Department of Environment and Heritage Protection

Financial Statements

for the financial year ended 30 June 2014

Contents

General information

These financial statements report on the financial results for the Department of Environment and Heritage Protection for the financial year 1 July 2013 to 30 June 2014.

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 2014

	Notes	2014 $'000	2013 $'000
Income from continuing operations			
Revenue			
Appropriation revenue for services	4	121,928	176,509
User charges, fees and fines *	5	35,968	4,533
Grants and other contributions	6	8,233	12,973
Revaluation increment	7	158	160
Interest revenue	8	-	20
Other revenue	9	7,540	9,182
Total revenue		173,827	203,377
Gains			
Gain on sale of property, plant and equipment	10	3	4
Total income from continuing operations		173,830	203,381
Expenses from continuing operations			
Employee expenses	11	102,829	117,655
Supplies and services	13	40,654	45,609
Grants and subsidies	14	31,950	25,266
Depreciation and amortisation	15	2,844	3,059
Impairment losses	16	-	1,110
Revaluation decrement	17	511	177
Other expenses	18	3,954	5,055
Total expenses from continuing operations		182,742	197,931
Total comprehensive income		(8,912)	5,450

* A component of user charges, fees and fines revenue relates to environmentally relevant activity collections which up to 30 June 2013 was classified as administered revenue (refer note 37). From 1 July 2013 such revenue was classified as controlled revenue (refer note 5).

The accompanying notes form part of these statements.

Department of Environment and Heritage Protection
Statement of Financial Position
as at 30 June 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	19	1,288	5
Receivables	20	23,769	95,671
Unexpended advances	21	161	57
Other assets	22	2,172	687
Total current assets		27,390	96,420
Non-current assets			
Property, plant and equipment	23	24,677	19,634
Intangible assets	24	3,588	3,977
Total non-current assets		28,265	23,611
Total assets		55,655	120,031
Current liabilities			
Bank overdraft	25	-	15,383
Payables	26	7,013	51,702
Accrued employee benefits	27	3,395	2,801
Provision	28	342	-
Other liabilities	29	9	11
Total current liabilities		10,759	69,897
Non-current liabilities			
Provision	28	879	-
Total non-current liabilities		879	-
Total liabilities		11,638	69,897
Net assets		44,017	50,134
Equity			
Contributed equity		58,878	56,082
Accumulated surplus/deficit		(14,861)	(5,948)
Total equity		44,017	50,134

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 2014

	Accumulated surplus		Contributed equity		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July	(5,948)	(11,398)	56,082	73,544	50,134	62,146
Total comprehensive income for the year	(8,912)	5,450	-	-	(8,912)	5,450
Transactions with owners as owners						
Equity injections (note 4)	-	-	7,806	328	7,806	328
Equity withdrawals (note 4)	-	-	(672)	(17,572)	(672)	(17,572)
Net transfer of assets/liabilities to other government agencies	-	-	(4,338)	(218)	(4,338)	(218)
Net transactions with owners as owners	-	-	2,796	(17,462)	2,796	(17,462)
Balance at 30 June	**(14,861)**	**(5,948)**	**58,878**	**56,082**	**44,017**	**50,134**

The accompanying notes form part of these statements.

Department of Environment and Heritage Protection
Statement of Cash Flows
for the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Cash flows from total comprehensive income			
Inflows:			
Service appropriation receipts		120,781	174,617
User charges, fees and fines		96,903	11,128
Grants and other contributions		6,744	11,048
Interest receipts		-	20
GST input tax credits received from Australian Taxation Office		12,414	17,626
Other		10,085	5,022
Outflows:			
Employee expenses		(98,216)	(119,888)
Supplies and services		(93,204)	(16,389)
Grants and subsidies		(30,526)	(25,748)
GST remitted to Australian Taxation Office		(1,377)	(5,507)
Other		(3,845)	(80,061)
Net cash provided by (used in) operating activities	30	19,759	(28,132)
Cash flows from investing activities			
Inflows:			
Sales of property, plant and equipment		3	255
Outflows:			
Payments for property, plant and equipment and intangibles		(10,230)	(1,141)
Net cash (used in) investing activities		(10,227)	(886)
Cash flows from financing activities			
Inflows:			
Equity injections		7,806	292
Outflows:			
Equity withdrawals		(672)	(17,572)
Net cash provided by (used in) financing activities		7,134	(17,280)
Net increase (decrease) in cash and cash equivalents		16,666	(46,298)
Cash and cash equivalents at beginning of financial year		(15,378)	30,920
Cash and cash equivalents at end of financial year	19/25	1,288	(15,378)

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 2014

	Environment Management		Conservation Programs		Built Heritage		Corporate Partnership		Total	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Income from continuing operations *										
Appropriation revenue for services	46,588	102,205	59,548	59,345	4,810	3,297	10,982	11,662	121,928	176,509
User charges, fees and fines	34,422	2,811	1,439	1,632	107	90	-	-	35,968	4,533
Grants and other contributions	1,258	8,043	6,936	4,670	39	260	-	-	8,233	12,973
Revaluation increment	158	99	-	58	-	3	-	-	158	160
Interest revenue	-	12	-	8	-	-	-	-	-	20
Other revenue	787	5,693	6,740	3,305	13	184	-	-	7,540	9,182
Total revenue	83,213	118,863	74,663	69,018	4,969	3,834	10,982	11,662	173,827	203,377
Gains on sale of property, plant and equipment	-	2	3	2	-	-	-	-	3	4
Total Gains	-	2	3	2	-	-	-	-	3	4
Total income from continuing operations	83,213	118,865	74,666	69,020	4,969	3,834	10,982	11,662	173,830	203,381
Expenses from continuing operations *										
Employee expenses	57,039	67,484	34,388	39,183	3,228	2,177	8,174	8,811	102,829	117,655
Supplies and services	20,067	26,597	16,839	15,441	1,021	858	2,727	2,713	40,654	45,609
Grants and subsidies	714	15,665	31,106	9,096	130	505	-	-	31,950	25,266
Depreciation and amortisation	1,747	1,840	573	1,069	484	59	40	91	2,844	3,059
Impairment losses	-	688	-	400	-	22	-	-	-	1,110
Revaluation decrement	23	110	488	63	-	4	-	-	511	177
Other expenses	2,910	3,105	865	1,803	138	100	41	47	3,954	5,055
Total expenses from continuing operations	82,500	115,489	84,259	67,055	5,001	3,725	10,982	11,662	182,742	197,931
Total comprehensive income	713	3,376	(9,593)	1,965	(32)	109	-	-	(8,912)	5,450

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

Revenue	29,518	26,589	13,722	15,435	679	857	-	-	43,919	42,881
Expenses	29,518	26,589	13,722	15,435	679	857	-	-	43,919	42,881

Department of Environment and Heritage Protection
Statement of Comprehensive Income by Major Departmental Services
for the year ended 30 June 2014

Allocation of revenues and expenses from ordinary activities to corporate services:

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 agencies in the corporate partnership are disclosed in the relevant department's financial statements. Refer to note 2 for a description of major departmental services. Income and expenses attributed to other agencies through corporate partnership activities are shown separately and not allocated across departmental services

The accompanying notes form part of these statements.

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

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Department of Environment and Heritage Protection
Statement of Assets and Liabilities by Major Departmental Services
as at 30 June 2014

	Environment Management		Conservation Programs		Built Heritage		Corporate Partnership		General not attributable		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	1,288	5	1,288	5
Receivables	7,343	8,712	2,377	5,059	232	281	-	-	13,817	81,619	23,769	95,671
Unexpended advances	100	36	58	20	3	1	-	-	-	-	161	57
Other assets	1,337	426	793	247	42	14	-	-	-	-	2,172	687
Total current assets	8,780	9,174	3,228	5,326	277	296	-	-	15,105	81,624	27,390	96,420
Non-current assets												
Property, plant and equipment	6,061	11,418	17,890	6,629	14	368	712	1,219	-	-	24,677	19,634
Intangible assets	3,522	2,464	66	1,432	-	80	-	1	-	-	3,588	3,977
Total non-current assets	9,583	13,882	17,956	8,061	14	448	712	1,220	-	-	28,265	23,611
Total assets	18,363	23,056	21,184	13,387	291	744	712	1,220	15,105	81,624	55,655	120,031
Current liabilities												
Bank overdraft	-	-	-	-	-	-	-	-	-	15,383	-	15,383
Payables	1,548	2,827	3,452	1,642	(50)	91	-	-	2,063	47,142	7,013	51,702
Accrued employee benefits	2,009	1,737	1,273	1,008	113	56	-	-	-	-	3,395	2,801
Provision	212	-	123	-	7	-	-	-	-	-	342	-
Other liabilities	6	7	3	4	-	-	-	-	-	-	9	11
Total current liabilities	3,775	4,571	4,851	2,654	70	147	-	-	2,063	62,525	10,759	69,897
Non-current liabilities												
Provision	545	-	316	-	18	-	-	-	-	-	879	-
Total non-current liabilities	545	-	316	-	18	-	-	-	-	-	879	-
Total liabilities	4,320	4,571	5,167	2,654	88	147	-	-	2,063	62,525	11,638	69,897
Net assets	14,043	18,485	16,017	10,733	203	597	712	1,220	13,042	19,099	44,017	50,134

The accompanying notes form part of these statements.

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

1. Objectives and principal activities of the department

The Department of Environment and Heritage Protection provides strong environmental management supporting sustainable economic development.

The department's three primary objectives are:
- avoiding, minimising or mitigating impacts to the environment
- protecting the integrity of Queensland's ecosystems
- protecting Queensland's built heritage.

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.

Role of the department

The department role and purpose is to:
- manage the health of Queensland's environment by protecting the State's unique ecosystems. This includes its landscapes and waterways, as well as its native plants, animals and biodiversity
- act as a strong environmental regulator by supporting sustainable long-term economic development: and
- identify and conserve the State's built heritage places.

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 2013-14 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.

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, Fisheries and Forestry	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, Recreation, 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, Fisheries and Forestry	Fleet Management; Telecommunications
Department of Natural Resources and Mines	Property and Facilities Management; Legal Services

The department receives information technology services from the Department of Agriculture, Fisheries and Forestry 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 and Trade’s Minimum Reporting Requirements for the period ending 30 June 2014 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.

(b) The reporting entity

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

The major departmental services undertaken by the department are disclosed in note 2.

(c) Administered transactions and balances

The department administers, but does not control, certain resources on behalf of the Government. In doing so, it is responsible and 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 37. These transactions and balances are not significant in comparison to the department's overall financial performance/financial position.

(d) Trust and agency transactions and balances

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

a. As a condition of 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.

b. 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 38. Applicable audit arrangements are also shown.

(e) 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 and Trade 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 37.

(f) 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 37.

(g) 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.

(h) Special Payments

Special payments include ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009*, the department maintains a register detailing the special payments. The total expenditure incurred as special payments is disclosed separately within Other Expenses (note 18). However descriptions of the nature of special payments are provided only in respect of the material components of such expenditure.

(i) 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 receipted but not banked at 30 June 2014, as well as deposits at call with financial institutions.

(j) 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.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June 2014. The impairment movement is based on the events disclosed in note 36(c).

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

(k) Work in progress

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

(l) Acquisitions of assets

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

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

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

(m) Property, plant and equipment

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

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

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

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

Research, design and appraisal studies

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

Repairs and maintenance

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

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

Library materials

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

(n) 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 and Trade'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.

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.

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.

Early in the reporting period, the department reviewed all fair value methodologies in light of the new principles in AASB 13 and identified no material changes to the valuation principles of the department's property, plant and equipment.

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, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

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.

(o) 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. As 2014 is the first year of application of AASB 13 by the department, there were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about the department's Property, Plant and Equipment is outlined in note 23.

(p) 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.

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 – 15 years.

(q) 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	3.0 - 9.1
Heritage and cultural assets	1.0 - 1.0
Infrastructure	2.0 - 6.7
Plant and equipment	
Motor vehicles	10.0 20.0
Heavy vehicles	10.0 - 20.0
Scientific and technical equipment	10.0 - 33.3
Office equipment	10.0 - 20.0
Computer equipment	14.3 - 33.3
Leasehold improvements	6.7 - 25.0
Boats and boating equipment	6.7 - 33.3
Intangible asset class	
Internally generated software	10.0 - 33.3
Purchased software	6.7 - 12.5

(r) Impairment of non-current assets

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

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

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation 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 (n).

(s) Leases

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

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

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

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

(t) Payables

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

(u) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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 36.

(v) Employee benefits

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

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

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.

Annual leave

The Queensland Government's Annual Leave Central Scheme became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to

(v) Employee benefits *(continued)*

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.

No provision for annual leave has been recognised in the department's financial statements as the liability 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*.

Long service leave

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

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

Superannuation

Employer superannuation contributions are 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*.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to note 12 for the disclosures on key executive management personnel and remuneration.

(w) Allocation of corporate services revenue and expenses from ordinary activities to services

The department discloses income and expenses attributable to corporate services in the Statement of Comprehensive Income by Major Departmental Services. These do not include the value of the costs associated with the corporate partnership service delivery which are disclosed separately.

(x) Insurance

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

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

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

(z) 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.

(aa) 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 20.

(ab) 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.

(ac) 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 23
Contingencies: Note 33

The Australian government passed its *Clean Energy Act* in November 2011 which resulted in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

From 1 July 2014, the Australian government plans to abolish the carbon tax. The withdrawal of the carbon pricing mechanism is not expected to have a significant impact on the Department's critical accounting estimates, assumptions and management judgements.

(ad) Rounding and comparatives

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

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

(ae) New and revised accounting standards

Current Impacts

The department did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on the department's financial statements are those arising from AASB 13 *Fair Value Measurement*, as explained below.

AASB 13 *Fair Value Measurement* became effective from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements apply to all of the department's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

The department reviewed its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to assess whether those methodologies comply with AASB 13. To the extent that the previous methodologies were not in compliance with AASB 13, valuation methodologies were revised accordingly to be in line with AASB 13. The revised valuation methodologies have not resulted in material differences from the previous methodologies.

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' (i.e. accessible outside the department), the amount of information disclosed has significantly increased. Note 3 (n) explains some of the principles underpinning the additional fair value information disclosed. Most of this additional information is set out in note 23 Property Plant and Equipment.

A revised version of AASB 119 *Employee Benefits* became effective for reporting periods beginning on or after 1 January 2013. As the department does not directly recognise any employee benefit liabilities (refer to note 3(v)), the only implications for the department were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the AASB 119 timeframe criterion for 'short-term employee benefits', they will be measured according to the AASB 119 requirements for 'short-term employee benefits'. Otherwise, termination benefits need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of other long-term employee benefits' are accounted for according to most of the requirements for defined benefit plans.

(ae) New and revised accounting standards *(continued)*

The revised AASB 119 includes changed criteria for accounting for employee benefits as 'short-term employee benefits'. However, as the department is a member of the Queensland Government central schemes for annual leave and long service leave, this change in criteria has no impact on the department's financial statements as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The department makes employer superannuation contributions principally to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on the department.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two Tiers of reporting requirements – Australian Accounting Standards (commonly referred to as 'Tier 1'), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as 'Tier 2'). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Pursuant to AASB 1053, public sector entities like the department may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of this department, Queensland Treasury and Trade is the regulator and has advised that adoption of Tier 1 reporting is required by all Queensland Government departments (including this department) and statutory bodies that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has no impact on this department.

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 and Trade. 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.

Future Impacts

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.

AASB 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. The department will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

In addition, the department will need to include the original budgeted information for major classes of administered income and expenses, and major classes of administered assets and liabilities. This budgeted information will need to be presented consistently with the corresponding (actuals) administered information, and will be accompanied by explanations of major variances between the actual amounts and the corresponding budgeted financial information.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014:
- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*.

(ae) New and revised accounting standards *(continued)*

AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* will become effective for reporting periods beginning on or after 1 January 2017. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with the department's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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, it is not expected that any of the department's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2017-18 financial statements, all of the department's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes 3 (t) and 34. The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. 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.

The department will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2017-18. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the department enters into, it is considered the department will be minimally impacted if at all.

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.

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

	2014 $'000	2013 $'000
Budgeted appropriation revenue for services	128,162	186,676
Less lapsed appropriations *	(7,381)	(12,059)
Total appropriation revenue for services	120,781	174,617
Plus: Closing balance of output revenue receivable	1,126	159
Plus: Closing balance of deferred appropriation payable	-	(180)
Less: Opening balance of output revenue receivable	(159)	(724)
Less: Opening balance of deferred appropriation payable	180	2,637
Appropriation revenue for services recognised in the Statement of Comprehensive Income	121,928	176,509

* Reflects lapse of appropriation funding in excess of requirements.

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

	2014 $'000	2013 $'000
Budgeted equity adjustment appropriation	21,758	(2,888)
Less lapsed equity adjustment	(14,624)	(14,392)
Total equity adjustment receipts/(payments)	7,134	(17,280)
Less: Opening balance of equity adjustment receivable	-	36
Equity adjustment recognised in Contributed Equity	7,134	(17,244)

	2014 $'000	2013 $'000

5. User charges, fees and fines

	2014 $'000	2013 $'000
Services rendered	658	1,057
Waste levy *	-	1,814
Fees and permits**	35,310	1,660
Sale of goods	-	2
	35,968	4,533

* Following the change of Government in March 2012, a decision was taken to abolish the waste levy effective 1 July 2012. The last of this related revenue was collected in 2013.

** In 2013 environmentally relevant activity collections were classified as administered revenue (refer note 37). From 1 July 2013 this revenue is classified as controlled.

6. Grants and other contributions

	2014 $'000	2013 $'000
Commonwealth grants *	3,315	3,808
Grant funding from external bodies, state and local governments *	2,528	8,153
Contributions from external and industry bodies *	205	531
Goods and services received at below fair value	279	345
Capital received below fair value	1,750	-
Sponsorships	136	129
Donations	20	7
	8,233	12,973

* Included in the 2014 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 2014, $13.939 million (2013: $25.969 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. Revaluation increment

	2014 $'000	2013 $'000
Buildings	-	158
Infrastructure	158	2
	158	160

8. Interest revenue

	2014 $'000	2013 $'000
Other interest	-	20
	-	20

9. Other revenue

	2014 $'000	2013 $'000
Recoveries	9,167	6,528
Restitution – environmental offsets *	(1,777)	2,314
Insurance recoveries	-	61
Public service housing rental	133	258
Other	17	21
	7,540	9,182

* 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.

	2014 $'000	2013 $'000

10. Gain on sale of property, plant and equipment

	2014 $'000	2013 $'000
Gain on sale of plant and equipment	3	4
	3	4

11. Employee expenses

	2014 $'000	2013 $'000
Employee benefits		
Salaries and wages	75,425	79,639
Annual leave levy *	8,082	7,963
Employer superannuation contributions *	10,123	10,624
Long service leave levy *	1,760	1,854
Severance payments **	2,494	12,287
Other employee benefits	6	-
Capitalised salary expenses	(58)	-
Employee related expenses		
Salary related taxes ***	4,547	5,055
Workers' compensation ***	450	233
	102,829	117,655

* Refer to note 3(v).

** Payments include 38 voluntary redundancies (2013: 208) and 1 retrenchment (2013: 0).

*** 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.

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.

	2014	2013
Number of employees:		
Department of Environment and Heritage Protection *	1,034	1,083
Corporate partnership arrangement	79	93

* 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.

12. Key executive management personnel and remuneration

a) Key Management Personnel 2013-14

The following details for key management personal include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2013-14. 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 2013 – 30 June 2014

Position	Management Group Incumbency	
	Contract classification and appointment authority	**Date appointed to Management Group (End date where relevant)**
Director-General	CEO, *Public Service Act 2008*	1 July 2013 - 22 September 2013
Director-General	CEO, *Public Service Act 2008*	23 September 2013
Deputy Director-General, Environmental Services and Regulation	SES 4, *Public Service Act 2008*	1 July 2013
Deputy Director-General, Environmental Policy and Planning	SES 3, *Public Service Act 2008*	1 July 2013
Deputy Director-General, Conservation and Sustainability Services	SES 3, *Public Service Act 2008*	1 July 2013
Deputy Director-General, Corporate Services	SES 3, *Public Service Act 2008*	1 July 2013 - 28 March 2014
Acting Assistant Director-General, Corporate Services	SES 3, *Public Service Act 2008*	31 March 2014
Executive Director, Governance and Strategy	SES 2, *Public Service Act 2008*	1 July 2013

12. Key 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 for the key executive management personnel are specified in employment contracts. The contracts may provide for other benefits including a motor vehicle allowance and, for chief executive officers (CEOs), may provide for the provision of performance-related cash bonuses at risk component payments and other benefits including motor vehicles.

For the 2013-14 financial year, the remuneration of key management personnel (excluding the Director-General) 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 payments in lieu of notice on termination, regardless of the reason of the termination.

12. Key management personnel and remuneration *(continued)*

b) Remuneration *(continued)*

Schedule of Remuneration made to Key Management Personnel 2013-2014

Position (Date resigned if applicable)	Short term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	$'000
Director-General (1 July 2013 - 22 September 2013)	150	4	3	11	-	168
Director-General (23 September 2013 - 30 June 2014)	311	7	6	19	-	343
Deputy Director-General, Environmental Services and Regulation	236	11	5	24	-	276
Deputy Director-General, Environmental Policy and Planning	216	26	5	24	-	270
Deputy Director-General, Conservation and Sustainability Services	214	11	4	22	-	251
Deputy Director-General, Corporate Services (1 July 2013 – 28 March 2014)	128	28	1	15	-	173
Acting Assistant Director-General, Corporate Services (31 March 2014 – 30 June 2014)	53	-	1	5	-	59
Executive Director, Governance and Strategy	159	28	3	19	-	209
Total Remuneration	**1,467**	**115**	**28**	**139**	**-**	**1,749**

12. Key management personnel and remuneration *(continued)*

b) Remuneration *(continued)*

Schedule of Remuneration made to Key Management Personnel 2012-2013

Position (Date resigned if applicable)	Short term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses $'000	Non-Monetary Benefits $'000	$'000	$'000	$'000	Monetary Expenses $'000
Director-General	440	13	10	48	-	511
Deputy Director-General, Environmental Services and Regulation	224	13	3	23	-	263
Deputy Director-General, Environmental Policy and Planning	211	40	5	23	-	279
Deputy Director-General, Conservation and Sustainability Services	208	13	4	15	-	240
Deputy Director-General, Corporate Services	181	33	4	20	-	238
Executive Director, Governance and Strategy	162	36	4	18	-	220
Total Remuneration	**1,426**	**148**	**30**	**147**	**-**	**1,751**

12. Key management personnel and remuneration *(continued)*

c) Performance payments

The remuneration package for the Director-General includes a potential performance payment up to a maximum of $60,575. Eligibility for such a performance payment is conditional on the achievement of objectives that are documented in that positions performance agreement.

Public service CEOs have part of their total remuneration package placed "at risk" and paid only if they meet or exceed the agreed performance standards. The chief executive performance evaluation process comprises:

- reporting on end of year achievement and self-assessment by each chief executive against their performance agreement/intended outcomes;
- analysis by the Commission Chief Executive, PSC, the Under Treasurer, Queensland Treasury and Trade and the Director-General, Department of the Premier and Cabinet of relevant performance data;
- a rigorous, independent and objective assessment of CEO's performance at the end of each financial year, using, amongst other things, information provided from above two steps. This performance assessment is undertaken by a Chief Executive Performance Evaluation Committee (CEPEC) and chair of the PSC Board;
- recommendations from the CEPEC to the Premier; and
- the Premier's ultimate discretion regarding whether the CEO will be paid an ARC, and if so, how much.

As at the date of the management certification of these statements, the eligibility to a performance payment for the Director-General in respect of the 2013-14 financial years had not yet been confirmed. With respect to the process of eligibility, [recommendations are yet to be made by the Chief Executive Performance Evaluation Committee to the Premier]. Therefore, any performance payment approved will be reported as an expense in 2014-15.

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.

No performance bonuses were paid in 2012-13.

13. Supplies and services

	2014 $'000	2013 $'000
Advertising	286	138
Building fit outs	483	(61)
Computer expenses	5,037	4,223
Consultants and contractors	6,760	12,129
Electricity	270	332
Goods provided below fair value	724	99
Materials	1,214	1,018
Minor plant and equipment	425	518
Motor vehicles	496	819
Office accommodation	1,412	2,802
Operating leases	13,529	11,992
Personnel costs	864	690
Postage and freight	245	301
Printing	329	459
Rental lease and hire	213	91
Repairs and maintenance	239	585
Rural land protection	338	128
Shared service provider costs paid to the Queensland Shared Services	4,069	3,365
Service costs - other Government agencies	1,219	2,416
Staff and client travel	1,886	1,535
Telephone and facsimile	940	1,234
Other *	(324)	796
	40,654	45,609

* Includes supplies and services of $1.285 million in 2014 (2013: $0.798 million) which has subsequently been capitalised.

14. Grants and subsidies

	2014 $'000	2013 $'000
Contribution to koala conservation	1,334	1,250
Contribution to the Department of National Parks, Recreation, Sport and Racing for national park maintenance	2,780	-
Contribution to Wet Tropics Management Authority	1,800	1,800
Environmental partnership scheme	601	662
Everyone's environment grant	2,368	1,895
Gladstone healthy harbour	1,841	-
Great Barrier Reef protection package	7,479	4,426
Healthy waterways strategy	2,210	2,866
Indigenous sea country management grant program	1,414	-
Industry waste reform	529	884
Nature refuges program	915	-
Non-government conservation funding program	565	-
Queensland Indigenous land and sea grants program	528	438
Queensland land and sea Indigenous ranger program	6,472	4,801
Sponsorships of external groups	24	75
Scholarships	6	24
Rebates	7	34
Other *	1,077	6,111
	31,950	25,266

* These grants and subsidies represent individual amounts that are less than $200,000 in 2014.

15. Depreciation and amortisation

	2014 $'000	2013 $'000
Incurred in respect of:		
Buildings	93	75
Infrastructure	9	8
Plant and equipment	1,455	1,680
Intangibles	1,287	1,296
	2,844	3,059

16. Impairment losses

Plant and equipment	-	1,110
	-	1,110

17. Revaluation decrement

Land	427	177
Buildings	84	-
	511	177

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value. The decrement, not being a reversal of a previous revaluation increment in respect of the same class of assets, has been recognised as an expense in the Statement of Comprehensive Income.

18. Other expenses

Legal fees	1,763	1,299
Insurance premiums - Queensland Government Insurance Fund *	1,571	131
External audit fees **	54	208
Bad and impaired debts	331	145
Commission paid	80	-
Bank and statutory fees	54	145
Assets written off	59	53
Insurance premiums	1	3
Losses:		
Disposals ***	-	3,031
Public property	4	1
Public money	1	-
Special payments ****:		
Discounts	16	-
Donations, gifts and awards	21	18
Other	(1)	21
	3,954	5,055

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

** Total audit fees paid to the Queensland Audit Office relating to the 2014 financial year are estimated to be $0.195 million (2013: $0.195 million). There are no non-audit services included in this amount.

*** This represents disposal losses in relation to inventory and sale of investment in an associate.

**** No ex-gratia payments were made in 2014.

19. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at bank *	1,281	-
Imprest accounts	7	5
	1,288	5

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation does not 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 $50 million and a business card facility of $5.9 million with its balance cleared monthly.

* The balance as at 30 June 2013 was in overdraft, refer to note 25.

20. Receivables

	2014 $'000	2013 $'000
Current		
Trade debtors *	17,311	80,546
Accruals of an operating nature	15	-
Less: Allowance for impairment	(465)	(148)
	16,861	80,398
GST receivable	951	5,375
GST payable	-	(290)
	951	5,085
	17,812	85,483
Annual leave claim receivable	1,503	1,914
Grants revenue	-	1,598
Machinery-of-government receivable	2,790	2,836
Appropriation revenue for services receivable	1,126	159
Long service leave receivable	517	2,445
Advances	21	41
Other	-	1,195
	23,769	95,671

* The material variation between years in relation to Trade debtors is attributable to the high component of associated with machinery-of-Government related recoveries at balance date in 2013.

Refer to note 36(c) Financial Instruments (Credit Risk Exposure) for an analysis of movements in the allowance for impairment loss.

21. Unexpended advances

	2014 $'000	2013 $'000
Current		
Advances for land purchases	161	57
	161	57

22. Other current assets

	2014 $'000	2013 $'000
Current		
Prepayments	2,172	451
Other	-	236
	2,172	687

23. Property, plant and equipment

	2014 $'000	2013 $'000
Non-current		
Land		
At valuation	16,254	12,173
	16,254	12,173
Buildings		
At valuation	2,048	1,332
Less: accumulated depreciation	(678)	(484)
	1,370	848
Heritage and cultural		
At valuation	5	30
Less: accumulated depreciation	(1)	(3)
	4	27
Infrastructure		
At valuation	656	241
Less: accumulated depreciation	(360)	(135)
	296	106
Plant and equipment		
At cost	12,130	12,769
Less: accumulated depreciation	(5,409)	(5,179)
Less: accumulated impairment	-	(1,110)
	6,721	6,480
Work in progress		
At cost	32	-
	24,677	19,634

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*. The principal market is land of similar topography and location observable from readily available and reliable market data. For land that has restrictions, this market data is then adjusted by the valuer to reflect the nature of these restrictions. The approach reflects fair market value given the restrictive nature of relevant land. In the years an assessment is not made by an independent valuer, an index is supplied by valuers based on market movements. Land values are determined using level 2 or level 3 inputs. 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.

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 buildings are valued using depreciated replacement costs using level 3 inputs. Buildings purchased as part of land acquisition programs for future national park estate and koala refuge land are valued with market data using level 2 inputs.

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

	Balance 1 July 2013 $'000	Acquisitions $'000	Depreciation (note 15) $'000	External transfers in from other Queensland Government entities $'000	External transfers out to other Queensland Government entities $'000	Impairment $'000	Transfers between classes $'000	Revaluation increments (decrements) (note 7,17) $'000	Disposals $'000	Balance 30 June 2014 $'000
Land	12,173	8,352	-	252	(4,096)	-	-	(427)	-	16,254
Buildings	848	986	(93)	190	(500)	-	22	(83)	-	1,370
Heritage and cultural	27	-	-	-	-	-	(22)	-	(1)	4
Infrastructure	107	-	(9)	40	-	-	-	158	-	296
Plant and equipment	6,479	327	(1,455)	1,613	(597)	-	378	-	(24)	6,721
Work in progress	-	410	-	-	-	-	(378)	-	-	32
	19,634	10,075	(1,557)	2,095	(5,193)	-	-	(352)	(25)	24,677

	Balance 1 July 2012 $'000	Acquisitions $'000	Depreciation (note 15) $'000	External transfers in from other Queensland Government entities $'000	External transfers out to other Queensland Government entities $'000	Impairment $'000	Transfers between classes $'000	Revaluation increments (decrements) (note 7,17) $'000	Disposals $'000	Balance 30 Jun 2013 $'000
Land	12,244	153	-	-	(47)	-	-	(177)	-	12,173
Buildings	953	-	(75)	-	-	-	(188)	158	-	848
Heritage and cultural	27	-	-	-	-	-	-	-	-	27
Infrastructure	113	-	(8)	-	-	-	-	2	-	107
Plant and equipment	8,837	375	(1,680)	424	(494)	(1,110)	164	-	(37)	6,479
Work in progress	158	(182)	-	-	-	-	24	-	-	-
	22,332	346	(1,763)	424	(541)	(1,110)	-	(17)	(37)	19,634

In 2014 the department comprehensively revalued those land, building and infrastructure assets that had not been comprehensively valued or acquired in the last three years. This ensured that the department's assets are comprehensively valued in accordance with Queensland Treasury and Trade's *Non-Current Asset Accounting Policies for the Queensland Public Sector* which requires all assets to be individually assessed every five years. A market based index is applied to the assets not comprehensively valued in the current financial year.

The valuation is made at fair value in accordance with *AASB 116 Property Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector* and is undertaken independently by State Valuation Service.

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

The department has property, plant and equipment at an original cost of $0.808 million (2013: $1.135 million) with a written down value of zero still being used in the provision of services.

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

Categorisation of fair values recognised as at 30 June 2014 (refer to note 1(o))

	Level 2 $'000	Level 3 $'000	Total $'000
Land	14,328	1,926	16,254
Buildings	502	868	1,370
Infrastructure	-	296	296
Heritage and cultural	-	4	4

Level 3 fair value reconciliation (refer to note 1(o))

	Balance 1 July 2013 $'000	Acquisitions $'000	Depreciation (note 15) $'000	External transfers in from other Queensland Government entities $'000	External transfers out to other Queensland Government entities $'000	Impairment $'000	Transfers between classes $'000	Revaluation increments (decrements) (note 7,17) $'000	Disposals $'000	Balance 30 June 2014 $'000
Land	2,026	-	-	252	-	-	-	(351)	-	1,927
Buildings	848	11	(83)	190	(37)	-	22	(83)	-	868
Heritage and cultural	27	-	-	-	-	-	(22)	-	(1)	4
Infrastructure	107	-	(9)	40	-	-	-	158	-	296
	3,008	11	(92)	482	(37)	-	-	(276)	(1)	3,095

Level 3 significant valuation inputs and relationship to fair value

Description	Fair Value $000	Type and amount for significant level 3 inputs	Possible alternative amounts for significant level 3 inputs	Impact of alternative amounts for significant level 3 inputs
Land	1,926	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	868	Condition assessment	+/- 0% - 10%	A negative condition assessment would reduce the fair value. A positive condition assessment would increase the fair value.
Infrastructure	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	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.

24. Intangibles

	2014 $'000	2013 $'000
Internally generated software		
At cost	8,072	6,969
Less: accumulated amortisation	(4,164)	(3,332)
Less: accumulated impairment	(862)	(862)
	3,046	2,775
Purchased software		
At cost	5,033	5,247
Less: accumulated amortisation	(4,629)	(4,352)
	404	895
Software development in progress		
At cost	138	307
	3,588	3,977

The department has internal use software with an original cost of $3.283 million (2013: $3.283 million) and a written down value of zero still being used in the provision of services.

Intangibles reconciliation

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

	Balance 1 July 2013 $'000	Acquisitions $'000	Amortisation $'000	Transfers between classes $'000	Disposal $'000	Balance 30 June 2014 $'000
Internally generated	2,775	-	(831)	1,102	-	3,046
Purchased software	895	-	(456)	-	(35)	404
Software development in progress	307	933	-	(1,102)	-	138
	3,977	933	(1,287)	-	(35)	3,588

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

	Balance 1 July 2012 $'000	Acquisitions $'000	Amortisation $'000	Transfers between classes $'000	Impairment $'000	Balance 30 June 2013 $'000
Internally generated	2,933	-	(1,103)	962	(17)	2,775
Purchased software	1,287	-	(194)	(198)	-	895
Software development in progress	288	981	-	(962)	-	307
	4,508	981	(1,297)	(198)	(17)	3,977

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

All intangible assets have finite useful lives and are amortised on a straight line basis, refer note 3(p).

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

	2014 $'000	2013 $'000

25. Bank overdraft

	2014 $'000	2013 $'000
Current		
Cash at bank *	-	15,383
	-	15,383

* Balance of cash at 30 June 2013 was in overdraft. Refer to note 19.

26. Payables

	2014 $'000	2013 $'000
Current		
Trade creditors	2,641	2,843
Grants and subsidies payable	470	-
Machinery-of-government payable	2,063	47,142
Taxes payable	389	-
Capital items payable	333	87
Other	1,117	1,630
	7,013	51,702

27. Accrued employee benefits

	2014 $'000	2013 $'000
Current		
Salary and wages related payable	572	8
Annual leave levy payable	2,365	2,349
Long service leave levy payable	458	444
	3,395	2,801

28. Provisions

	2014 $'000	2013 $'000
Current		
Lease liability	342	-
	342	-
Non-current		
Lease liability	879	-
	879	-

29. Other liabilities

	2014 $'000	2013 $'000
Current		
Other	9	11
	9	11

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

	2014 $'000	2013 $'000
Operating result from continuing operations	(8,912)	5,450
Depreciation and amortisation expense	2,844	3,059
Assets written off	59	53
Assets received below fair value	(1,750)	-
Impairment losses	-	1,110
Net asset revaluation decrements	353	17
Net (gain)/loss on disposal of property, plant and equipment	(3)	3,027
Assets not previously recognised	(26)	-
Change in assets and liabilities		
(Increase) decrease in appropriation revenue for services receivable	(967)	565
(Increase) decrease in net receivables	65,097	(78,646)
(Increase) decrease in long service leave reimbursement receivables	1,928	(1,748)
(Increase) decrease in annual leave claim receivable	411	465
(Increase) decrease in GST input tax credits receivable	4,424	(1,290)
(Increase) decrease in inventories	-	8
(Increase) decrease in prepayments	(1,484)	(539)
Increase (decrease) in Treasury appropriation payable	(180)	(2,457)
Increase (decrease) in accounts payable	(45,144)	50,808
Increase (decrease) in provision for tax	1,584	(583)
Increase (decrease) in GST payable	(290)	(6,294)
Increase (decrease) in accrued employee benefits	594	(1,154)
Increase (decrease) in other liabilities	1,221	17
Net cash from operating activities	19,759	(28,132)

31. Non-cash financing and investing activities

Assets and liabilities received or donated/transferred by the department and recognised as revenues and expenses are set out in notes 6 and 13 respectively.

32. 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:

	2014 $'000	2013 $'000
Not later than one year	10,313	9,452
Later than one year and not later than five years	31,083	36,226
Later than five years	5,853	21,815
	47,249	67,493

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:

	2014 $'000	2013 $'000
Not later than one year	5,609	13,859
	5,609	13,859

(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:

	2014 $'000	2013 $'000
Land	-	10
Buildings	-	20
Plant and equipment	77	100
Intangibles	529	704
	606	834
Payable:		
Not later than one year	366	131
Later than one year and not later than five years	240	703
	606	834

(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:

	2014 $'000	2013 $'000
Not later than one year	9,941	12,312
Later than one year and not later than five years	3,897	6,743
	13,838	19,055

33. Contingencies

Contingent liabilities

Guarantees and undertakings

During 2013-14 the department has been a party to numerous indemnity capped procurement arrangements. These contracts were with suppliers for the provision of services related to wildlife care, capture and monitoring. 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.

Litigation in progress

At 30 June 2014, the following claims against the department were filed in the courts or lodged with the department:

	2014	2013
Federal Court	1	1
Magistrate Court	-	1
Planning and Environment Court	-	1
Supreme Court	2	4
Jurisdiction not available – lodged with department *	-	2
	3	9

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).

* The department has received notification of a claim which is not yet subject to court action. This case may or may not result in subsequent litigation.

Land acquisitions

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

34. Related party disclosure

Balance the Earth Trust

This trust was originally established 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 deed of the Balance the Earth Trust provides that the Trustee create a public fund to support 'environmental purposes' defined in the deed as:

- The protection and enhancement of the natural environment or of a significant part of the natural environment within Queensland;
- The dissemination of information, provision of education, or the carrying on of research, about the natural environment or of a significant part of the natural environment within Queensland.

The Australian Taxation Office has endorsed the trust for charity tax concessions with effect from its establishment date for income tax exemption, GST concessions and FBT rebate.

The Australian Taxation Office granted the trust Deductible Gift Recipient status, effective 22 March 2011.

From 22 March 2011, the trust has been a registered organisation on the Register of Environmental Organisations.

The business of the trust is managed by the trustees.

35. Events occurring after balance date

Government Employee Housing Centralisation Project

On 1 July 2014, as part of the Government Employee Housing Centralisation Project, the department will transfer one government employee housing property to the Department of Housing and Public Works (HPW). This transfer is made at arms-length and is valued at $0.235 million comprising of $0.125 million in land and $0.11 million in buildings. Whilst not material to whole-of-government, this transfer represents a material movement of 8% in the department's property, plant and equipment class of buildings.

Environmental Offsets

The Environmental Offsets Act, Regulation and Policy became effective on 1 July 2014. This framework consists of an avenue for proponents to negate an offset obligation (derived through an approval process) by paying a specified monetary figure to the department. The department is then required under the Act to deliver an offset for the matter that was impacted. Obligations exist on the department to ensure that money received through the Environmental Offsets framework is paid into an offsets account and this money can only be used for offset purposes as outlined in Section 86 of the Act. The financial settlement figure is calculated through an assessment calculator and formally consented to in an agreed delivery arrangement. Given this is a new framework, it is difficult to identify the potential financial impact on the department however it is anticipated that as the scheme matures the volume of monies transacted as part of the framework will be material.

36. Financial instruments

(a) Categorisation of Financial Instruments

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

Category	Note	2014 $'000	2013 $'000
Financial assets			
Cash and cash equivalents	19	1,288	5
Receivables	20	23,769	95,671
Total		25,057	95,676
Financial liabilities			
Bank overdraft	25	-	15,383
Payables	26	7,013	51,702
Provision	28	1,221	-
Total		8,234	67,085

(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

36. Financial instruments *(continued)*

(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 20, represents the maximum exposure to credit risk.

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 \$0.465 million (2013: \$0.317 million). This is an increase of \$0.667 million from 2013.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2014 Financial Assets Past Due But Not Impaired

	Overdue				
	Less than 30 days	**30-60 days**	**61-90 days**	**More than 90 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Receivables	13,776	147	7,227	3,085	24,234
	13,776	147	7,227	3,085	24,234

36. Financial instruments *(continued)*

2013 Financial Assets Past Due But Not Impaired

	Overdue				
	Less than 30 days $'000	30-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
Receivables	94,023	293	1,269	234	95,819
	94,023	293	1,269	234	95,819

2014 Individually Impaired Financial Assets

	Overdue				
	Less than 30 days $'000	30-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
Receivables (gross)	13,776	147	7,227	3,085	24,234
Allowance for Impairment	-	-	-	(465)	(465)
Carrying amount	13,776	147	7,227	2,620	23,769

2013 Individually Impaired Financial Assets

	Overdue				
	Less than 30 days $'000	30-60 days $'000	61-90 days $'000	More than 90 days $'000	Total $'000
Receivables (gross)	94,023	293	1,269	234	95,819
Allowance for Impairment	-	-	-	(148)	(148)
Carrying amount	94,023	293	1,269	86	95,671

Movements in the allowance for impairment	**2014** $'000	**2013** $'000
Balance at 1 July	148	413
Amounts recovered during the period	(29)	(331)
Amounts written off during the period	(8)	-
Increase in allowance recognised in operating result	354	76
Transfer as a result of machinery-of-Government	-	(10)
Balance at 30 June	465	148

Financial Liabilities

The department holds no financial guarantee contracts in 2014.

36. 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.

		2014 Payable in:			
		<1 Year	**1-5 Years**	**>5 Years**	**Total**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Bank overdraft	25	-	-	-	-
Payables	26	7,013	-	-	7,013
Provision	28	342	879	-	1,221
Total		7,355	879	-	8,234

		2013 Payable in:			
		<1 Year	**1-5 Years**	**>5 Years**	**Total**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities					
Bank overdraft	25	15,383	-	-	15,383
Payables	26	51,702	-	-	51,702
Total		67,085	-	-	67,085

(e) Market Risk

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

(f) Interest Rate Sensitivity Analysis

As the department does not have any financial liabilities and it does not have interest bearing financial assets, the department has minimal interest rate sensitivity.

(g) 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.

37. Schedule of Administered items

	2014 $'000	2013 $'000
Administered Revenue		
Fees and fines *	4,995	39,199
Royalties	2,026	1,143
Total Administered Revenue	7,021	40,342
Administered Expenses		
Other expenses **	(13)	2,055
Transfers of administered item revenue to government	8,515	40,053
Total Administered Expenses	8,502	42,108
Operating Surplus/(Deficit)	(1,481)	(1,766)
Administered Assets		
Current		
Cash	655	5,881
Receivables	243	7,175
Total Current Assets	898	13,056
Administered Liabilities		
Current		
Payables	688	11,365
Total Administered Liabilities	688	11,365
Net Administered Assets	210	1,691
Administered Equity		
Accumulated Surplus	210	1,691
Total Administered Equity	210	1,691

***** A component of Fees and fines revenue relates to environmentally relevant activity collections which up to 30 June 2013 was classified as administered revenue. From 1 July 2013 such revenue was classified as controlled revenue (refer note 5).

** Other expenses includes the provision for impaired debts of $(0.417) million. 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.

38. Trust transactions and balances

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

a. As a condition of 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.

b. 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.

	2014	2013
Trust collections and distributions	**$'000**	**$'000**
Collections		
Environmental security deposits	478	14,347
Total collections	478	14,347
Distributions		
Environmental security deposits	(3,481)	(13,529)
Total distributions	(3,481)	(13,529)
Increase (decrease) in trust assets	(3,003)	818
Trust assets and liabilities		
Current assets		
Cash	3,290	6,292
Total trust assets	3,290	6,292
Non-current liabilities		
Environmental security deposits	3,390	6,292
Total non-current liabilities	3,390	6,292
Total trust liabilities	3,390	6,292

At 30 June 2014, the department held bank guarantees to the value of $1,071 million, and in relation to the following:

- $963 million relating to petroleum and gas in accordance with the lease conditions under the *Environmental Protection Act 1994*;
- $108 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 18.

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 2014 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
Acting Executive Director,
Finance and Asset Management
Chief Finance Officer
Department of Environment and Heritage Protection
August 2014

Jonathan (Jon) Black
Director-General

Department of Environment and Heritage Protection
August 2014

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 2014, 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 Acting 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 2013 to 30 June 2014 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 these financial statements 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 statements. If users of the financial statements 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 statements to confirm the accuracy of this electronically presented information.

A M GREAVES FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane