	2,935	933
Amortisation	(978)	(831)	(323)	(456)	-	-	(1,301)	(1,287)
Transfers between classes	2,212	1,102	-	-	(2,212)	(1,102)	-	-
Disposal	-	-	-	(35)	-	-	-	(35)
Balance at 30 June	4,280	3,046	81	404	861	138	5,222	3,588
Gross	10,284	8,072	5,033	5,033	861	138	16,178	13,243
Less: Accumulated amortisation	(5,142)	(4,164)	(4,952)	(4,629)	-	-	(10,094)	(8,793)
Less: Accumulated impairment	(862)	(862)	-	-	-	-	(862)	(862)
Balance at 30 June	4,280	3,046	81	404	861	138	5,222	3,588

The department has internal use software with an original cost of \$3.588 million (2014: \$3.283 million) and a written down value of zero still being used in the provision of services.

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

	2015	2014
	\$'000	\$'000
18. Payables		
<i>Current</i>		
Trade creditors	6,326	2,641
Grants and subsidies payable	10	470
Machinery-of-government payable	-	2,063
Taxes payable	180	389
Capital items payable	288	333
Other	109	1,117
	6,913	7,013

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
19. Accrued employee benefits		
<i>Current</i>		
Salary and wages related payable	707	572
Annual leave levy payable	2,373	2,365
Long service leave levy payable	545	458
	<u>3,625</u>	<u>3,395</u>

20. Reconciliation of operating result to net cash from operating activities

Operating result from continuing operations	1,022	(8,912)
Depreciation and amortisation expense	2,911	2,844
Assets written off	68	59
Assets received below fair value	-	(1,750)
Net asset revaluation decrements	(211)	353
Net (gain)/loss on disposal of property, plant and equipment	-	(3)
Assets not previously recognised	-	(26)
Change in assets and liabilities		
(Increase) decrease in appropriation revenue for services receivable	(711)	(967)
(Increase) decrease in net receivables	12,529	65,097
(Increase) decrease in long service leave reimbursement receivables	133	1,928
(Increase) decrease in annual leave claim receivable	(260)	411
(Increase) decrease in GST input tax credits receivable	(330)	4,424
(Increase) decrease in prepayments	(16)	(1,484)
Increase (decrease) in Treasury appropriation payable	-	(180)
Increase (decrease) in accounts payable	201	(45,144)
Increase (decrease) in provision for tax	(209)	1,584
Increase (decrease) in GST payable	(574)	(290)
Increase (decrease) in accrued employee benefits	184	594
Increase (decrease) in other liabilities	(270)	1,221
Net cash from operating activities	<u>14,467</u>	<u>19,759</u>

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

2015 **2014**
\$'000 **\$'000**

21. 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	11,327	10,313
Later than one year and not later than five years	34,229	31,083
Later than five years	6,423	5,853
	51,979	47,249

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) Other expenditure commitments

Other expenditure committed at the end of the period but not recognised in the accounts are as follows:

Not later than one year	5,677	5,609
Later than 1 year and not later than 5 years	3	-
	5,680	5,609

c) 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:

Plant and equipment	20	77
Intangibles	2,871	529
	2,891	606
Payable:		
Not later than one year	1,649	366
Later than one year and not later than five years	100	240
Later than 5 years	1,142	-
	2,891	606

d) Grant commitments

Grant commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts as payable as follows:

Not later than one year	8,631	9,941
Later than one year and not later than five years	28,756	3,897
	37,387	13,838

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

22. Contingencies

Litigation in progress

At 30 June 2015, the following claims against the department were filed in the courts or lodged with the department:

	2015	2014
High Court	1	-
Federal Court	3	1
Supreme Court	3	2
Magistrate Court	1	-
	<u>8</u>	<u>3</u>

At reporting date it is not possible to make an estimate of any probable outcomes of these claims, or 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 (QGIF).

Guarantees and undertakings

During 2014-15 the department has been a party to numerous indemnity capped procurement arrangements. These contracts were with suppliers for the provision of services. Liability and indemnity caps of various levels of \$10.0 million limited at \$1.0 million per occurrence and \$10.0 million limit on general liability and \$1.0 million on professional liability exist over the life of the contracts. The contracts are short term in nature.

Land acquisitions

The department is currently engaged in a program of land acquisitions to be used to further its environmental management and protection objectives. These land acquisition programs exist for the delivery of the State's national park estate, Investing to Protect our Koalas Strategy and Investing in Our Environment.

23. Related party disclosure

Balance the Earth Trust

This trust was originally established, to support environmental purposes, on 9 October 2009 with Ecofund Queensland Pty Ltd being assigned trustee responsibilities. On 4 March 2013, Ecofund Queensland Pty Ltd was sold to a third party which resulted in two departmental officers Tamara O'Shea, Deputy Director-General, Conservation and Sustainability Services and Geoff Clare, Executive Director, Nature Conservation Services assuming the trustee roles of the Balance the Earth Trust in their private capacities. This is an interim measure until appropriate longer term arrangements are determined.

The Trust's Public Funds Management Committee members during 2014-15 were:

- Mr Geoffrey Clare (appointed on 8 February 2013)
- Mrs Tamara O'Shea (appointed on 8 February 2013)
- Mr Bradley Lang (appointed on 31 October 2014)

Mr Bradley Lang is the Chief Financial Officer of the Department of Environment and Heritage Protection. The business of the trust is managed by the trustees, with the financial statements being completed by the department.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

24. Financial instruments

a) Categorisation of financial instruments

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

		2015	2014
		\$'000	\$'000
Category	Note		
Financial assets			
Cash and cash equivalents	13	11,786	1,288
Receivables	14	12,982	23,769
Total		<u>24,768</u>	<u>25,057</u>
Financial liabilities			
Payables	18	6,913	7,013
Provision		901	1,221
		<u>7,814</u>	<u>8,234</u>

b) Financial risk management

The department's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to policies of the Government and the department. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

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 carrying amount of receivables, disclosed in note 14, represents the maximum exposure to credit risk.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

24. Financial instruments (continued)

c) Credit risk exposure (continued)

No collateral is held as security and no credit enhancements relate to financial assets held by the department. The department manages credit risk through the use of a 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.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the department according to the due date. Economic changes impacting the department's debtors and relevant industry data also form part of the department's documented risk analysis.

Where no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If the department determines that an amount owing by a debtor does become uncollectible (after appropriate debt recovery actions having been undertaken) that amount is recognised as a bad debt expense and written off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written off directly against receivables.

The department's current year receivable impairment loss is \$0.738 million (2014: \$0.465 million). This is an increase of \$0.273 million from 2014.

Ageing of past due but not impaired are disclosed in the following tables:

2015 Financial assets past due but not impaired

	<u>Overdue</u>				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables	556	908	247	1178	2,889
	556	908	247	1178	2,889

2014 Financial assets past due but not impaired

	<u>Overdue</u>				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables	1,003	147	7,227	3,085	11,462
	1,003	147	7,227	3,085	11,462

Financial liabilities

The department holds no financial guarantee contracts in 2014.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

24. 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 that are settled by delivering cash or another financial asset.

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 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 undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

		2015 Payable in:			
Note	<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000	
Financial liabilities					
Payables	18	6,913	-	-	6,913
Provision		212	689	-	901
Total		7,125	689	-	7,814

		2014 Payable in:			
Note	<1 Year \$'000	1-5 Years \$'000	>5 Years \$'000	Total \$'000	
Financial liabilities					
Payables	18	7,013	-	-	7,013
Provision		342	879	-	1,221
Total		7,355	879	-	8,234

d) Interest rate sensitivity analysis

The department does not have any financial liabilities, however does have interest bearing financial assets of cash held with Queensland Treasury Corporation (QTC). The impact on the departments profit and equity would be attributable to the exposure to variable interest rates on its deposits with QTC.

e) Fair value

The department does not recognise any financial assets or financial liabilities at fair value.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

	2015	2014
	\$'000	\$'000
25. Schedule of Administered Items		
Administered revenue		
Fees and fines	5,058	4,995
Royalties *	22,999	2,026
Total administered revenue	28,057	7,021
Administered expenses		
Other expenses **	(1,182)	(13)
Transfers of administered item revenue to government *	29,149	8,515
Total administered expenses	27,967	8,502
Operating surplus/(deficit)	90	(1,481)
Administered assets		
<i>Current</i>		
Cash	96	655
Receivables	204	243
Total current assets	300	898
Administered liabilities		
<i>Current</i>		
Payables	-	688
Total administered liabilities	-	688
Net administered assets	300	210
Accumulated Surplus	300	210
Total administered equity	300	210

* Royalties represent revenue for the sand extraction from Moreton Bay for the construction of the second runway at the Brisbane Airport. Royalties are recognised as revenues when revenue can be measured reliably with a sufficient degree of certainty through a notice of extraction.

** Other expenses includes the provision for impaired debts of \$(3.492) million in 2015. This is due to the decrease in principal Environmentally Relevant Activity debt between years either through recovery or write off. From 1 July 2013 Environmentally Relevant Activity licencing is recorded as controlled debt. As no new debt is being raised the current year assessment of impaired debt is less than the previous year causing a contra balance from the decreasing movement.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

26. Trust transactions and balances

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

- As a condition of the environmental authority for petroleum and gas leases under the Environmental Protection Act 1994, applicants are required to provide financial security in the form of cash or bank guarantee to ensure compliance with specific requirements set by the state of petroleum and gas activities, to prevent or minimise any environmental harm, or to rehabilitate or restore the environment. The security is held to protect the State should the lessee not meet the conditions set out in the environmental authority.
- As a condition of other miscellaneous environment management sections of the Environmental Protection Act 1994 and other relevant Acts, financial assurances are held in the form of cash or bank guarantee to ensure compliance with specific environmental requirements as determined.

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.

	2015	2014
	\$'000	\$'000
Trust collections and distributions		
<i>Collections</i>		
Environmental security deposits	403	478
Total collections	403	478
<i>Distributions</i>		
Environmental security deposits	(25)	(3,481)
Total distributions	(25)	(3,481)
Increase (decrease) in trust assets	378	(3,003)
Trust assets and liabilities		
<i>Current assets</i>		
Cash	2,912	3,290
Total trust assets	2,912	3,290
<i>Non-current liabilities</i>		
Environmental security deposits	2,912	3,290
<i>Total non-current liabilities</i>	2,912	3,290
Total trust liabilities	2,912	3,290

At 30 June 2015, the department held bank guarantees to the value of \$1.250 billion, and in relation to the following:

- \$1.132 billion relating to petroleum and gas in accordance with the lease conditions under the Environmental Protection Act 1994;
- \$118.179 million relating to environmental management activities under the Environmental Protection Act 1994 and miscellaneous Environmental Management sections of relevant acts involved.

This represents the maximum value the department is potentially entitled to if agreed conditions are not fulfilled.

The Queensland Audit Office audits the trust. Audit fees are included as part of the external audit fees under note 12.

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison

Statement of Comprehensive Income

	Variance Notes	Original		Variance	
		Budget 2015 \$'000	Actual 2015 \$'000	Variance \$'000	% of Budget
Income from continuing operations					
<i>Revenue</i>					
Appropriation revenue for services		128,436	121,936	(6,500)	-5%
User charges, fees and fines		42,299	45,366	3,067	7%
Grants and other contributions	1	4,007	9,575	5,568	139%
Other revenue	2	292	2,423	2,131	730%
Total revenue		175,034	179,300	4,266	2%
<i>Gains</i>					
Gain on sale of property, plant and equipment		-	-	-	0%
Total income from continuing operations		175,034	179,300	4,266	2%
Expenses from continuing operations					
Employee expenses		97,102	98,598	1,496	2%
Supplies and services	3	42,874	50,215	7,341	17%
Grants and subsidies	4	28,305	22,327	(5,978)	-21%
Depreciation and amortisation	5	3,563	2,911	(652)	-18%
Other expenses	6	3,190	4,227	1,037	33%
Total expenses from continuing operations		175,034	178,278	3,244	2%
Total comprehensive income		-	1,022	1,022	0%

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison (continued)

Statement of Financial Position

		Original		Variance	
		Budget	Actual	Variance	% of
	Variance	2015	2015	2015	% of
	Notes	\$'000	\$'000	\$'000	Budget
Current assets					
Cash and cash equivalents	7	9,483	11,786	2,303	24%
Receivables	8	10,092	12,982	2,890	29%
Other assets	9	744	2,349	1,605	216%
Total current assets		20,319	27,117	6,798	33%
Non-current assets					
Property, plant and equipment	10	34,950	43,579	8,629	25%
Intangibles	11	6,550	5,222	(1,328)	-20%
Total non-current assets		41,500	48,801	7,301	18%
Total assets		61,819	75,918	14,099	23%
Current liabilities					
Payables	12	4,380	6,913	2,533	58%
Accrued employee benefits	13	2,801	3,625	824	29%
Provisions		-	212	212	0%
Other liabilities	11	60	60	0	445%
Total current liabilities		7,192	10,810	3,618	50%
Non-current liabilities					
Provisions		-	689	689	0%
Total non-current liabilities		-	689	689	0%
Total liabilities		7,192	11,499	4,307	60%
Net assets		54,627	64,419	9,792	18%
Equity					
Contributed equity		72,668	78,258	5,590	8%
Accumulated surplus/deficit		(18,041)	(13,839)	4,202	-23%
Total equity	14	54,627	64,419	9,792	18%

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison (continued)

Statement of Cash Flows

		Original		Variance	
	Variance	Budget	Actual	Variance	% of
	Notes	2015	2015	2015	Budget
		\$'000	\$'000	\$'000	
Cash flows from total comprehensive income					
<i>Inflows:</i>					
Service appropriation receipts		128,436	121,225	(7,211)	-6%
User charges, fees and fines	15	41,794	54,492	12,698	30%
Grants and other contributions	1	4,007	9,527	5,520	138%
GST input tax credits received from Australian Taxation Office		-	7,440	7,440	0%
Other	2	292	3,801	3,509	1202%
<i>Outflows:</i>					
Employee expenses		(97,102)	(98,736)	(1,634)	2%
Supplies and services	3	(42,874)	(56,377)	(13,503)	31%
Grants and subsidies	4	(28,305)	(22,787)	5,518	-19%
GST remitted to Australian Taxation Office		-	(600)	(600)	0%
Other		(3,140)	(3,518)	(378)	12%
Net cash provided by (used in) operating activities		3,108	14,467	11,359	365%
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		20	6	(14)	-70%
<i>Outflows:</i>					
Payments for property, plant and equipment and intangibles	16	(29,886)	(24,326)	5,560	-19%
Net cash (used in) investing activities		(29,866)	(24,320)	5,546	-19%
Cash flows from financing activities					
<i>Inflows:</i>					
Equity injections		26,982	21,023	(5,959)	-22%
<i>Outflows:</i>					
Equity withdrawals		(672)	(672)	-	0%
Net cash provided by (used in) financing activities		26,310	20,351	(5,959)	-23%
Net increase (decrease) in cash and cash equivalents					
		(448)	10,498	10,946	-2443%
Cash and cash equivalents at beginning of financial year		9,931	1,288	(8,643)	-87%
Cash and cash equivalents at end of financial year	7	9,483	11,786	2,303	24%

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison (*continued*)

Administered Items

		Original		Variance	
		Budget	Actual	Variance	% of
Variance	Notes	2015	2015	2015	% of
		\$'000	\$'000	\$'000	Budget
Administered income					
		5,263	5,058	(205)	-4%
		1,200	22,999	21,799	1817%
		680	-	(680)	0%
		<u>7,143</u>	<u>28,057</u>	<u>20,914</u>	<u>1813%</u>
Administered expenses					
		-	(1,182)	(1,182)	0%
		7,143	29,149	22,006	308%
		<u>7,143</u>	<u>27,967</u>	<u>20,824</u>	<u>308%</u>
Operating surplus/(deficit)					
		-	90	90	0%
Administered assets					
<i>Current</i>					
		289	96	(193)	-67%
		713	204	(509)	-71%
		<u>1,002</u>	<u>300</u>	<u>(702)</u>	<u>-70%</u>
Administered liabilities					
<i>Current</i>					
		64	-	(64)	0%
		680	-	(680)	0%
		<u>744</u>	<u>-</u>	<u>(744)</u>	<u>0%</u>
Net administered assets					
		258	300	42	16%
		258	300	42	16%
		<u>258</u>	<u>300</u>	<u>42</u>	<u>16%</u>

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison (continued)

Explanations of major variances

Statement of Comprehensive Income

1. The increase is mainly attributable to additional unbudgeted grant revenue received during the year from both Federal and other State government entities for various projects and programs including the Reef Trust (\$3m); the Raine Island recovery project (\$0.5m); and a contribution to the e-Reefs project (\$0.5m.)
2. The increase in other revenue is primarily the result of funding received for the Koala Offsets Community Infrastructure program (\$1.3m). Revenue generated through the program is dependent on project timings of road and infrastructure projects undertaken by other State Government Entities.
3. Increased expenditure over budget for supplies and services is primarily related to additional budget supplementation and associated costs with Underground Coal Gasification (UCG) investigations associated with prosecution of serious environmental harm (\$4.2m) and the reef facts campaign (\$1m), as well as additional deferrals from 2013-14 for the Gladstone healthy harbours and eco biz programs (\$0.6).
4. The variance primarily relates to the deferral of grants funding for programs including everyone's environment grants (\$3m) and reef water quality (\$2.4m). Deferrals relate primarily to timing and realignment of milestone payments and contractual commitments under these programs.
5. The variance related to lower than expected depreciation and amortisation is primarily due to delays in the commissioning of capital work associated with the Compliance Review Program and in the acquisition of other major equipment.
6. The variance relates to increased legal expenses relating to underground coal gasification investigations as well as an increase in the provision for bad and doubtful debts expenses.

Statement of Financial Position

7. The increase in cash and cash equivalents is primarily due to additional grants revenue received during the year. These funds are for projects that are planned to occur over several years.
8. The variance in receivables primarily consists of appropriation receivable (\$1.8m), e-Reef contributions receivable (\$0.5m) and an increased environmental services fee revenue receivable (\$1.2m).
9. The variance in other assets is mainly attributable to the timing of 2015-16 Queensland Government Insurance Fund (QGIF) premium of \$1.6m being paid in the 2014-15 year and recognised as a prepayment.
10. The net increase in property plant and equipment is primarily due to estate land purchased on behalf of National Parks Sport and Racing (NPSR), which is yet to be transferred (\$7.2m).
11. The variance in intangibles is primarily attributable to delays in the compliance review program – IT system due to protracted contract negotiations (\$0.9m).
12. The variance in payables is due to general timing of invoice payments. The balance includes accruals for the reef water quality program (\$1.4m) and UCG investigations (\$0.6m).
13. Accrued employee benefits are higher overall by \$0.8 million due to the general timing of employee payments and is in line with the increase in Full Time Equivalents.
14. The variance in total equity includes the cumulative effect of major variance explained above and is primarily affected by the expected transfer of land (via equity) to NPSR (\$11.9m) offset by deferred appropriated equity adjustments (\$5.9m).

Department of Environment and Heritage Protection
Notes to and forming part of the financial statements 2014-15

27. Budget vs Actual Comparison (continued)

Explanations of major variances (continued)

Statement of Cash Flows

15. The variance relates primarily to the payment of trade receivables associated with prior year machinery of Government change arrangements (\$12.9m).
16. The decrease in cash outflows for property plant and equipment is primarily a result of delayed land acquisitions to be ultimately transferred to NPSR, funding was deferred to 2015-16 (\$5.9m).

Administered

17. The variance is primarily attributable to royalty revenue for sand extraction in Moreton Bay for the construction of the second parallel runway at Brisbane airport (\$20.6m).
18. The \$1.2 million credit in other expenses was the result of the reduction in the required provision for bad and doubtful debts. From 1 July 2013 environmentally relevant activity licencing is recorded as controlled debt. As no new debt is being raised, the current year assessment of impaired debt is less than the previous year causing a contra balance from the decreasing movement.
19. The variance of \$22m in transfer of administered revenue to government is the result of additional royalties received which were in turn returned to government (see financial statement note 25).

Management Certificate

Department of Environment and Heritage Protection

These general purpose financial statements have been prepared pursuant to section 62(1) of the Financial Accountability Act 2009 (the Act), section 42 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with section 62(1) (b) 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 Heritage Protection for the financial year ended 30 June 2015 and of the financial position of the department at the end of that year: and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Brad Lang, B.Bus(Acc), BA, CPA
Executive Director, Finance and Asset Management
Chief Finance Officer

Department of Environment and Heritage
Protection
August 2015

Jonathan (Jon) Black
Director-General

Department of Environment and Heritage
Protection
August 2015

INDEPENDENT AUDITOR'S REPORT

To the Accountable Officer of the Department of Environment and Heritage Protection

Report on the Financial Report

I have audited the accompanying financial report of Department of Environment and Heritage Protection, which comprises the statement of financial position and statement of assets and liabilities by major departmental services as at 30 June 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Director-General and the Executive Director, Finance and Asset Management, Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 the risks of material misstatement of 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 of the financial report that gives a true and fair view 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 used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements 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 all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only 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.

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 relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - ii. the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Environment and Heritage Protection for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial report to confirm the accuracy of this electronically presented information.

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane