



Government of **Western Australia**
Department of **Environment Regulation**

DEPARTMENT OF
ENVIRONMENT
REGULATION

ANNUAL
REPORT
2015-16



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This document has been prepared as a guide and includes the minimum annual reporting requirements of the *Financial Management Act 2006 and Treasurer's instructions*.

Further reporting requirements are specified in the [Public Sector Commission's Annual Reporting Framework](#).

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Accessibility

This document is available in alternative formats and languages on request to the Department of Environment Regulation.



Government of **Western Australia**
Department of **Environment Regulation**

STATEMENT OF COMPLIANCE

Honourable Albert Jacob MLA
Minister for Environment

In accordance with section 63 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report for the Department of Environment Regulation for the financial year that ended 30 June 2016.

The Annual Report has been prepared in accordance with the provisions of section 61 of the *Financial Management Act 2006*.


Jason Banks
Accountable Authority

21 September 2016

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DIRECTOR GENERAL'S FOREWORD



In its third year of operation, the Department of Environment Regulation (the Department) continued its reform agenda, which focuses on a comprehensive risk-based approach to its regulatory functions. This approach through our Regulatory Framework provides assurance of effective regulation and improved transparency, with Guidance Statements and other materials published on our website.

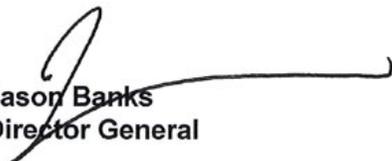
Another focus area was key programs, including the Illegal Dumping Program—which was established to provide dedicated enforcement capacity to address illegal dumping across the State. The reporting period saw 13 prosecutions commence in relation to illegal dumping, including 14 charges and two modified penalty notices.

We also implemented the Light Industry Program—a joint initiative with local governments and the Department of Parks and Wildlife—aimed at reducing contaminants from light industrial and commercial activities to groundwater and drainage systems in the Swan and Canning River catchments.

The year saw all nine renewable energy projects, supported by the \$17.2 million Low Emissions Energy Development Fund, reach completion—including the Carnegie Wave Energy project, the world's first wave energy project to produce both electricity and fresh water.

The Department's CleanRun program also continued, testing more than 20,000 vehicles' exhaust emissions at various Perth locations, in order to identify fleet trends and improve air quality.

I would like to thank our staff and executive team.


Jason Banks
Director General

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OVERVIEW



OVERVIEW



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Executive Summary

The Department of Environment Regulation has three service delivery areas:



Service 1: Environmental Regulation—
Regulate activities with potential impacts on the environment.



Service 2: Environment Policy—
Develop and implement policies and strategies that promote environmental outcomes.



Service 3: Waste Strategies—
Reduce the impact of waste.

This service structure recognises the Department's core environmental regulation statutory functions, supported by environmental policies and programs and waste strategies. It also acknowledges the importance of the coordination of efficient and effective waste services and the role the State is taking in achieving this in partnership with local governments, industry and the community.

Major achievements for 2015–16 are discussed under [Agency Performance: Highlights](#).



Operational Structure

Enabling Legislation

On 1 July 2013, the Department of Environment Regulation was established under the *Public Sector Management Act 1994*.

Responsible Minister

The Department's responsibility during the reporting period was to the Minister for Environment; Heritage, Hon Albert Jacob MLA (Environment Minister).

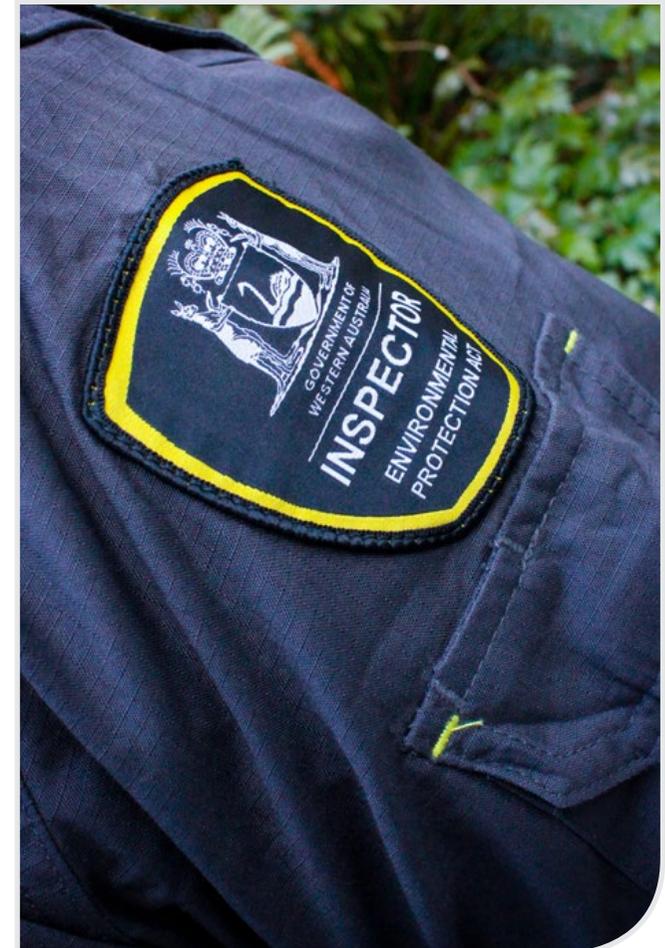
The Minister exercised authority under the *Environmental Protection Act 1986* (EP Act), the *Contaminated Sites Act 2003* (CS Act), the *Waste Avoidance and Resource Recovery Act 2007* (WARR Act) and other Department-administered legislation.

Organisational Structure

Purpose

To advise on and implement strategies for a healthy environment, for all Western Australians.

The [Organisational Chart of the Department of Environment Regulation](#) is available on the Department's website.



Legislation Administered at 30 June 2016

Copies of the [legislation](#) are available on the Department's website and linked below.

Legislation can also be accessed at [State Law Publisher](#).

Acts

[Carbon Rights Act 2003](#)

[Contaminated Sites Act 2003](#)

[Environmental Protection Act 1986](#)

[Environmental Protection \(Landfill\) Levy Act 1998](#)

[Litter Act 1979](#)

[National Environment Protection Council \(Western Australia\) Act 1996](#)

[Waste Avoidance and Resource Recovery Act 2007](#)

[Waste Avoidance and Resource Recovery Levy Act 2007](#)

Regulations

[Clean Air \(Determination of Air Impurities in Gases Discharged to the Atmosphere\) Regulations 1983](#)

[Contaminated Sites Regulations 2006](#)

[Environmental Protection Regulations 1987](#)

[Environmental Protection \(Abattoirs\) Regulations 2001](#)

[Environmental Protection \(Abrasive Blasting\) Regulations 1998](#)

[Environmental Protection \(Clearing of Native Vegetation\) Regulations 2004](#)

[Environmental Protection \(Concrete Batching and Cement Product Manufacturing\) Regulations 1998](#)

[Environmental Protection \(Controlled Waste\) Regulations 2004](#)

[Environmental Protection \(Domestic Solid Fuel Burning Appliances and Firewood Supply\) Regulations 1998](#)

[Environmental Protection \(Fibre Reinforced Plastics\) Regulations 1998](#)

[Environmental Protection \(Goldfields Residential Areas\) \(Sulfur Dioxide\) Regulations 2003](#)

[Environmental Protection \(Kwinana\) \(Atmospheric Wastes\) Regulations 1992](#)

[Environmental Protection \(Metal Coating\) Regulations 2001](#)

[Environmental Protection \(NEPM-NPI\) Regulations 1998](#)

[Environmental Protection \(NEPM-UPM\) Regulations 2013](#)

[Environmental Protection \(Noise\) Regulations 1997](#)

[Environmental Protection \(Packaged Fertiliser\) Regulations 2010](#)

[Environmental Protection \(Petrol\) Regulations 1999](#)

[Environmental Protection \(Recovery of Vapours from the Transfer of Organic Liquids\) Regulations 1995](#)

[Environmental Protection \(Rural Landfill\) Regulations 2002](#)

[Environmental Protection \(Unauthorised Discharges\) Regulations 2004](#)

[Litter Regulations 1981](#)

[Noise Abatement \(Noise Labelling of Equipment\) Regulations \(No. 2\) 1985](#)

[Waste Avoidance and Resource Recovery Regulations 2008](#)

[Waste Avoidance and Resource Recovery Levy Regulations 2008](#)

Environmental Protection Policies

[Environmental Protection \(Peel Inlet - Harvey Estuary\) Policy 1992](#)

[Environmental Protection \(Kwinana\) \(Atmospheric Wastes\) Policy 1999](#)

[Environmental Protection \(Western Swamp Tortoise Habitat\) Policy 2011](#)

Changes made in 2015–16 to Legislation Administered

A number of amendments to legislation administered by the Department were made during 2015–16. These included:

- The *Environmental Protection Amendment Regulations 2015* ensure that the *Environmental Protection Regulations 1987* are not discriminatory and therefore unlawful under the 2013 amendments to the *Commonwealth Sex Discrimination Act 1984*. The Amendment Regulations were [gazetted](#) on 21 August 2015.
- The *Environmental Protection Amendment Regulations 2016* introduce fees for applications to amend works approvals and licences. The Amendment Regulations also correct typographical errors, modernise language and delete obsolete references. They were [gazetted](#) on 28 June 2016 and took effect on 1 July 2016.
- The *Litter Amendment Regulations (No. 2) 2015* ensure that certificates of appointment for authorised officers, which may be presented to the public, accurately reflect the powers of authorised officers and the source of their authority, and update the language of the Litter Regulations to reflect contemporary drafting practices. The Amendment Regulations were [gazetted](#) on 7 August 2015.
- The *Waste Avoidance and Resource Recovery Levy Amendment Regulations 2016* and consequential *Waste Avoidance and Resource Recovery Regulations 2016* improve the accuracy of weight and volume estimations of waste received and disposed to landfill premises and enable more accurate calculation of the landfill levy. They were [gazetted](#) on 17 June 2016.

Other Key Legislation Relevant to the Department

The Department is responsible for the implementation of seven National Environment Protection Measures (NEPMs) established under the [National Environment Protection Council Act 1994 \(Cwth\)](#).

The Department reports annually to the [National Environment Protection Council](#) on the implementation of the following NEPMs:

- Air Toxics.
- Ambient Air Quality.
- Assessment of Site Contamination.
- Diesel Vehicle Emissions.
- Movement of Controlled Waste.
- National Pollutant Inventory.
- Used Packaging Materials.

In the performance of its functions, the Department also complies with the following relevant written laws:

[Auditor General Act 2006](#)

[Disability Services Act 1993](#)

[Equal Opportunity Act 1984](#)

[Financial Management Act 2006](#)

[Freedom of Information Act 1992](#)

[Industrial Relations Act 1979](#)

[Minimum Conditions of Employment Act 1993](#)

[Occupational Safety and Health Act 1984](#)

[Public Sector Management Act 1994](#)

[Salaries and Allowances Act 1975](#)

[State Records Act 2000](#)

[State Supply Commission Act 1991](#)

Notices, Orders, Approvals and Refusals to Approve

Environmental Notices, Orders, Exemption Orders, Approvals and Refusals to Approve Draft Policy are made under legislation by the Environment Minister and are available in the Western Australian [Government Gazette](#).

During 2015–16, the following were approved by the Environment Minister:

Under regulation 18B of the *Environmental Protection (Noise) Regulations 1997*:

- [Environmental Protection \(Fimiston Gold Mine Noise Emissions\) Approval 2016](#)—commenced 22 March 2016, expires 21 March 2021.

Modified Penalties

Under section 99E of the EP Act, the Department is required to publish notice of payment of any modified penalties during the financial year in its Annual Report.

The following [modified penalties](#) were issued and paid in 2015–16.

Modified Penalty Notice	Issued To	Reason	Period	Fine Paid
Modified Penalty Notice 1/15	AngloGold Ashanti Australia Limited	Causing Environmental Harm committed at the Tropicana Gold Mine in the Great Victoria Desert	Between 5 and 6 August 2013	Fine paid: \$50,000
Modified Penalty Notice 2/15	Polaris Metals Pty Ltd	Dumping Waste at the Polaris Metals Carina Iron Ore Mine in Koolyanobbing	Between 16 August 2013 and 20 September 2013	Fine paid: \$12,500
Modified Penalty Notice 3/15	Polaris Metals Pty Ltd	Altering Method of Operation causing an emission at the Polaris Metals Carina Iron Ore Mine in Koolyanobbing	Between 24 April 2014 and 17 May 2014	Fine paid \$10,000
Modified Penalty Notice 4/15	JPML Pty Ltd	Dumping Waste at the Roebuck Plains Pastoral Station in Roebuck	Between 26 September 2014 and 31 December 2014	Fine paid: \$12,500
Modified Penalty Notice 1/16	Coogee Chemicals Pty Ltd	Causing Environmental Harm at the Coogee West Terminal at Kwinana Beach	On 19 August 2015	Fine paid: \$25,000
Modified Penalty Notice 2/16	Mincor Resources NL	Causing Environmental Harm at the Mincor Resources NL Miitel Mine Site in Widgiemooltha	On 24 March 2015	Fine paid: \$25,000
Modified Penalty Notice 3/16	Mincor Resources NL	Causing Environmental Harm at the Mincor Resources NL Miitel Mine Site in Widgiemooltha	On 29 April 2015	Fine paid: \$25,000
Modified Penalty Notice 4/16	Cliffs Asia Pacific Iron Ore Pty Ltd	Causing Environmental Harm at the Cliffs Asia Pacific Iron Ore Pty Ltd Mine Site in Koolyanobbing	On 5 January 2015	Fine paid: \$25,000

Performance Management Framework

Outcome Based Management Framework

The Department directly contributes to the State Government's strategic goals, specifically Social and Environmental Responsibility: ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State.

The following table illustrates the relationship between the Department's services and desired outcomes, and the government goal it contributes to. The key effectiveness indicators measure the extent of impact of the delivery of services on the achievement of desired outcomes. The key efficiency indicators monitor the relationship between the service delivered and the resources used to produce the service.

Government Goal: Social and Environmental Responsibility: Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State			
Desired outcome	Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment	Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes	Waste avoided and the recovery of materials from landfill maximised
Service Area			
Key effectiveness indicators:	<ul style="list-style-type: none"> Percentage of major project works approvals and licences applications decided within 60 working days Percentage of other project works approvals and licences applications decided within 60 working days Percentage of native vegetation clearing permit applications decided within 60 calendar days Percentage of investigations finalised within 60 working days 	<ul style="list-style-type: none"> Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification 	<ul style="list-style-type: none"> Percentage of Municipal Solid Waste reported as diverted from landfill through recycling compared to the waste strategy target in the Perth Metropolitan Region Percentage of Commercial and Industrial Waste reported as diverted from landfill through recycling compared to the statewide waste strategy target Percentage of Construction and Demolition Waste reported as diverted from landfill through recycling compared to the statewide waste strategy target
Key efficiency indicators:	<ul style="list-style-type: none"> Average Cost per Works Approval and Licence Application Average Cost per Native Vegetation Clearing Permit Application 	<ul style="list-style-type: none"> Average Cost per Hour of Policy Advice and Recommendations 	<ul style="list-style-type: none"> Cost of Landfill Levy Compliance as a Percentage of Landfill Levy Income Collected



AGENCY PERFORMANCE

Highlights

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In its third year of operation, the Department had a number of significant achievements under the below areas.

Regulatory Framework

The core of the Department's [Regulatory Framework](#) was defined in a suite of key Guidance Statements, which were released for public consultation and are being progressively implemented for industry regulation. The Department's risk-based framework will improve the accountability, transparency, robustness and effectiveness of environmental regulation in this State.

Release of Contaminated Sites Guideline

Published in February 2016, the [Interim Guideline on the Assessment and Management of Perfluoroalkyl and Polyfluoroalkyl Substances \(PFAS\)](#) assists in the evaluation and management of PFAS contaminated sites in Western Australia under the applicable legislation. The interim guideline provides guidance on the assessment of risks to human health, the environment and environmental values, sampling and analytical procedures and management of PFAS-impacted sites.



Western Australian/Commonwealth Bilateral Agreements

The [assessment bilateral agreement](#) commenced on 1 January 2015 to accredit the State's clearing permit assessment done under the EP Act under the [Environment Protection and Biodiversity Conservation Act 1999](#) (EPBC Act). A total of six clearing permit applications were bilaterally assessed in 2015–16, and two decisions were made on applications assessed under the bilateral agreement in 2015–16.

The Department continued to support negotiations for an approval bilateral agreement. The agreements are part of the Australian Government's 'one-stop shop' for environmental approvals. The execution of the approval bilateral agreement is dependent on amendments to the Commonwealth's EPBC Act which are currently before the Senate. Amendments are also proposed to the EP Act to facilitate implementation of the approval bilateral agreement.

Implementation of the Outcomes of the Statutory Review of the *Contaminated Sites Act 2003*

Many of the issues raised during the review were of an administrative nature. A new guideline, [Identification, reporting and classification of contaminated sites in Western Australia](#), addresses these issues and was released for public consultation in September 2015. The Department is finalising the guideline after considering submissions.

Waste Avoidance and Resource Recovery (WARR)

On behalf of the Environment Minister, the Department prepared a report on the outcome of the statutory review into the operation and effectiveness of the WARR Act. Thirty-three submissions were received on a discussion paper for the review. After considering these submissions, the review found that the WARR Act meets its objectives and aligns with Government waste policy. [The review was completed](#) and the Environment Minister [tabled a report](#) in Parliament on 21 October 2015.

Additionally, the *Waste Avoidance and Resource Recovery Levy Regulations 2008* and *Waste Avoidance and Resource Recovery Regulations 2008* were [amended](#) in June 2016 to improve the estimation of waste subject to the landfill levy.

Programs

Our existing programs had the following achievements:

- The [Low Emissions Energy Development \(LEED\) fund](#), which invests in the development of technologies to reduce greenhouse gas emissions in the energy sector, paid a total of \$568,371 in 2015–16. The anaerobic digester at Richgro in Jandakot was commissioned in March, with the plant diverting food and organic waste from landfill to generate electricity. Morton Seed and Grain commissioned a boiler that burns waste oat husks to produce steam for its process needs and electrical generation in Wagin. Nine projects have received a total disbursement of \$17.2 million in LEED funding with all projects now completed.
- The [BurnWise program](#) continued to promote responsible wood heater operation. Workshops were delivered to local government Environmental Health Officers to provide support and tools to reduce the impacts of wood smoke in communities.



- The [CleanRun program](#) consists of targeted initiatives to reduce vehicle emissions. Emissions from more than 20,000 vehicles were measured through roadside monitoring with a remote sensing device over 12 days across March and April 2016. Direct feedback was provided to drivers about their vehicle's emission levels.
- The Department worked with industry to collect, validate and provide publicly available emissions and transfers data from 796 industrial facilities in Western Australia through the [National Pollutant Inventory](#) database.



The Department supported the Waste Authority to deliver initiatives as part of the Western Australian [Waste Strategy: Creating the Right Environment](#). These include the:

- [Better Bins Kerbside Collection Program](#)—a \$20 million program to support local governments to introduce best practice kerbside collection systems;
- [Recycled Construction Products Program](#) (RCPD)—a \$10 million incentive program for local governments, State Government entities, regional councils and the private sector to use recycled construction and demolition (C&D) products in civil construction, such as roads;
- [Charitable recyclers support programs](#)—two initiatives to support charitable recyclers to manage unwanted donations and reduce the impact of the levy, and avoid and reduce the dumping of waste;
- [Community Grants Scheme](#)—providing funding to community groups to implement small scale waste management projects across the State; and
- [Household Hazardous Waste program](#)—\$2.6 million to provide funding to local governments to support the collection, storage and disposal of hazardous waste generated by households.

Report on Operations

The Department's performance against the three service areas, and key efficiency and effectiveness indicators, are outlined in this Annual Report.

Information on the Department's [regulatory performance](#) is published each quarter on the following functions:

- works approval and licence applications;
- native vegetation clearing permit applications;
- contaminated sites;
- environmental compliance;
- controlled waste licence applications; and
- environmental enforcement.

Service 1: Environmental Regulation



The Department has adopted a multi-faceted approach to delivering its regulatory role, which broadly fits into three main functions:

- approvals and licensing;
- monitoring, audit and compliance inspections; and
- enforcement, including complaint and incident investigation.

Licensing and Approvals

The Department assesses, determines and/or advises on environmental licences and approvals in the areas of:

- industry regulation;
- contaminated sites regulation;
- clearing regulation; and
- noise regulation.

Core regulatory instruments include works approvals, licences, classifications, clearing permits and exemptions. These are assessed and determined in accordance with statutory and target timeframes. Performance against timeframes is reported quarterly on the Department's website ([Regulatory Performance](#)).

The Department maintains a regional presence to oversee the operational environmental management of activities subject to works approvals or licences.

Compliance and Enforcement

The Department investigates environmental complaints and incidents as well as undertaking a wide range of proactive compliance programs and initiatives to ensure emissions and discharges meet acceptable criteria.

The Department's Compliance and Enforcement activities foster a balance of proactive engagement and the application of sanctions, as appropriate, to ensure the risks associated with environmental breaches are addressed and instruments contain robust regulatory controls.

Compliance and Enforcement outcomes range from licence amendment, suspension or revocation, statutory notices and orders to modified penalty fines and prosecution.

Compliance and Enforcement activities and outcomes are reported quarterly on the Department's [website](#).

Service 1: Environmental Regulation—Performance Summary			
	2015–16 Budget ⁽¹⁾ \$'000	2015–16 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	39,620	40,678	(1,058)
Less income	29,429	26,634	(2,795)
Net cost of service	10,191	14,044	(3,853)
Employees (full time equivalents)	260	243	17
Efficiency indicators			
Average Cost per Works Approval and Licence Application	\$39,031	\$14,146	\$24,855
Average Cost per Native Vegetation Clearing Permit Application	\$5,689	\$7,001	(\$1,312)

(1) As specified in the 2015–16 Budget Statements.

(2) Further explanations are contained in the Key Performance Indicators section of this Annual Report.



Service 1: Key Deliverables

Industry Regulation

During 2015–16, the Department continued its industry regulation reform program, including the implementation of a comprehensive risk-based [regulatory framework](#). The Department [determined](#) more than 215 works approval and licence applications and improved the time taken to process the applications. As part of the reform process, the Department published a number of important guidance statements, including:

- [Guidance Statement: Regulatory Principles \(July 2015\)](#)
- [Guidance Statement: Setting Conditions \(September 2015\)](#)
- [Guidance Statement: Licence and Works Approval Process \(September 2015\)](#)
- [Guidance Statement: Land Use Planning \(October 2015\)](#)
- [Guidance Statement: Publication of Annual Audit Compliance Reports \(May 2016\)](#)

A number of other guidance statements have also been released for public comment including:

- [Draft Environmental Standard: Composting](#)
- [Draft Guidance Statement: Environmental Standards](#)
- [Draft Guidance Statement: Separation Distances](#)
- [Draft Guidance Statement: Environmental Siting](#)
- [Draft Guidance Statement: Regulatory Assessment Framework](#)
- [Draft Guidance Statement: Environmental Risk Assessment Framework](#)
- [Draft Guidance Statement: Regulatory Controls](#)
- [Draft Guidance Statement: Regulation of Mine Dewatering](#)

The risk-based framework improves the accountability, transparency, robustness and effectiveness of environmental regulation in this State.

During 2015–16, the Department also commenced its [review of licences](#), including the implementation of longer-term licences of up to 20 years to reduce the administrative burden. This enables the Department to focus on regulatory, rather than administrative tasks. The reviews ensure that the Department's regulatory instruments remain contemporary and effective to control public health and environmental risks.

Clearing Regulation

The [assessment bilateral agreement](#) commenced on 1 January 2015 to accredit the State's clearing permit assessment carried out under the EP Act under the EPBC Act. A total of six clearing permit applications were bilaterally assessed in 2015–16, and two decisions were made on applications assessed under the bilateral agreement.

The Department continued to support negotiations for an approval bilateral agreement. The agreements are part of the Australian Government's 'one-stop shop' for environmental approvals. The execution of the approval bilateral agreement is dependent on amendments to the Commonwealth's EPBC Act which are currently before the Senate. Amendments are also proposed to the EP Act to facilitate implementation of the approval bilateral agreement.

During 2015–16, the Department received 448 [applications for a clearing permit](#) and made 470 decisions. The average timeframe to make a decision was 71 days, with 204 decisions made within 60 calendar days and 348 decisions made within 90 calendar days.

Compliance and Enforcement

The Department responded to 2,138 complaints in Western Australia in 2015–16.

The Department dealt with 246 [pollution incidents](#) within Western Australia including a number of hazardous materials fires, chemical spills, tanker roll-overs, and the illegal dumping of hazardous chemicals.

Proactive industry regulation compliance activities are coordinated through the [Annual Compliance Program](#). The Department undertook compliance activities across four major programs: prescribed premises compliance; waste compliance; controlled waste compliance; and pollution response activities. The Department's target of 1,150 inspections was exceeded in 2015–16, with 1,452 inspections undertaken.

The Department administered 297 environmental sanctions, including environmental field reports, infringement notices, formal warnings and [prosecutions](#).

During 2015–16, the [Illegal Dumping Program](#) delivered tailored education, surveillance and enforcement initiatives aimed at reducing illegal dumping.

Noise Regulation

The Department published several fact sheets during 2015–16 relating to the [Environmental Protection \(Noise\) Regulations 1997](#) covering noise measurement, as well as noise from audible alarms, blasting, rural premises, construction, residential equipment and bass music.

The Department also provided training in [noise regulation](#) to local government authorised persons and inspectors in May and June 2016.

Air Quality Service

During 2015–16, the Department continued the maintenance and operation of eight metropolitan and five regional fixed air quality monitoring stations, to assess the presence of NEPM criteria pollutants, including carbon monoxide, nitrogen dioxide, ozone, sulfur dioxide and particles. During this reporting period, the progressive upgrade of criteria pollutant monitoring equipment used at the Department's monitoring stations commenced.

The Department undertook a detailed monitoring and odour field investigation of the [Cockburn area](#), and used the study findings to inform its review of Cockburn Cement Limited's licence.

The Department continued to provide scientific advice and guidance on the use of cumulative dust modelling for Port Hedland to inform the [Port Hedland Dust Taskforce](#) in its deliberations regarding dust management in the town.

The [Phase IV Kwinana Background Study Report](#) was published in August 2015. The report analysed and summarised the data obtained from the most comprehensive air quality study of short-term odour and air pollutants completed in the Kwinana area, and required analysis of over one and a half million data points captured at 10 sites over an 18 month period.

Contaminated Sites

An Investigation Notice under the CS Act was served on a dry cleaner in [Mirrabooka](#) in April 2016 to delineate groundwater and soil vapour impacts.

A Hazard Abatement Notice was served on the Water Corporation in May 2016 to address immediate health risks associated with asbestos contamination at an historic pump station in the Shire of Coolgardie.

The reported sites register listed almost 3,300 sites classified in accordance with the CS Act by 30 June 2016.

Service 2: Environment Policy



The Department develops and implements strategic policy and legislation to promote environmentally sustainable outcomes.

Under the EPBC Act, the Department continued to support:

- Negotiations for an approval bilateral agreement with the Commonwealth Government to accredit the clearing permit process as part of the Australian Government's 'one-stop shop'; and
- The strategic assessment of the impact of development in the Perth and Peel regions on matters of national environmental significance.

The Department continued to implement:

- The provision of data to the [National Pollutant Inventory](#), a publicly accessible [national internet database](#) that provides the community, industry and government with information on the emissions of 93 selected substances from industry, transport and commercial premises to air, land and water. The Department worked with industry to collect, validate and provide publicly available emissions and transfers data from 796 industrial facilities in Western Australia;
- The [BurnWise program](#) to promote responsible wood heater operation. BurnWise provides support and tools for environmental health officers to reduce the impacts of wood smoke in their communities. The BurnWise program delivered workshops to promote correct wood heater operation, and provided support and tools to local government environmental health officers to help reduce adverse impacts on air quality from wood heater smoke. BurnWise program officers attended community events in the Perth metropolitan area and regional centres with the BurnWise wood heater demonstration trailer;

- The [CleanRun program](#) to address vehicle emissions. CleanRun is an implementation measure of the National Environment Protection (Diesel Vehicle Emissions) Measure and the Perth Air Quality Management Plan, consisting of targeted initiatives to reduce vehicle emissions including on-road vehicle emissions testing and smoky vehicle reporting. Roadside monitoring, with feedback to drivers about their vehicle's emission levels, was undertaken with a remote sensing device. Emissions from more than 20,000 vehicles were measured over 12 days in March and April 2016; and
- The [LEED fund](#) to invest in the development of technologies to reduce greenhouse gas emissions in the energy sector. A total of \$568,371 was paid in 2015–16 for successfully completed milestones on LEED projects. All funded projects have now been completed and a total of \$17.2 million has been disbursed since 2008. Highlights of this year:
 - The anaerobic digester at Richgro in Jandakot was commissioned in March 2016. The plant diverts 150 tonnes of food and organic waste from landfill daily, which is used to generate all of Richgro's energy needs and export 0.8 megawatts to the grid; and
 - Morton Seed and Grain successfully commissioned a boiler that burns waste oat husks to produce steam for process needs and electrical generation in Wagin.

Service 2: Environment Policy—Performance Summary

	2015–16 Budget ⁽¹⁾ \$'000	2015–16 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	10,198	6,296	3,902
Less income	-	465	465
Net cost of service	10,198	5,831	4,367
Employees (full time equivalents)	47	35	12
Efficiency indicator			
Average Cost per Hour of Policy Advice and Recommendations	\$100	\$95	\$5

(1) As specified in the 2015–16 Budget Statements.

(2) Further explanations are contained in the Key Performance Indicators section of this Annual Report.

Service 2: Key Deliverables



Policy Advice

In this reporting period the Department:

- Completed the [statutory review](#), on behalf of the Minister for Environment, of the WARR Act to assess its effectiveness in delivery of waste outcomes;
- Continued to participate in the development of a National Clean Air Agreement, including finalising revised national reporting standards for particulates, and progressing the introduction of standards for non-road ignition engines and equipment;
- Continued to administer the Perth Air Quality Management Plan in consultation with the [Air Quality Coordinating Committee](#);
- In cooperation with industry, oversaw a five year [monitoring program of rock art](#) on the Burrup Peninsula for its protection against air pollutants; and
- Provided [climate change](#) advice to state agencies, local governments and other stakeholders on climate change risk and vulnerability assessments and adaptation planning.

Service 3: Waste Strategies

The Environment Minister is responsible for ensuring the [Waste Authority](#) is provided with services to fulfill its functions. The Department's staff provide this service, which includes implementing programs and projects in the [Business Plan 2015–16](#).

The Waste Avoidance and Resource Recovery (WARR) Account is administered by the Waste Authority and provides funding for the implementation of projects and programs in the Business Plan and government priorities.

Waste compliance and enforcement has been increased through the employment of additional inspection, compliance and illegal dumping staff to ensure that compliant operators are not competitively disadvantaged. This service ensures that illegal dumping and levy evasion are not seen as viable options in response to increased landfill levy rates.

Service 3: Waste Strategies—Performance Summary

	2015–16 Budget ⁽¹⁾ \$'000	2015–16 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	29,565	17,395	12,170
Less income	104,849	69,045	(35,804)
Net cost of service	(75,284)	(51,650)	(23,634)
Employees (full time equivalents)	33	23	10
Efficiency indicator			
Cost of Landfill Levy Compliance as a Percentage of Landfill Levy Income Collected	1.4%	2.9%	(1.5%)

(1) As specified in the 2015–16 Budget Statements.

(2) Further explanations are contained in the Key Performance Indicators sections of this Annual Report.



Service 3: Key Deliverables

The [landfill levy rates](#) applied to waste disposed of into putrescible and inert landfills were increased by the State Government from 1 January 2015.

Further increases are scheduled until July 2018 to address one of the key drivers of waste disposal—low cost landfilling.

In addition to undertaking prescribed premises and landfill levy [compliance inspections](#), compliance officers investigated the extent of stockpiling of inert waste at landfills and recycling premises. These investigations revealed that most of the inert waste diverted from inert landfill following the levy increase was received at licensed facilities and had been processed, or was awaiting processing.

The State Government established a dedicated [illegal dumping](#) team and developed programs to support local and state governments, charitable recyclers and other partners in addressing the issue of illegal dumping of waste. The program delivered tailored education, surveillance and enforcement initiatives aimed at reducing illegal dumping.

The State Government also continued its focus on better practice collection systems for municipal waste through the \$20 million [Better Bins program](#), which supports the rollout of consistent bin infrastructure to households to assist in the recovery of valuable resources being lost to landfill.

The \$10 million [Recycled Construction Products Program](#) was launched by the Environment Minister in March 2016, established to improve performance in the use of recycled construction and demolition waste in civil engineering projects such as building roads, car parks and drains. Significant financial savings and environmental benefits can be achieved by using recycled construction and demolition waste, and the program will help realise those benefits.

Budget and Key Performance Indicators

Target Versus Actual Results

Financial targets			
	2015–16 Target ⁽¹⁾ \$'000	2015–16 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of services (expense limit)— sourced from Statement of Comprehensive Income	79,383	64,369	15,014
Net income (cost of services)—sourced from Statement of Comprehensive Income	54,895	31,775	(23,120)
Total equity—sourced from Statement of Financial Position	35,880	63,994	28,114
Net increase/(decrease) in cash held— sourced from Statement of Cash Flows	(4,300)	9,381	13,681
	2015–16 Target	2015–16 Actual	Variation
Approved full-time equivalent (FTE) staff level	340	301*	39

(1) As specified in the 2015–16 Budget Statements.

(2) Further explanations are contained in Note 34 'Explanatory Statement' within this Annual Report.

*Average FTE for 2015–16

Key Performance Indicators

Outcome 1: Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment

Key Effectiveness Indicators:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Percentage of major resource project works approvals and licences applications decided within 60 working days	100%	79%	(21%)
Percentage of other project works approvals and licences applications decided within 60 working days	80%	66%	(14%)
Percentage of native vegetation clearing permit applications decided within 60 calendar days	80%	43%	(37%)
Percentage of investigations finalised within 60 working days	80%	96%	16%

 Key Efficiency Indicators:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Average Cost per Works Approval and Licence Application	\$39,031	\$14,146	\$24,855
Average Cost per Native Vegetation Clearing Permit Application	\$5,689	\$7,001	(\$1,312)

Outcome 2: Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes

Key Effectiveness Indicator:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification	95%	99%	4%

 Key Efficiency Indicator:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Average Cost per Hour of Policy Advice and Recommendations	\$100	\$95	\$5

Outcome 3: Waste avoided and the recovery of materials from landfill maximised

Key Effectiveness Indicators:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Percentage of Municipal Solid Waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth Metropolitan Region	50%	40%	(10%)
Percentage of Commercial and Industrial Waste reported as diverted from landfill through recycling compared to the statewide waste strategy target	55%	52%	(3%)
Percentage of Construction and Demolition Waste reported as diverted from landfill through recycling compared to the statewide waste strategy target	60%	42%	(18%)

 Key Efficiency Indicator:	2015–16 Target ⁽¹⁾	2015–16 Actual	Variation ⁽²⁾
Cost of Landfill Levy Compliance as a Percentage of Landfill Levy Income Collected	1.4%	2.9%	(1.5%)

(1) As specified in the 2015–16 Budget Statements.

(2) Explanations for the variations between target and actual results are presented in the key effectiveness and efficiency indicators section within this Annual Report.



SIGNIFICANT ISSUES



OVERVIEW



PERFORMANCE



SIGNIFICANT ISSUES



DISCLOSURES & COMPLIANCE



REQUIREMENTS

During 2015–16, the Department refocused its environmental regulatory reform program. The Department developed and published its new framework and guidance material for discharging functions under Part V of the EP Act and undertook significant consultation with stakeholders to develop the framework and guidance. The [reform program](#) is ongoing and further guidance will be developed and published throughout 2016–17.

As part of the changes made through reform, existing industries can now seek approval for material changes to their premises through a licence amendment, with works approvals only required to construct new premises. The Department has also given effect to its [Guidance Statement: Licence Duration](#) by [amending the expiry dates](#) for most licences, increasing their duration to up to 20 years. This program has already resulted in a reduced administrative burden for both industry and the Department, with further efficiencies anticipated as reform progresses.

Following the increase in the landfill levy from 1 January 2015, the State Government is delivering major programs using the WARR Account funds generated from the levy. This includes the \$20 million [Better Bins](#) program to improve local government kerbside waste systems and \$10 million for [Recycled Construction Products Program](#) to promote the use of recycled materials in civil construction projects. These and other programs support the achievement of recycling targets in the State Government's Waste Strategy: *Creating the Right Environment*.



The Department's [Illegal Dumping Program](#) has been established to provide dedicated enforcement capacity to address illegal dumping across the State. The program focuses on fostering key strategic partnerships with local governments to provide support and training in investigative strategies and techniques, covert surveillance and enforcement.

The [Light Industry Program](#), a joint initiative with the Department of Parks and Wildlife, is aimed at reducing the contaminants from non-residential land uses—light industrial and commercial activities—to groundwater and drainage systems in the priority Swan and Canning River catchments. The Light Industry Program focuses on working with local governments to increase capability to regulate light industry and establish a consistent approach to light industry regulation across local government boundaries. In 2016–17, the program will continue to deliver targeted inspections in conjunction with local government.



The Department is reviewing the *Environmental Protection (Controlled Waste) Regulations 2004* to further improve processes for the regulation of the transportation of controlled wastes. This review complements [amendments](#) to these regulations made in August 2014 to provide greater clarity for industry.

The forward projections for revenue generated from the [landfill levy](#) are estimated to decrease from 2016–17 and across the forward estimates. The reduced levy income is a result of a decrease in disposal to landfill and an increase in the stockpiling of construction and demolition inert waste. This has resulted in reduced receipts to, and payments from, the WARR Account.





DISCLOSURES AND LEGAL COMPLIANCE



OVERVIEW



PERFORMANCE



SIGNIFICANT ISSUES



DISCLOSURES & COMPLIANCE



REQUIREMENTS

Auditor General's Opinion

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Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF ENVIRONMENT REGULATION

Report on the Financial Statements

I have audited the accounts and financial statements of the Department of Environment Regulation.

The financial statements comprise the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of Environment Regulation at 30 June 2016 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Director General's Responsibility for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director General, as well as evaluating the overall presentation of the financial statements.

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

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Report on Controls

I have audited the controls exercised by the Department of Environment Regulation during the year ended 30 June 2016.

Controls exercised by the Department of Environment Regulation are those policies and procedures established by the Director General to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Opinion

In my opinion, in all material respects, the controls exercised by the Department of Environment Regulation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions during the year ended 30 June 2016.

Director General's Responsibility for Controls

The Director General is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility for the Audit of Controls

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Department of Environment Regulation based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Department complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of Environment Regulation for the year ended 30 June 2016.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Basis for Qualified Opinion

The following effectiveness key performance indicators for outcome 1 "Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment" are not relevant as they do not adequately measure the extent to which the outcome was achieved:

Key Effectiveness Indicator 1.1 Percentage of major resource project works approvals and licences applications decided within 60 working days

Key Effectiveness Indicator 1.2 Percentage of other project works approvals and licences applications decided within 60 working days

Key Effectiveness Indicator 1.3 Percentage of native vegetation clearing permit applications decided within 60 calendar days

Key Effectiveness Indicator 1.4 Percentage of investigations finalised within 60 working days

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, in all material respects the key performance indicators of the Department of Environment Regulation are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2016.

Director General's Responsibility for the Key Performance Indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Director General determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility for the Audit of Key Performance Indicators

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Director General's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Independence

In conducting the above audits, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Department of Environment Regulation for the year ended 30 June 2016 included on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.


COLIN MURPHY
AUDITOR GENERAL
FOR WESTERN AUSTRALIA
Perth, Western Australia
20 September 2016

Financial Statements

Certification of Financial Statements

DEPARTMENT OF ENVIRONMENT REGULATION

Disclosures and Legal Compliance

Financial Statements

Certification of Financial Statements

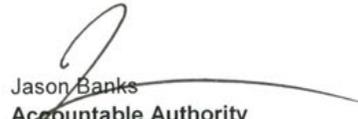
For the year ended 30 June 2016

The accompanying financial statements of the Department of Environment Regulation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2016 and the financial position as at 30 June 2016.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.



Grant Bayne
Chief Finance Officer
19 September 2016



Jason Banks
Accountable Authority
19 September 2016



Financial Statements for the Year Ended 30 June 2016

DEPARTMENT OF ENVIRONMENT REGULATION			
Statement of Comprehensive Income			
For the year ended 30 June 2016			
	Note	2016 \$000	2015 \$000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	32,139	32,357
Supplies and services	7	11,549	11,229
Depreciation and amortisation expense	8	1,241	686
Accommodation expenses	9	4,894	4,863
Grants and subsidies	10	13,619	12,800
Other expenses	11	927	876
Loss on disposal of non-current assets		-	4
Total cost of services		64,369	62,815
Income			
<i>Revenue</i>			
User charges and fees	12	22,166	23,309
Commonwealth grants and contributions	13	83	83
Interest revenue		1,552	1,428
Landfill levy	14	68,046	59,403
Other revenue	15	4,297	5,145
Total revenue		96,144	89,368
Total income other than income from State Government		96,144	89,368
NET INCOME		31,775	26,553
Income from State Government			
Service appropriation	16	2,807	2,734
Services received free of charge		888	961
Royalties for Regions Fund		62	84
Total income from State Government		3,757	3,779
SURPLUS FOR THE PERIOD		35,532	30,332
OTHER COMPREHENSIVE INCOME			
<i>Items not reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	28	60	(130)
Total other comprehensive income		60	(130)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		35,592	30,202



also the 'Schedule of Income and Expenses by Service'.
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

DEPARTMENT OF ENVIRONMENT REGULATION			
Statement of Financial Position			
As at 30 June 2016			
	Note	2016 \$000	2015 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	29	1,207	4,001
Restricted cash and cash equivalents	17,29	50,141	37,966
Receivables	18	18,043	18,878
Other current assets	19	459	465
Total Current Assets		69,850	61,310
Non-current Assets			
Amounts receivable for services	20	1,299	866
Property, plant and equipment	21	2,634	2,747
Intangible assets	23	1,046	1,889
Total Non-current Assets		4,979	5,502
TOTAL ASSETS		74,829	66,812
LIABILITIES			
Current Liabilities			
Payables	25	869	2,792
Provisions	26	6,489	4,838
Other current liabilities	27	1,388	606
Total Current Liabilities		8,746	8,236
Non-current Liabilities			
Provisions	26	2,089	2,799
Total Non-current Liabilities		2,089	2,799
TOTAL LIABILITIES		10,835	11,035
NET ASSETS		63,994	55,777
EQUITY			
Contributed equity	28	-	11,362
Reserves		-	(60)
Accumulated surplus		63,994	44,475
TOTAL EQUITY		63,994	55,777



also the 'Schedule of Assets and Liabilities by Service'.
The Statement of Financial Position should be read in conjunction with the accompanying notes.



DEPARTMENT OF ENVIRONMENT REGULATION

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Contributed equity \$000	Reserves \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2014	28	25,422	70	14,143	39,635
Surplus		-	-	30,332	30,332
Other comprehensive income		-	(130)	-	(130)
Total comprehensive income for the period		-	(130)	30,332	30,202
Transactions with owners in their capacity as owners:					
Capital appropriations		865	-	-	865
Other contributions by owners		875	-	-	875
Distributions to owners		(15,800)	-	-	(15,800)
Total		(14,060)	-	-	(14,060)
Balance at 30 June 2015		11,362	(60)	44,475	55,777
Balance at 1 July 2015		11,362	(60)	44,475	55,777
Surplus		-	-	35,532	35,532
Other comprehensive income		-	60	-	60
Total comprehensive income for the period		-	60	35,532	35,592
Transactions with owners in their capacity as owners:					
Capital appropriations		875	-	-	875
Distributions to owners		(28,250)	-	-	(28,250)
Total		(27,375)	-	-	(27,375)
		(16,013)	-	80,007	63,994
Transfer of debit balances to Accumulated Surpluses		16,013	-	(16,013)	-
Balance at 30 June 2016		-	-	63,994	63,994

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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DEPARTMENT OF ENVIRONMENT REGULATION

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$000	2015 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		2,374	2,301
Royalties for Regions Fund		62	84
Capital appropriations		875	865
Distributions to owners		(28,250)	(15,800)
Net cash provided to State Government		(24,939)	(12,550)
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(32,546)	(31,921)
Supplies and services		(10,946)	(12,554)
Accommodation		(4,929)	(4,957)
Grants and subsidies		(13,770)	(12,305)
GST payments on purchases		(2,202)	(2,443)
Other payments		(892)	(852)
Receipts			
User charges and fees		22,877	23,638
Commonwealth grants and contributions		83	83
Interest received		1,412	1,072
Landfill levy		68,987	53,082
GST receipts on sales		164	200
GST receipts from taxation authority		2,134	2,177
Other receipts		4,262	5,932
Net cash provided by operating activities	29	34,634	21,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(314)	(821)
Receipts			
Proceeds from the sale of non-current assets		-	3
Net cash used in investing activities		(314)	(818)
Net increase in cash and cash equivalents		9,381	7,784
Cash and cash equivalents transferred from DEC		-	875
Cash and cash equivalents at the beginning of the period		41,967	33,308
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	29	51,348	41,967

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

4

DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Income and Expenses by Service

For the year ended 30 June 2016

	Environmental Regulation	Environment Policy	Waste Strategies	Total
	2016 \$000	2016 \$000	2016 \$000	2016 \$000
COST OF SERVICES				
<u>Expenses</u>				
Employee benefits expense	26,403	3,750	1,986	32,139
Supplies and services	8,636	1,060	1,853	11,549
Depreciation and amortisation expense	1,015	142	84	1,241
Accommodation expenses	3,762	659	473	4,894
Grants and subsidies	136	568	12,915	13,619
Other expenses	726	117	84	927
Total cost of services	40,678	6,296	17,395	64,369
<u>Income</u>				
User charges and fees	22,166	-	-	22,166
Commonwealth grants and contributions	83	-	-	83
Interest revenue	498	225	829	1,552
Landfill levy	-	-	68,046	68,046
Other revenue	3,887	240	170	4,297
Total income other than income from State Government	26,634	465	69,045	96,144
NET INCOME (COST OF SERVICES)	(14,044)	(5,831)	51,650	31,775
<u>Income from State Government</u>				
Service appropriation	2,158	378	271	2,807
Services received free of charge	682	120	86	888
Royalties for Regions Fund	62	-	-	62
Total income from State Government	2,902	498	357	3,757
SURPLUS/(DEFICIT) FOR THE PERIOD	(11,142)	(5,333)	52,007	35,532

After reviewing its Outcome Based Management structure, including KPIs, the Department now reports on the above three new Services. Comparative reporting for the previous year is on the following page. Refer also to Note 2(c).

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

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DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Income and Expenses by Service

For the year ended 30 June 2015

	Environmental Regulation	Environmental Sustainability and Climate Change	Total
	2015 \$000	2015 \$000	2015 \$000
COST OF SERVICES			
<u>Expenses</u>			
Employee benefits expense	25,479	6,878	32,357
Supplies and services	7,691	3,538	11,229
Depreciation and amortisation expense	686	-	686
Accommodation expenses	3,189	1,674	4,863
Grants and subsidies	2,502	10,298	12,800
Other expenses	687	189	876
Loss on disposal of non-current assets	4	-	4
Total cost of services	40,238	22,577	62,815
<u>Income</u>			
User charges and fees	23,309	-	23,309
Commonwealth grants and contributions	83	-	83
Interest revenue	311	1,117	1,428
Landfill levy	-	59,403	59,403
Other revenue	4,860	285	5,145
Total income other than income from State Government	28,563	60,805	89,368
NET INCOME (COST OF SERVICES)	(11,675)	38,228	26,553
<u>Income from State Government</u>			
Service appropriation	1,820	914	2,734
Services received free of charge	624	337	961
Royalties for Regions Fund	84	-	84
Total income from State Government	2,528	1,251	3,779
SURPLUS/(DEFICIT) FOR THE PERIOD	(9,147)	39,479	30,332

The above is a record of the previous year's Services reporting. From 2016, three new Services are being reported, based on a Departmental Outcome Based Management and KPI structure review.

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

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DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Assets and Liabilities by Service

As at 30 June 2016

	Environmental Regulation	Environment Policy	Waste Strategies	Total
	2016 \$000	2016 \$000	2016 \$000	2016 \$000
<u>Assets</u>				
Current assets	13,354	9,236	47,260	69,850
Non-current assets	4,849	130	-	4,979
Total Assets	18,203	9,366	47,260	74,829
<u>Liabilities</u>				
Current liabilities	7,127	985	634	8,746
Non-current liabilities	1,645	273	171	2,089
Total Liabilities	8,772	1,258	805	10,835
NET ASSETS	9,431	8,108	46,455	63,994

After reviewing its Outcome Based Management structure, including KPIs, the Department now reports on the above three new Services. Comparative reporting for the previous year is on the following page. Refer also to Note 2(c).

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

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DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Assets and Liabilities by Service

As at 30 June 2015

	Environmental Regulation	Environmental Sustainability and Climate Change	Total
	2015 \$000	2015 \$000	2015 \$000
<u>Assets</u>			
Current assets	14,330	46,980	61,310
Non-current assets	5,228	274	5,502
Total Assets	19,558	47,254	66,812
<u>Liabilities</u>			
Current liabilities	5,826	2,410	8,236
Non-current liabilities	1,915	884	2,799
Total Liabilities	7,741	3,294	11,035
NET ASSETS	11,817	43,960	55,777

The above is a record of the previous year's Services reporting. From 2016, three new Services are being reported, based on a Departmental Outcome Based Management and KPI structure review.

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

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DEPARTMENT OF ENVIRONMENT REGULATION

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2016

	2016 Estimate \$000	2016 Actual \$000	Variance \$000	2016 Actual \$000	2015 Actual \$000	Variance \$000
Delivery of Services						
Item 94 Net amount appropriated to deliver services Amount Authorised by Other Statutes - Salaries and Allowances Act 1975	2,517	2,517	-	2,517	2,453	64
Total appropriations provided to deliver services	2,807	2,807	-	2,807	2,734	73
Capital						
Item 153 Capital appropriations	875	875	-	875	865	10
Administered Transactions						
Transfer payments	30	189	159	189	5	184
Total administered transactions	30	189	159	189	5	184
GRAND TOTAL	3,712	3,871	159	3,871	3,604	267
Details of Expenses by Service						
2016						
Environmental Regulation	39,620	40,678	1,058	40,678	-	40,678
Environment Policy	10,198	6,296	(3,902)	6,296	-	6,296
Waste Strategies	29,565	17,395	(12,170)	17,395	-	17,395
2015						
Environmental Regulation	-	-	-	-	40,238	(40,238)
Environmental Sustainability and Climate Change	-	-	-	-	22,577	(22,577)
Total Cost of Services	79,383	64,369	(15,014)	64,369	62,815	1,554
Less Total Income	(134,278)	(96,144)	38,134	(96,144)	(89,368)	(6,776)
Net Income	54,895	31,775	(23,120)	31,775	26,553	5,222
Adjustments	(52,088)	(28,968)	23,120	(28,968)	(23,819)	(5,149)
Total appropriations provided to deliver services	2,807	2,807	-	2,807	2,734	73
Capital Expenditure						
Purchase of non-current assets	875	314	(561)	314	821	(507)
Adjustments for other funding sources	-	561	561	561	44	517
Capital appropriations	875	875	-	875	865	10
Details of Income Estimates						
Income disclosed as Administered Income	30	189	159	189	5	184
Total	30	189	159	189	5	184

Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 34 'Explanatory statement' and Note 43 'Explanatory statement for Administered Items' provides details of any significant variations between estimates and actual results for 2016 and between the actual results for 2016 and 2015.

After reviewing its Outcome Based Management structure, including KPIs, the Department now reports on the above three new Services. Refer also to Note 2(c). 2015 Service reporting is also shown for comparative purposes.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

The Department has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Partial exemption permitting early adoption of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* has been granted. Aside from AASB 2015-7, there has been no early adoption of Australian Accounting Standards that have been issued or amended (but not operative) by the Department for the annual reporting period ended 30 June 2016.

2. Summary of significant accounting policies

(a) General statement

The Department is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording.

The *Financial Management Act 2006* and the Treasurer's Instructions impose legislative provisions that govern the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention, except for land which has been measured at fair value.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000).

Note 3 'Judgments made by management in applying accounting policies' discloses judgments that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on amounts recognised in the financial statements.

Note 4 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(c) Reporting entity

The reporting entity comprises the Department and bodies included at note 38 'Related and affiliated bodies'.

Mission

To advise on and implement strategies for a healthy environment, for all Western Australians.

The Department is predominantly funded by fees received for the provision of services to the public and supplemented by Parliamentary appropriations. The financial statements encompass all funds through which the Department controls resources to carry on its functions.

Services

The Department introduced a new Outcome Based Management structure for 2015-16 which incorporates the following services:

Service 1: Environmental Regulation—by performing environmental regulation functions of approvals, compliance and enforcement.

Service 2: Environment Policy—by developing and implementing policies and strategies that promote sustainable environmental outcomes.

Service 3: Waste Strategies—by advising on and implementing the State Government's strategies to reduce the environmental impact of waste.

The Department administers income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 42 'Disclosures of administered income and expenses by service'.

(d) Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

Transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non reciprocal.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Interest

Revenue is recognised as the interest accrues.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Service appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Net appropriation determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the most recent determination as quantified in the 2015-16 Budget Statements, the Department retained \$96.1 million (\$89.4 million in 2015) from the following:

- proceeds from user charges and fees
- Commonwealth specific purpose grants and contributions
- interest revenue
- landfill levy
- other revenue.

Grants, donations, gifts and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and some revaluations of non-current assets.

(f) Property, plant and equipment

Capitalisation/expensing of assets

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost.

For items of property, plant and equipment acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and historical cost for all other property, plant and equipment. Land is carried at fair value less accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land is determined on the basis of current market buying values determined by reference to recent market transactions.

In the absence of market-based evidence, fair value of land is determined on the basis of existing use. This normally applies where land use is restricted. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted land use) or market value of comparable unrestricted land (low restricted land use).

Land is independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated useful economic life. Professional judgment by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis.

Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight-line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Information technology assets	3 to 6 years
Environmental assets	2 to 10 years
Office equipment	2 to 10 years
Software (a)	2 ½ years
Plant and equipment	3 to 20 years

(a) Software that is integral to the operation of related hardware.

Land is not depreciated.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(g) Intangible assets

Capitalisation/expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight line basis. All intangible assets controlled by the Department have a finite useful life and zero residual value.

The expected useful lives for each class of intangible asset are:

Development costs	3 to 5 years
Computer software (a)	3 to 5 years
Website costs	3 to 5 years

(a) Software that is not integral to the operation of any related hardware.

Development costs

Research costs are expensed as incurred. Development costs incurred for an individual project are carried forward when the future economic benefits can reasonably be regarded as assured and the total project costs are likely to exceed \$50,000. Other development costs are expensed as incurred.

Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website that can be reliably measured, are capitalised to the extent that they represent probable future economic benefits.

(h) Impairment of assets

Property plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

(i) Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount or fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for sale are not depreciated or amortised.

All Crown land holdings are vested in the Department by the Government. The Department of Lands (DoL) is the only agency with the power to sell Crown land. The Department transfers the Crown land and any attached buildings to DoL when the land becomes available for sale.

(j) Leases

The Department holds operating leases for buildings, office equipment and motor vehicles. Lease payments are expensed on a straight-line basis over the lease term as this represents the pattern of benefits derived from the leased assets.

(k) Financial instruments

In addition to cash, the Department has two categories of financial instrument:

- loans and receivables; and
- financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

- Financial Assets
 - cash and cash equivalents
 - restricted cash and cash equivalents
 - receivables
 - amounts receivable for services
- Financial Liabilities
 - payables

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(l) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(m) Accrued salaries

Accrued salaries (refer to note 25 'Payables') represent the amount due to staff but unpaid at the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (refer to note 17 'Restricted cash and cash equivalents') consists of amounts accrued over a period of 10 financial years to largely meet the additional cash outflow in each 11th year when 27 pay days occur instead of the normal 26. No interest is received on this account.

(n) Amounts receivable for services (holding account)

The Department receives funding on an accrual basis. The appropriations are paid partly in cash and partly as an asset (holding account receivable). The accrued amount receivable is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

(o) Receivables

Receivables are recognised at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(p) Payables

Payables are recognised at the amount payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

(q) Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

Provisions – employee benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Annual leave

Annual leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Long service leave

Long service leave is not expected to be settled wholly within 12 months after the end of the reporting period and is therefore recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation

The Government Employees Superannuation Board (GESB) and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

Eligible employees contribute to the Pension Scheme, a defined benefit pension scheme closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension Scheme or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund. The Department makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

the Department's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the agency's obligations to the related superannuation liability.

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to GESB.

GESB makes all benefit payments in respect of the Pension Scheme and GSS, and is recouped from the Treasurer for the employer's share.

Provisions – other

Employment on-costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'.

(r) Superannuation expense

The superannuation expense is recognised in the profit or loss of the Statement of Comprehensive Income and comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBS, or other superannuation funds. The employer contribution paid to GESB in respect of the GSS is paid back into the Consolidated Account by GESB.

(s) Assets and services received free of charge or for nominal cost

Assets or services received free of charge or for nominal cost that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income

(t) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

3. Judgments made by management in applying accounting policies

The preparation of financial statements requires management to make judgments about the application of accounting policies that have a significant effect on the amounts recognised in the financial statements. The Department evaluates these judgments regularly.

Operating lease commitments

The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

4. Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

5. Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective, or adopted for annual reporting periods beginning on or after 1 July 2015 that impacted on the Department.

AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>
	Part C of this Standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB 2014-1. The Department has not yet determined the application or the potential impact of AASB 9.
AASB 2014-8	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]</i>
	This Standard makes amendments to AASB 9 <i>Financial Instruments</i> (December 2009) and AASB 9 <i>Financial Instruments</i> (December 2010), arising from the issuance of AASB 9 <i>Financial Instruments</i> in December 2014. The Department has not yet determined the application or the potential impact of AASB 9.
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>
	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. There is no financial impact.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. By virtue of a limited exemption, the Department has early adopted AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 9	<i>Financial Instruments</i> This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , introducing a number of changes to accounting treatments. The mandatory application date of this Standard is currently 1 January 2018 after being amended by AASB 2012-6, AASB 2013-9 and AASB 2014-1 Amendments to Australian Accounting Standards. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 15	<i>Revenue from Contracts with Customers</i> This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2018
AASB 16	<i>Leases</i> This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Department has not yet determined the application or the potential impact of the Standard.	1 Jan 2019
AASB 1057	<i>Application of Australian Accounting Standards</i> This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.	1 Jan 2016

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Operative for reporting periods beginning on/after
AASB 2010-7 <i>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 Int 2, 5, 10, 12, 19 & 127]</i>	1 Jan 2018
<p>This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010.</p> <p>The mandatory application date of this Standard has been amended by AASB 2012-6 and AASB 2014-1 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i>	1 Jan 2018
<p>Part E of this Standard makes amendments to AASB 9 and consequential amendments to other Standards. It has not yet been assessed by the Authority to determine the application or potential impact of the Standard.</p>	
AASB 2014-3 <i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]</i>	1 Jan 2016
<p>The Department establishes Joint Operations in pursuit of its objectives and does not routinely acquire interests in Joint Operations. Therefore, there is no financial impact on application of the Standard.</p>	
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]</i>	1 Jan 2016
<p>The adoption of this Standard has no financial impact for the Department as depreciation and amortisation is not determined by reference to revenue generation, but by reference to consumption of future economic benefits.</p>	
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 Jan 2018
<p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. The mandatory application date of this Standard has been amended by AASB 2015-8 to 1 January 2018. The Department has not yet determined the application or the potential impact of the Standard.</p>	

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Operative for reporting periods beginning on/after
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	1 Jan 2018
<p>This Standard gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 9 (December 2014). The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	1 Jan 2016
<p>This Standard amends AASB 127, and consequentially amends AASB 1 and AASB 128, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128]</i>	1 Jan 2016
<p>This Standard amends AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Department has not yet determined the application or the potential impact of the Standard.</p>	
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140]</i>	1 Jan 2016
<p>These amendments arise from the issuance of International Financial Reporting Standard <i>Annual Improvements to IFRSs 2012–2014 Cycle</i> in September 2014, and editorial corrections. The Department has determined that the application of the Standard has no financial impact.</p>	
AASB 2015-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]</i>	1 Jan 2016
<p>This Standard amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements. There is no financial impact.</p>	

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Operative for reporting periods beginning on/after
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]</i>	1 Jul 2016
<p>The amendments extend the scope of AASB 124 to include application by not-for-profit public sector entities. Implementation guidance is included to assist application of the Standard by not-for-profit public sector entities. There is no financial impact.</p>	
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 Jan 2017
<p>This Standard amends the mandatory effective date (application date) of AASB 15 <i>Revenue from Contracts with Customers</i> so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The Department has not yet determined the application or the potential impact of AASB 15.</p>	
AASB 2015-10 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 & 128</i>	1 Jan 2016
<p>This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & 128 that were originally made in AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The Department has not yet determined the application or the potential impact of AASB 2014-10.</p>	
AASB 2016-2 <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 Jan 2017
<p>This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There is no financial impact.</p>	
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 Jan 2018
<p>This Standard clarifies identifying performance obligations, principal versus agent considerations, timing of recognising revenue from granting a licence, and, provides further transitional provisions to AASB 15. The Department has not yet determined the application or the potential impact.</p>	

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Operative for reporting periods beginning on/after
AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	1 Jan 2017
<p>This Standard clarifies that the recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 <i>Fair Value Measurement</i>. The Department has not yet determined the application or the potential impact.</p>	

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000
6 EMPLOYEE BENEFITS EXPENSE		
Wages and salaries ^(a)	29,175	28,525
Superannuation - defined contribution plans ^(b)	2,964	3,832
	<u>32,139</u>	<u>32,357</u>
<p>(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.</p> <p>(b) Defined contribution plans include WSS, GSS, GESB and other eligible funds.</p> <p>Employment on-costs such as workers' compensation insurance are included at note 11 'Other expenses'.</p> <p>The employment on-costs liability is included at note 26 'Provisions'.</p>		
7 SUPPLIES AND SERVICES		
Consultants and contractors	7,343	6,853
Travel	354	406
Materials	437	699
Communications	269	235
Payroll tax	2,037	1,822
Other	1,109	1,214
	<u>11,549</u>	<u>11,229</u>
8 DEPRECIATION AND AMORTISATION EXPENSE		
<u>Depreciation</u>		
Information technology assets	5	6
Environmental assets	276	251
Office equipment	5	6
Plant and equipment	91	94
Total depreciation	<u>377</u>	<u>357</u>
<u>Amortisation</u>		
Computer software	864	329
Total amortisation	864	329
Total depreciation and amortisation	<u>1,241</u>	<u>686</u>
9 ACCOMMODATION EXPENSES		
Lease rentals	4,702	4,626
Power	192	237
	<u>4,894</u>	<u>4,863</u>
10 GRANTS AND SUBSIDIES		
Contaminated Sites Management Account (CSMA) Grants to State Agencies	11	2,438
Low Emissions Energy Development Fund	568	1,823
WA Local Government Regional Funding Program	1,160	282
Waste Avoidance and Resource Recovery Account (WARR)	11,755	8,145
Other	125	112
	<u>13,619</u>	<u>12,800</u>

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000
11 OTHER EXPENSES		
Vehicle and other leases	667	667
Audit fees	95	97
Employment on-costs ^(a)	105	112
Other	60	-
	<u>927</u>	<u>876</u>
<p>(a) Includes workers' compensation insurance and other employment on-costs.</p>		
12 USER CHARGES AND FEES		
Industry licences	17,792	18,987
Controlled waste	4,071	4,060
Clearing permits	57	54
Other charges and fees	246	208
	<u>22,166</u>	<u>23,309</u>
13 COMMONWEALTH GRANTS AND CONTRIBUTIONS		
National Pollution Inventory	83	83
	<u>83</u>	<u>83</u>
14 LANDFILL LEVY		
Landfill levy	68,046	59,403
	<u>68,046</u>	<u>59,403</u>
<p>The WARR Account was established in 2008 under section 79 of the <i>Waste Avoidance and Resource Recovery Act 2007</i> (WARR Act). The WARR Account holds revenue allocated from the levy to fund programs and waste management.</p>		
15 OTHER REVENUE		
Environmental offset revenue	2,014	3,840
Other State and private grants and cost recoupments	2,283	1,305
	<u>4,297</u>	<u>5,145</u>
16 INCOME FROM STATE GOVERNMENT		
Appropriation received during the period:		
Service appropriation ^(a)	2,807	2,734
	<u>2,807</u>	<u>2,734</u>
<p>Services received free of charge from other State government agencies during the period</p> <p>Determined on the basis of the following estimates provided by agencies:</p>		
Department of Finance	28	53
State Solicitor's Office	728	727
Landgate	34	60
Keep Australia Beautiful Council (WA) Inc (KABC)	97	121
Department of Agriculture	1	-
	<u>888</u>	<u>961</u>
Royalties for Region Fund:		
District Allowance	62	84
	<u>62</u>	<u>84</u>
	<u>3,757</u>	<u>3,779</u>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities during the year.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000												
17 RESTRICTED CASH AND CASH EQUIVALENTS														
<u>Current</u>														
WARR Account	30,398	20,628												
CSMA	1,772	1,326												
Specific Purpose Accounts ^(a)	17,971	14,938												
Accrued salaries suspense account ^(b)	-	1,074												
	<u>50,141</u>	<u>37,966</u>												
<p>(a) These include industry grants, contributions and donations under contract or agreement for the benefit of environmental regulation and sustainability projects.</p> <p>(b) Funds held in suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11th year.</p>														
18 RECEIVABLES														
<u>Current</u>														
Receivables	979	722												
Allowance for impairment of receivables	(5)	-												
Accrued revenue	16,545	17,506												
GST receivable	524	650												
	<u>18,043</u>	<u>18,878</u>												
<p>Reconciliation of changes in the allowance for impairment of receivables:</p> <table border="0"> <tr> <td>Balance at start of period</td> <td style="text-align: right;">-</td> <td style="text-align: right;">41</td> </tr> <tr> <td>Doubtful debts expense</td> <td style="text-align: right;">5</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Write back of allowance for impairment of receivables</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(41)</td> </tr> <tr> <td>Balance at end of period</td> <td style="text-align: right;"><u>5</u></td> <td style="text-align: right;"><u>-</u></td> </tr> </table> <p>The Department does not hold any collateral or other credit enhancements as security for receivables.</p>			Balance at start of period	-	41	Doubtful debts expense	5	-	Write back of allowance for impairment of receivables	-	(41)	Balance at end of period	<u>5</u>	<u>-</u>
Balance at start of period	-	41												
Doubtful debts expense	5	-												
Write back of allowance for impairment of receivables	-	(41)												
Balance at end of period	<u>5</u>	<u>-</u>												
19 OTHER ASSETS														
<u>Current</u>														
Prepayments	459	465												
20 AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)														
Non-current	<u>1,299</u>	<u>866</u>												
<p>Represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.</p>														

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000
21 PROPERTY, PLANT AND EQUIPMENT		
<u>Land</u>		
At fair value ^(a)	1,490	1,490
Accumulated impairment losses	-	-
	<u>1,490</u>	<u>1,490</u>
<u>Information technology assets</u>		
At cost	28	28
Accumulated depreciation	(20)	(15)
Accumulated impairment losses	-	-
	<u>8</u>	<u>13</u>
<u>Environmental assets</u>		
At cost	1,669	1,415
Accumulated depreciation	(783)	(507)
Accumulated impairment losses	-	-
	<u>886</u>	<u>908</u>
<u>Office equipment</u>		
At cost	26	26
Accumulated depreciation	(17)	(12)
Accumulated impairment losses	-	-
	<u>9</u>	<u>14</u>
<u>Plant and equipment</u>		
At cost	517	507
Accumulated depreciation	(276)	(185)
Accumulated impairment losses	-	-
	<u>241</u>	<u>322</u>
	<u>2,634</u>	<u>2,747</u>
<p>(a) Land was revalued as at 1 July 2015 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2016 and recognised at 30 June 2016. In undertaking the revaluation, fair value was determined by reference to market values for land: \$1,490,000 (2015 : \$1,490,000).</p>		

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016
Reconciliation of property, plant and equipment

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the reporting period are set out in the table below.

	Land \$000	Information technology assets \$000	Environmental assets \$000	Office equipment \$000	Plant and equipment \$000	Total \$000
2016						
Carrying amount at start of period	1,490	13	908	14	322	2,747
Additions	-	-	254	-	-	254
Revaluation increments/(decrements)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	10	10
Depreciation	-	(5)	(276)	(5)	(91)	(377)
Carrying amount at end of period	<u>1,490</u>	<u>8</u>	<u>886</u>	<u>9</u>	<u>241</u>	<u>2,634</u>
2015						
Carrying amount at start of period	1,620	19	889	20	407	2,955
Additions	-	-	230	-	9	239
Revaluation increments/(decrements)	(130)	-	-	-	-	(130)
Disposals	-	-	(7)	-	-	(7)
Transfers	-	-	47	-	-	47
Depreciation	-	(6)	(251)	(6)	(94)	(357)
Carrying amount at end of period	<u>1,490</u>	<u>13</u>	<u>908</u>	<u>14</u>	<u>322</u>	<u>2,747</u>

Information on fair value measurements is provided in Note 22.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

22 FAIR VALUE MEASUREMENTS

 Assets measured at fair value:
2016

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of period \$000
Land (Note 21)	-	1,490	-	1,490
	-	1,490	-	1,490

 Assets measured at fair value:
2015

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of period \$000
Land (Note 21)	-	1,490	-	1,490
	-	1,490	-	1,490

There were no transfers between Levels 1, 2 or 3 during the current and previous periods.

Valuation techniques to derive Level 2 fair values

Level 2 fair values of Land are derived using the market approach. Market evidence of sales prices of comparable land in close proximity is used to determine price per square metre.

	2016 \$000	2015 \$000
23 INTANGIBLE ASSETS		
<i>Computer software</i>		
At cost	2,215	2,149
Accumulated amortisation	(1,205)	(340)
Accumulated impairment losses	-	-
	1,010	1,809
<i>Intangible work in progress</i>		
In progress costs	36	80
	1,046	1,889
Reconciliations		
<i>Computer software</i>		
Carrying amount at start of period	1,809	564
Additions	65	1,574
Amortisation expense	(864)	(329)
Carrying amount at end of period	1,010	1,809
<i>Intangible work in progress</i>		
Carrying amount at start of period	80	1,032
Additions	9	80
Work in progress written off	(53)	-
Capitalisation - computer software	-	(1,032)
Carrying amount at end of period	36	80

24 IMPAIRMENT OF ASSETS

There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2016.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period.

All surplus assets at 30 June 2016 have either been classified as assets held for sale or written-off.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000
25 PAYABLES		
<i>Current</i>		
Trade payables	11	-
Accrued expenses	858	1,695
Accrued salaries	-	1,097
	869	2,792
26 PROVISIONS		
<i>Current</i>		
<i>Employee benefits provision</i>		
Annual leave ^(a)	1,917	2,018
Long service leave ^(b)	4,467	2,731
Deferred salary scheme ^(c)	29	30
	6,413	4,779
<i>Other provisions</i>		
Employment on-costs ^(d)	76	59
	6,489	4,838
<i>Non-current</i>		
<i>Employee benefits provision</i>		
Long service leave ^(b)	2,065	2,764
<i>Other provisions</i>		
Employment on-costs ^(d)	24	35
	2,089	2,799
(a) Annual leave liabilities have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	1,479	2,018
More than 12 months after the end of the reporting period	438	-
	1,917	2,018
(b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Assessments indicate that actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	1,855	2,732
More than 12 months after the end of the reporting period	4,677	2,764
	6,532	5,496
(c) Deferred salary scheme liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period. Actual settlement of the liabilities is expected to occur as follows:		
Within 12 months of the end of the reporting period	-	-
More than 12 months after the end of the reporting period	29	30
	29	30

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

2016
\$000

2015
\$000

- (d) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

The associated expense, apart from the unwinding of discount (finance cost) is disclosed in note 11 'Other expenses'.

Movements in other provisions

Movements in each class of provisions during the period, other than employee benefits, are set out below.

Employment on-cost provision

Carrying amount at start of period	93	87
Additional provisions recognised	112	118
Payments/other sacrifices of economic benefits	(105)	(112)
Carrying amount at end of period	<u>100</u>	<u>93</u>

27 OTHER LIABILITIES

Current

Unearned revenue - Industry regulation licences	1,206	606
Unearned revenue - Lease cost recoupment	182	-
	<u>1,388</u>	<u>606</u>

28 EQUITY

The Western Australian Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

Contributed equity

Balance at start of period	11,362	25,422
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Contributions by owners

Capital appropriation	875	865
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Other contributions by owners

Transfer of net assets from DEC	-	875
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Distributions to owners

Cash transferred to Government	(28,250)	(15,800)
Total distributions to owners	<u>(28,250)</u>	<u>(15,800)</u>

Transfer of debit balance in Contributed Equity to Accumulated Surpluses	16,013	-
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Balance at end of period	<u>-</u>	<u>11,362</u>
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Reserves

Asset revaluation reserve

Balance at start of period	(60)	70
Net revaluation increments/(decrements)	-	(130)
Land	-	-
Prior year net revaluation decrement expensed off	60	-
Balance at end of period	<u>-</u>	<u>(60)</u>

Accumulated surplus

Balance at start of period	44,475	14,143
Result for the period	35,532	30,332
Transfer of debit balance to Accumulated Surpluses ^(a)	(16,013)	-
Balance at end of period	<u>63,994</u>	<u>44,475</u>
Total equity at end of period	<u>63,994</u>	<u>55,777</u>

- (a) In accordance with the requirements of T1955, if there exists a net debit balance in Contributed Equity after distributions to owners and contributions by owners during the year, this balance is required to be transferred to Accumulated Surpluses.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

2016
\$000

2015
\$000

29 NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	1,207	4,001
Restricted cash and cash equivalents (see note 17 'Restricted cash and cash equivalents')	<u>50,141</u>	<u>37,966</u>
	<u>51,348</u>	<u>41,967</u>

Reconciliation of net income to net cash flows provided by operating activities

Net income	31,775	26,553
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Non-cash items:

Depreciation and amortisation expense (note 8 Depreciation and amortisation expense)	1,241	686
Services received free of charge (note 16 Income from State Government)	888	961
Prior year net revaluation decrement expensed off	60	-
Assets not previously recognised	(10)	(47)
Loss on disposal of non-current assets	-	4

(Increase)/decrease in assets:

Current receivables ^(a)	708	(5,197)
Other current assets	6	(84)

Increase/(decrease) in liabilities:

Current payables ^(a)	(1,102)	(1,605)
Current provisions	1,651	198
Non-current provisions	(710)	(128)

Net GST payments ^(b)	165	(166)
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Change in GST in receivables/payables ^(c)	(38)	(23)
--	------	------

Net cash provided by operating activities	<u>34,634</u>	<u>21,152</u>
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- (a) Note that the Australian Taxation office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

- (b) This is the net GST paid/received, i.e. Cash transactions.

- (c) This reverses out the GST in receivables and payables.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016 \$000	2015 \$000
30 SERVICES PROVIDED FREE OF CHARGE		
During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department: KABC - accommodation and administrative support services	251	245
31 COMMITMENTS		
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	3,612	3,514
Later than 1 year and not later than 5 years	6,825	9,811
Later than 5 years	-	-
	<u>10,437</u>	<u>13,325</u>

The Department has entered into four property leases which are non-cancellable and rents are payable monthly in advance. The leases have terms ranging from within one to five years, some with options to renew at the end of the lease. The Department's accommodation leases account for \$9,970k of the non-cancellable operating lease commitments for 2016. Contingent rent provisions within a lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 4% per annum.

The Department's fleet leases account for \$467k of the non-cancellable operating lease commitments for 2016. The lease term varies depending on the vehicle. The lease payments are fixed for the term of the lease and are payable monthly. There is no option to renew the lease at the end of the lease term. The Department leases its motor vehicle fleet and certain office premises. The lease expenditure is expensed as it is incurred. Motor vehicle leasing arrangements are under the terms of the State Fleet Funding Facility Contract administered by State Fleet - State Supply Commission.

The commitments are inclusive of GST.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

32 CONTINGENT LIABILITIES AND CONTINGENT ASSETS
Contingent liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements:

Decommissioning and remediation of the Brookdale Liquid Waste Treatment Facility Contaminated Site - \$7.9 million. Potential liability contingent upon the future intended use of the site - discussions intended to limit the extent of possible liability are taking place.

Costs potentially payable in relation to Supreme Court action involving Eclipse Resources Pty Ltd - \$0.1 million.

Alcoa Australia Ltd and Charles Hull Contracting Co. Pty. Ltd claim for unauthorised discharges -\$60k. Environmental Protection Act 1986 and Environmental Protection (Unauthorised Discharges) Regulations 1987.

Contingent assets

The following contingent assets are additional to the assets included in the financial statements:

Benefit potentially receivable in relation to Supreme Court action involving Eclipse Resources Pty Ltd - \$0.10 million.

33 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No events have occurred after the end of the reporting period which would materially impact on the financial statements.

34 EXPLANATORY STATEMENT

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for selected major variances, which are generally greater than:

5% and \$1.25 million for the Statements of Comprehensive Income and Cash Flows; and
5% and \$968k for the Statement of Financial Position.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Variance Note \$000	Estimate 2016 \$000	Actual 2016 \$000	Actual 2015 \$000	Variance between estimate and actual \$000	Variance between actual results for 2016 and 2015 \$000
Statement of Comprehensive Income (Controlled Operations)						
Expenses						
Employee benefits expense ^(a)	1	36,398	32,139	32,357	(4,259)	(218)
Supplies and services ^(a)		12,800	11,549	11,229	(1,251)	320
Depreciation and amortisation expense		433	1,241	686	808	555
Accommodation expenses		4,900	4,894	4,863	(6)	31
Grants and subsidies	2	24,122	13,619	12,800	(10,503)	819
Other expenses ^(a)		730	927	876	197	51
Loss on disposal of non-current assets		-	-	4	-	(4)
Total cost of services		79,383	64,369	62,815	(15,014)	1,554
Income						
<i>Revenue</i>						
User charges and fees	3	25,420	22,166	23,309	(3,254)	(1,143)
Commonwealth grants and contributions		83	83	83	-	-
Interest revenue		750	1,552	1,428	802	124
Landfill levy	4,A	104,000	68,046	59,403	(35,954)	8,643
Other revenue		4,025	4,297	5,145	272	(848)
Total revenue		134,278	96,144	89,368	(38,134)	6,776
Total income other than income from State Government		134,278	96,144	89,368	(38,134)	6,776
NET INCOME		54,895	31,775	26,553	(23,120)	5,222
Income from State Government						
Service appropriation		2,807	2,807	2,734	-	73
Services received free of charge		130	888	961	758	(73)
Royalties for Regions Fund		52	62	84	10	(22)
Total income from State Government		2,989	3,757	3,779	768	(22)
SURPLUS FOR THE PERIOD		57,884	35,532	30,332	(22,352)	5,200
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	60	(130)	60	190
Total other comprehensive income		-	60	(130)	60	190
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57,884	35,592	30,202	(22,292)	5,390

(a) Budgeted items within the above Estimated Total Cost of Services differ from the published Budget Paper estimates, to better align some line item Estimates with the way reporting of 2016 Actuals is made in these financial statements.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Major Estimate and Actual (2016) Variance Narratives

1) Employee benefits expense under budget by \$4.3 million (11.7%) due mainly to a) vacancies during the year - a Government imposed recruitment freeze contributed to an average 35 vacant positions throughout the year, against 340 budgeted FTEs, b) increased recoupment of salaries contribution regarding WARR grant programs - approx. increase \$2 million.

2) Grants and subsidies under budget by \$10.5 million (43.5%) due mainly to a) WARR account - program delays (\$4.5 million) and lower than expected uptake of the Better Bins Kerbside Collection (\$4 million) and b) LEED program Green Rock project was unable to obtain matching funding and withdrew (\$2 million).

3) User charges and fees revenue under budget by \$3.3 million (12.8%) due mainly to the impacts of state wide lower economic activity with reduced expected collections because of a decreased volume of industry works approvals and controlled waste tracking fees as well as lower industry licence collections.

4) Landfill levy revenue under budget by \$36.0 million (34.6%) due mainly to the impacts of state wide lower economic activity, accompanied by a significant reduction in landfilling of construction and demolition waste. As well, significant unexpected stockpiling of processed and unprocessed material has occurred in response to landfill levy increases, lowering actual collections as against the budget. An 87.1% reduction in the amount of inert waste, and 6.9% reduction in the amount putrescible waste landfilled was observed over that budgeted in 2015-16.

Major Actual (2016) and Comparative (2015) Variance Narratives

A) Landfill levy increased by \$8.6 million (14.5%) due mainly to the impacts of significant increases to the Landfill levy rates effective 1 January 2015, giving a partial increase effect in 2014-15 and a full year effect in 2015-16.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Variance Note \$000	Estimate 2016 \$000	Actual 2016 \$000	Actual 2015 \$000	Variance between estimate and actual \$000	Variance between actual results for 2016 and 2015 \$000
Statement of Financial position (Controlled Operations)						
ASSETS						
Current Assets						
Cash and cash equivalents		9,351	1,207	4,001	(8,144)	(2,794)
Restricted cash and cash equivalents		18,206	50,141	37,966	31,935	12,175
Receivables		1,845	18,043	18,878	16,198	(835)
Other current assets	5	12,028	459	465	(11,569)	(6)
Total Current Assets		41,430	69,850	61,310	28,420	8,540
Non-current Assets						
Amounts receivable for services		1,299	1,299	866	-	433
Property, plant and equipment	6	3,829	2,634	2,747	(1,195)	(113)
Intangible assets		564	1,046	1,889	482	(843)
Restricted cash		255	-	-	(255)	-
Other		1,032	-	-	(1,032)	-
Total Non-current Assets		6,979	4,979	5,502	(2,000)	(523)
TOTAL ASSETS		48,409	74,829	66,812	26,420	8,017
LIABILITIES						
Current Liabilities						
Payables	B	1,318	869	2,792	(449)	(1,923)
Provisions	7,C	4,638	6,489	4,838	1,851	1,651
Other current liabilities	8	3,646	1,388	606	(2,258)	782
Total Current Liabilities		9,602	8,746	8,236	(856)	510
Non-current Liabilities						
Provisions		2,927	2,089	2,799	(838)	(710)
Total Non-current Liabilities		2,927	2,089	2,799	(838)	(710)
TOTAL LIABILITIES		12,529	10,835	11,035	(1,694)	(200)
NET ASSETS		35,880	63,994	55,777	28,114	8,217
EQUITY						
Contributed equity		(55,505)	-	11,362	55,505	(11,362)
Reserves		70	-	(60)	(70)	60
Accumulated surplus		91,315	63,994	44,475	(27,321)	19,519
TOTAL EQUITY		35,880	63,994	55,777	28,114	8,217

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Major Estimate and Actual (2016) Variance Narratives

5) Other current assets are under budget by \$11.6 million (96.2%) due mainly to the budget including the year end receivable re Landfill levy, whereas the related actual amount is reported against the line receivables.

6) Property, plant and equipment is under budget by \$1.2 million (31.2%) due mainly to underspends in the current and prior year (approx. \$0.6 million in each year) in the area of environmental assets with capitalisation expected to increase once the agency's Strategic Asset Management Framework is endorsed.

7) Current provisions are over budget by \$1.9 million (39.9%) due mainly to altered calculation assumptions regarding long service leave - refer to Note C) below.

8) Other current liabilities under budget by \$2.3 million (61.9%) due mainly to significantly lower actual accrued expenses and a zero accrued salaries liability against a \$1.1 million budgeted liability.

Major Actual (2016) and Comparative (2015) Variance Narratives

B) Current payables decreased by \$1.9 million (68.9%) due mainly to a reduction in accrued salaries \$1.1 million and a reduction in WARR grants and subsidies payables \$0.5 million.

C) Current provisions increased by \$1.7 million (34.1%) mainly as a result of the long service leave provision calculation being actuarial based with different assumptions to the shorthand method previously used.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Variance Note \$000	Estimate 2016 \$000	Actual 2016 \$000	Actual 2015 \$000	Variance between estimate and actual \$000	Variance between actual results for 2016 and 2015 \$000
Statement of Cash Flows (Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		2,374	2,374	2,301	-	73
Royalties for Regions Fund		52	62	84	10	(22)
Capital appropriations		875	875	865	-	10
Distributions to owners	9,D	(62,184)	(28,250)	(15,800)	33,934	(12,450)
Net cash provided to State Government		(58,883)	(24,939)	(12,550)	33,944	(12,389)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits ^(a)	10	(36,398)	(32,546)	(31,921)	3,852	(625)
Supplies and services ^(a)	11,E	(12,636)	(10,946)	(12,554)	1,690	1,608
Accommodation		(4,900)	(4,929)	(4,957)	(29)	28
Grants and subsidies	12,F	(24,122)	(13,770)	(12,305)	10,352	(1,465)
GST payments on purchases	13	(4,000)	(2,202)	(2,443)	1,798	241
Other payments ^(a)		(764)	(892)	(852)	(128)	(40)
Receipts						
User charges and fees	14	25,420	22,877	23,638	(2,543)	(761)
Commonwealth grants and contributions		83	83	83	-	-
Interest received		750	1,412	1,072	662	340
Landfill levy	15,G	104,000	68,987	53,082	(35,013)	15,905
GST receipts on sales		300	164	200	(136)	(36)
GST receipts from taxation authority	16	3,700	2,134	2,177	(1,566)	(43)
Other receipts	H	4,025	4,262	5,932	237	(1,670)
Net cash provided by operating activities		55,458	34,634	21,152	(20,824)	13,482
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(875)	(314)	(821)	561	507
Receipts						
Proceeds from the sale of non-current assets		-	-	3	-	(3)
Net cash used in investing activities		(875)	(314)	(818)	561	504
Net increase in cash and cash equivalents		(4,300)	9,381	7,784	13,681	1,597
Cash and cash equivalents transferred from DEC		-	-	875	-	(875)
Cash and cash equivalents at the beginning of the period		32,112	41,967	33,308	9,855	8,659
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		27,812	51,348	41,967	23,536	9,381

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

(a) Budgeted items within the above Payments differ from the published Budget Paper estimates, to better align some line item Estimates with the way reporting of 2016 Actuals is made in these financial statements.

Major Estimate and Actual (2016) Variance Narratives

9) Distribution to owners under budget by \$33.9 million (54.6%) due mainly to landfill levy receipts being below the Estimate by approx. \$35 million - refer to Note 4) above.

10) Employee benefits under budget by \$3.9 million (10.6%) - refer to Note 1) above.

11) Supplies and services under budget by \$1.7 million (13.4%) due mainly to the impact of the agency operating in the year with approximately 10% lower than budgeted FTE and related reduced expenditure mainly on services and contracts, professional services, other staff costs and administration costs.

12) Grants and subsidies under budget by \$10.3 million (42.9%) - refer to Note 2) above.

13) GST payments on purchases under budget by \$1.8 million (45.0%) due mainly to lower than budgeted grants and subsidies expenditure (GST impact - approx. \$1 million) and supplies and services (GST impact - approx. \$0.2 million) as well as payment timing movements between this year and the prior year - refer to Notes 2) and 11) above.

14) User charges and fees under budget by \$2.5 million (10.0%) - refer to Note 3) above.

15) Landfill levy under budget by \$35 million (33.7%) - refer to Note 4) above.

16) GST receipts from taxation authority under budget by \$1.6 million (42.3%) due mainly to lower than budgeted grants and subsidies and supplies and services payments - refer to Note 11) above. Receivables movements with the taxation authority between the current and prior year also impacted.

Major Actual (2016) and Comparative (2015) Variance Narratives

D) Distribution to owners increased by \$12.4 million (78.8%) due mainly to an increase in the amount of landfill levy cash received in the year.

E) Supplies and services decreased by \$1.6 million (12.9%) - refer to Note 11) above.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2016**

F) Grants and subsidies increased by a net \$1.5 million (11.9%) due mainly to the increase of WARR Account expenditure (\$5.2 million) with a decrease in both CSMA - remediation works Bellevue site in 2015, not recurring (\$2.4 million) and LEED (\$1.3 million) grants and subsidies expenditure.

G) Landfill levy increased by \$15.9 million (30.0%) due mainly to a progressive increase in landfill levy rates against the impacts of state wide lower economic activity.

H) Other receipts decreased by \$1.7 million (28.1%) due mainly to lower receipts related to environmental offsets activity - Main Roads WA - Gateway occurring in the prior year (\$1.8 million).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

35 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, and payables. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Department's receivables defaulting on their contractual obligations resulting in financial loss to the Department.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at note 35(c) 'Financial instrument disclosures' and note 18 'Receivables'.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Department trades only with recognised, creditworthy third parties. The Department has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

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

The Department has appropriate procedures to manage cash flows including drawdown of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments.

The Department does not trade in foreign currency and is not materially exposed to other price risks.

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2016 \$000	2015 \$000
<u>Financial Assets</u>		
Cash and cash equivalents	1,207	4,001
Restricted cash and cash equivalents	50,141	37,966
Receivables ^(a)	18,818	19,094
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	869	2,792

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

c) Financial instrument disclosures

Credit risk

The following table details the Department's maximum exposure to credit risk and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

Ageing analysis of financial assets

	Carrying Amount \$000	Not past due and not impaired \$000	Past due but not impaired					Impaired financial assets \$000
			Up to 1 month \$000	1-3 months \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000	
2016								
Cash and cash equivalents	1,207	1,207	-	-	-	-	-	-
Restricted cash and cash equivalents	50,141	50,141	-	-	-	-	-	-
Receivables ^(a)	17,519	17,367	25	-	127	-	-	-
Amounts receivable for services	1,299	1,299	-	-	-	-	-	-
	70,166	70,014	25	-	127	-	-	-
2015								
Cash and cash equivalents	4,001	4,001	-	-	-	-	-	-
Restricted cash and cash equivalents	37,966	37,966	-	-	-	-	-	-
Receivables ^(a)	18,228	17,881	263	69	15	-	-	-
Amounts receivable for services	866	866	-	-	-	-	-	-
	61,061	60,714	263	69	15	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Liquidity risk and interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure				Maturity dates				
	Weighted Average Effective Interest Rate	Carrying Amount	Variable interest rate	Non- interest bearing	Nominal Amount	Up to 1 month	1-3 months to 1 year	1-5 years	More than 5 years
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016									
<u>Financial Assets</u>									
Cash and cash equivalents	2.3	1,207	1,207	-	1,207	1,207	-	-	-
Restricted cash and cash equivalents	2.3	50,141	50,141	-	50,141	50,141	-	-	-
Receivables ^(a)	-	17,519	-	17,519	17,519	17,519	-	-	-
Amounts receivable for services	-	1,299	-	1,299	1,299	-	-	1,299	-
		70,166	51,348	18,818	70,166	68,867	-	-	1,299
<u>Financial Liabilities</u>									
Payables	-	869	-	869	869	869	-	-	-
		869	-	869	869	869	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Interest rate exposure				Maturity dates					
	Weighted Average Effective Interest Rate	Carrying Amount	Variable interest rate	Non- interest bearing	Nominal Amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2015										
<u>Financial Assets</u>										
Cash and cash equivalents	2.7	4,001	4,001	-	4,001	4,001	-	-	-	-
Restricted cash and cash equivalents	2.7	37,966	37,966	-	37,966	36,892	-	1,074	-	-
Receivables (a)	-	18,228	-	18,228	18,228	18,288	-	-	-	-
Amounts receivable for services	-	866	-	866	866	-	-	-	866	-
		61,061	41,967	19,094	61,061	59,181	-	1,074	866	-
<u>Financial Liabilities</u>										
Payables	-	2,792	-	2,792	2,792	2,792	-	-	-	-
		2,792	-	2,792	2,792	2,792	-	-	-	-

(a) The amount of receivables excludes the GST recoverable from the ATO (statutory receivable).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and financial liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$000	- 100 basis points		+ 100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2016					
<u>Financial Assets</u>					
Cash and cash equivalents	1,207	(12)	(12)	12	12
Restricted cash and cash equivalents	50,141	(501)	(501)	501	501
<u>Financial Liabilities</u>	-	-	-	-	-
Total Increase/(Decrease)		<u>(513)</u>	<u>(513)</u>	<u>513</u>	<u>513</u>

	Carrying amount \$000	- 100 basis points		+ 100 basis points	
		Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2015					
<u>Financial Assets</u>					
Cash and cash equivalents	4,001	(40)	(40)	40	40
Restricted cash and cash equivalents	37,966	(380)	(380)	380	380
<u>Financial Liabilities</u>	-	-	-	-	-
Total Increase/(Decrease)		<u>(420)</u>	<u>(420)</u>	<u>420</u>	<u>420</u>

Fair values

The financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

36 REMUNERATION OF SENIOR OFFICERS

The number of senior officers whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

Remuneration Band (\$)	2016	2015
60,001 - 70,000	1	1
80,001 - 90,000	-	1
100,001 - 110,000	-	1
150,001 - 160,000	1	-
180,001 - 190,000	1	-
210,001 - 220,000	1	2
230,001 - 240,000	1	-
330,001 - 340,000	1	-
340,001 - 350,000	-	1

	2016	2015
Base remuneration and superannuation	1,139	972
Annual leave and long service leave accruals	(2)	(7)
Other benefits	60	57
Total remuneration of senior officers	1,197	1,022

Total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.

37 REMUNERATION OF AUDITOR

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2016	2015
	\$000	\$000
Auditing the accounts, financial statements and key performance indicators	95	97

38 RELATED AND AFFILIATED BODIES

The Department does not provide any assistance to other agencies which would deem them to be regarded as related or affiliated bodies under the definitions included in Treasurer's Instruction 951.

39 SPECIAL PURPOSE ACCOUNTS

Contaminated Sites Management Account ^(a)

The purpose of the account is to enable investigation or remediation of any site where the State or a public authority (excluding Local Government) is responsible for remediation. The account also funds the Department's costs of investigation and ensuring compliance with notices.

	2016	2015
	\$000	\$000
Balance at start of period	1,326	3,269
Receipts	478	512
Payments	(32)	(2,455)
Balance at end of period	1,772	1,326

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Waste Avoidance and Resource Recovery Account ^(a)

The purpose of the account is to: encourage the conservation of resources and energy through waste reduction and recycling; to promote, support and encourage viable alternatives to landfill disposal of waste; to encourage applied research and the development of appropriate waste management, waste reduction and recycling infrastructure and markets. The account is used to fund nominated programs and other waste management initiatives approved by the Minister for the Environment on the advice of the Waste Authority of Western Australia.

	2016	2015
	\$000	\$000
Balance at start of period	20,628	16,114
Receipts	26,882	16,043
Payments	(17,112)	(11,529)
Balance at end of period	30,398	20,628

(a) Established under section 16(1)(b) of FMA.

40 INDIAN OCEAN TERRITORIES ACCOUNT

The purpose of the account is to account for Commonwealth funds for service delivery arrangements for services by the Department to the Indian Ocean Territories.

	2016	2015
	\$000	\$000
Balance at start of period	72	52
Receipts	255	257
Payments	(265)	(237)
Balance at end of period	62	72

41 SUPPLEMENTARY FINANCIAL INFORMATION

(a) Write-offs

The Department had one minor write off of \$276 (2015 : \$537) for bad debts, revenue, debts due to the State, public or other property during the financial year.

(b) Losses through theft, defaults and other causes

The Department had no losses through theft, defaults and other causes during the financial year.

(c) Gifts of public property

The Department had no gifts of public property during the financial year.

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

42 DISCLOSURE OF ADMINISTERED INCOME AND EXPENSES BY SERVICE

	Environmental Regulation	Environment Policy	Waste Strategies	Total
	2016 \$000	2016 \$000	2016 \$000	2016 \$000
INCOME FROM ADMINISTERED ITEMS				
<u>Income</u>				
For transfer:				
Regulatory fees and fines	189	-	-	189
Total administered income	189	-	-	189
<u>Expenses</u>				
Transfer payments ^(a)	189	-	-	189
Total administered expenses	189	-	-	189

^(a) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.

After reviewing its Outcome Based Management structure, including KPIs, the Department now reports on the above three new Services. Comparative reporting for the previous year is on the following page. Refer also to Note 2(c).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

42 (Continued) DISCLOSURE OF ADMINISTERED INCOME AND EXPENSES BY SERVICE

	Environmental Regulation	Environmental Sustainability and Climate Change	Total
	2015 \$000	2015 \$000	2015 \$000
INCOME FROM ADMINISTERED ITEMS			
<u>Income</u>			
For transfer:			
Regulatory fees and fines	5	-	5
Total administered income	<u>5</u>	<u>-</u>	<u>5</u>
<u>Expenses</u>			
Transfer payments ^(a)	5	-	5
Total administered expenses	<u>5</u>	<u>-</u>	<u>5</u>

^(a) Transfer payments represent the transfer of non-retainable regulatory fees to the Consolidated Account.

The above is a record of the previous year's Services reporting. From 2016, three new Services are being reported, based on a Departmental Outcome Based Management and KPI structure review.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

43 EXPLANATORY STATEMENT FOR ADMINISTERED ITEMS

All variances between estimates (original budget) and actual results for 2016, and between the actual results for 2016 and 2015 are shown below. Narratives are provided for key variances, which are generally greater than 5% and \$100.

	Variance Note \$000	Estimate 2016 \$000	Actual 2016 \$000	Actual 2015 \$000	Variance between estimate and actual \$000	Variance between actual results for 2016 and 2015 \$000
INCOME FROM ADMINISTERED ITEMS						
<u>Income</u>						
For transfer:						
Regulatory fees and fines	1,A	30	189	5	159	184
Total administered income		30	189	5	159	184
<u>Expenses</u>						
Transfer payments	2,B	30	189	5	159	184
Total administered expenses		30	189	5	159	184

Major Estimate and Actual (2016) Variance Narratives

1) Regulatory fees and fines over budget by \$159k (530%) due mainly to an increase in modified penalties and infringements raised in the year. 8 modified penalties produced the majority of revenue in 2015-16 where none had been included in the estimate for the year.

2) Transfer payments over budget by \$159k (530%) - refer to 1) above. All of the above income received, being administered on behalf of Government, was transferred by the Department to the Consolidated Account.

Major Actual (2016) and Comparative (2015) Variance Narratives

A) Regulatory fees and fines increased by \$184k (3,680%) due mainly to revenue from 8 modified penalties in the year, with no comparable revenue in the prior year, there being only small infringement income in 2014-15.

B) Transfer payments increased by \$184k (3,680%) - refer to A) above. All of the above income received, being administered on behalf of Government, was transferred by the Department to the Consolidated Account.

Certification of Key Performance Indicators

The Auditor's Report from the Office of Auditor General (OAG) for the financial year ended 30 June 2016 includes the following qualification:

"effectiveness key performance indicators for outcome 1 "Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment" are not relevant as they do not adequately measure the extent to which the outcome was achieved"

The key performance indicators referred to relate to timeframes for decision-making (Timeliness KPIs) and are as follows:

- Key Effectiveness Indicator 1.1 Percentage of major resource project works approvals and licences applications decided within 60 working days
- Key Effectiveness Indicator 1.2 Percentage of other project works approvals and licences applications decided within 60 working days
- Key Effectiveness Indicator 1.3 Percentage of native vegetation clearing permit applications decided within 60 calendar days
- Key Effectiveness Indicator 1.4 Percentage of investigations finalised within 60 working days

I note the statement for Outcome 1 was also amended, after discussion with the OAG, during the course of the Audit.

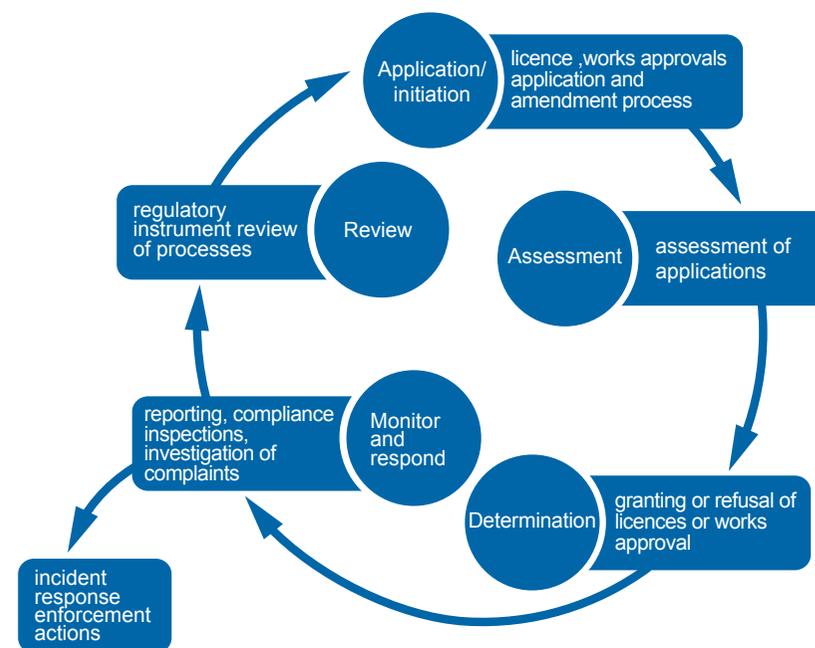
The Timeliness KPIs were implemented on an interim basis following review of the historical indicators, and were endorsed by the Under Treasurer, on the basis the KPIs would be subsequently reviewed.

During the course of the Audit, the OAG's preference for alternative KPIs was raised. The Department considered and agreed the OAG's suggestions for an additional KPI, and the Department provided the additional KPI to the Department of Treasury for approval. The Department of Treasury was unable to approve the additional KPI, as the application of the additional KPI was considered to be retrospective. As a result, no changes were made to the KPIs for Outcome 1 for the financial year ended 30 June 2016.

The Audit qualification that the Timeliness KPIs are not relevant to the effectiveness of delivery of Outcome 1 is not agreed. I remain of the view that Timeliness KPIs are relevant factors to consider in respect of the Department's performance and effectiveness as a regulator.

The timeliness of regulatory decision-making for environmental approvals is central to

the effective regulation. Timeliness in decision-making is also relevant and of interest to Parliament, Government, Industry and the Community. Protracted regulatory decision-making can result in industry incurring unnecessary costs and may result in increased community concern due to extended uncertainty.



Regulatory Cycle: DER's Guidance Statement: Regulatory Principles (July 2015)

Effective environmental regulation requires all of these critical functions to be performed appropriately and in a timely manner. The failure of one or multiple functions will result in an adverse performance in other functions and, ultimately, the achievement of Outcome 1.

Accordingly, the effectiveness of environmental regulation is difficult to determine by a limited suite of metrics. The Department will further consider additional KPIs that can be developed which, together with supporting information, will be relevant to report on the Department's effectiveness as an environmental regulator. I look forward to developing additional KPIs for future reporting periods with the OAG and the Department of Treasury.

I hereby certify that the key performance indicators (KPIs) are based on proper records, are relevant and appropriate for assisting users to assess the Department of Environment Regulation's performance, and fairly represent the performance of the Department of Environment Regulation for the financial year ended 30 June 2016.


Jason Banks
Accountable Authority
19 September 2016



Outcomes and Key Effectiveness Indicators

The Department has reviewed and revised its Outcomes Based Management structure and Key Performance Indicators. The new Outcomes Based Management Structure and Key Performance Indicators are reported in its 2016 Annual Report.

Relationship to Government Goals

Broad government goals are supported at agency level by specific outcomes. Agencies deliver services to achieve these outcomes. The following table illustrates the relationship between the agency's services and desired outcomes, and the government goal it contributes to. The key effectiveness indicators measure the extent of impact of the delivery of services on the achievement of desired outcomes. The key efficiency indicators monitor the relationship between the service delivered and the resources used to produce the service.

Government Goal	Desired Outcomes	Services
Social and Environmental Responsibility: Ensuring that economic activity is managed in a socially and environmentally responsible manner for the long-term benefit of the State	Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment	1. Environmental Regulation
	Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes	2. Environment Policy
	Waste avoided and the recovery of materials from landfill maximised	3. Waste Strategies

Outcome: Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment

DER measures and reports its effectiveness with reference to the time taken to make a determination to grant or refuse regulatory instruments. The time taken to grant or refuse is important to achieving our outcome because it indicates how effective the Department is in its delivery of services and its accessibility to clients. This is within the context of the assessment of applications being conducted in accordance with the requirements of the *Environmental Protection Act 1986*, and published guidance such as DER's Regulatory Framework. By measuring against a benchmark of 60 days, the effectiveness of the regulation of emissions, discharges and clearing of native vegetation by the Department can be determined over time.

Decisions to grant or refuse a regulatory instrument are open to appeal by the applicant and third parties, providing assurance that works approvals, licences and clearing permits effectively regulate risks to public health and the environment.

1. Percentage of major resource project works approvals and licences applications decided within 60 working days

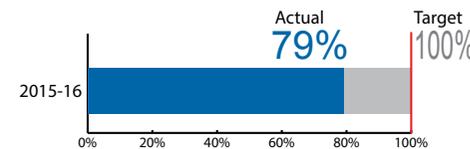
The performance indicator is in place to ensure the effective delivery of environmental regulation services to industry. Major resource projects are given priority within the department to ensure that applications are determined in a reasonable timeframe.

A Major resource project is defined as any project determined to be a 'State Development Portfolio Project' by the Western Australian Department of State Development.

The Department employs a "stop the clock" approach in the following cases:

- Waiting on the applicant for fee payment

- The applicant requests the application be put on hold
- The application is subject to EPA referral and assessment
- Decision on the application is pending a further approval (e.g. planning approval)



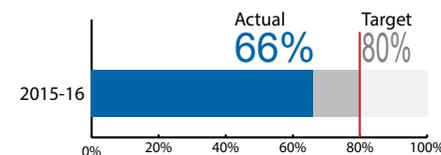
Note to indicator: The percentage of applications finalised within 60 working days is below the DER Target and is attributed to a high proportion of protracted applications (those over 90 working days). DER reallocated resources to address this growing trend in Quarter 3. DER expects to meet this performance indicator in 2016-17.

Being the first year this KPI is being presented, prior year comparative data is not provided as systems did not capture relevant data over the 2014-15 period.

2. Percentage of other project works approvals and licences applications decided within 60 working days

The performance indicator is in place to ensure the effective delivery of environmental regulation services to industry. Other project are defined as any project work approval that is not a Major resource project as defined above. Projects other than major resource projects are to be determined within the same timeframe where possible, with an 80% completion.

The Department employs a "stop the clock" approach as described above.

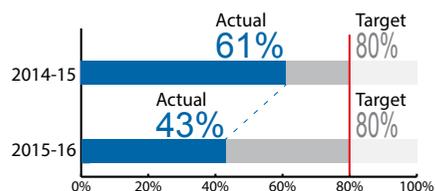


Note to indicator: The percentage of applications finalised within 60 working days is below the DER Target and is attributed to a high proportion of protracted applications (those over 90 working days). DER reallocated resources to address this growing trend in Quarter 3. DER expects to meet this performance indicator in 2016-17.

Being the first year this KPI is being presented, prior year comparative data is not provided as systems did not capture relevant data over the 2014-15 period.

3. Percentage of native vegetation clearing permit applications decided within 60 calendar days

The performance indicator is in place to ensure the effective delivery of the regulation of clearing of native vegetation. Clearing permit applications are to be determined within 90 calendar days, with a target of 80% completed within 60 calendar days to ensure applications are determined in a reasonable timeframe.

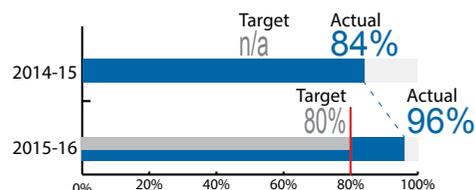


The Department employs a “stop the clock” approach as described above.

Note to indicator: The percentage of applications finalised within 60 calendar days is below the DER Target and is attributed to an increased number of applications carried over each quarter during 2015-16 leading to a high proportion of protracted applications (those over 90 calendar days). DER reallocated resources to address this growing trend in Quarter 4 resulting in an increase in the number of decisions and overall reduction in protracted applications. Significant improvements to meeting KPI timeframes are expected throughout the four quarters in 2016-17.

4. Percentage of investigations finalised within 60 working days

DER investigates complaints and associated breaches of the *Environmental Protection Act 1986* and associated legislation. Ensuring complaints and associated breaches are investigated and addressed in a timely manner is key to effective regulatory delivery.

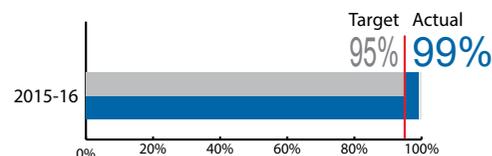


Note to indicator: 2015-16 has seen an increase in the number of investigations completed within the specified timeframe. The changes reflects the increased structure and process, increased line management and increased training undertaken.

Outcome: Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes

1. Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification

DER provides policy advice to the Minister for Environment as the decision-maker. The satisfaction of the Minister with the policy advice measures the extent to which the Department’s advice contributes to the Government’s sustainable environmental policy outcomes.



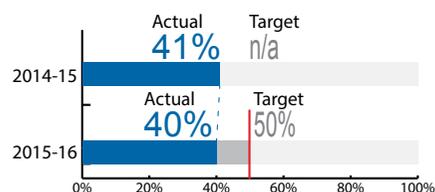
DER continued to provide satisfactory advice and recommendations to the Minister for Environment, exceeding the target.

Being the first year this KPI is being presented, prior year comparative data is not provided as systems did not capture relevant data over the 2014-15 period.

Outcome: Waste avoided and the recovery of materials from landfill maximised

The data used to calculate these indicators is based on the ASK Waste Management annual “Recycling activity in Western Australia 2014–15” report. The report is produced annually based on the same criteria, allowing for a source of data allowing robust comparisons year on year.

1. Percentage of Municipal Solid Waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth Metropolitan Region

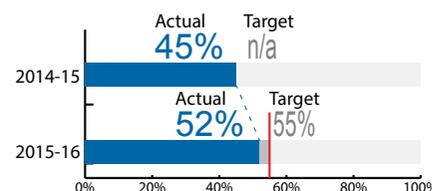


Note to indicator: The diversion rates for Actuals presented use the most recent and accurate data available. The data for the 2015–16 Actual are based on reported 2014–15 data.

Diversion rates for ‘municipal solid waste’ in the Perth Metropolitan Region declined slightly while the amount of

landfilling increased slightly. Lower municipal solid waste diversion rates in 2015-16 (based on reported 2014-15 data) were likely impacted by a decrease in organics processing capacity and the temporary cessation of kerbside recycling services in the City of Stirling causing the actual diversion to fall below target. The City of Stirling recommenced its kerbside recycling service in July 2015.

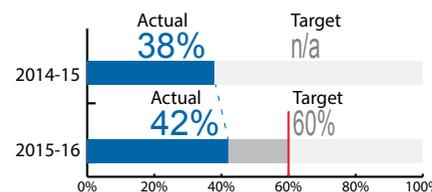
2. Percentage of Commercial and Industrial Waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target



Note to indicator: The diversion rates for Actuals presented use the most recent and accurate data available. The data for the 2015-16 Actual are based on reported 2014-15 data. Increased diversion in the ‘Commercial and Industrial’ sector in 2015-16 (based on reported 2014-15 data) reflects a significant reduction in the amount landfilled, while the Recycling Activity Review shows that the amount recovered increased slightly. The 2015-16 Actual

figures have shown a significant increase in recycling over the prior year, and although below target, the trend is indicating the target should be achieved in the short term. The increase in recycling is expected to increase as the cost of landfilling waste increases.

3. Percentage of Construction and Demolition Waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target



Note to indicator: The diversion rates for Actuals presented use the most recent and accurate data available. The data for the 2015-16 Actual are based on reported 2014–15 data. Diversion rates for ‘Construction and Demolition’ waste in 2015-16 (based on reported 2014-15 data) reflect a significant reduction in landfilling combined with a slight increase in the amount recovered.

‘Construction and Demolition’ waste (processed and unprocessed) has been stockpiled since the second half of 2014-15 in response to landfill levy increases. A significant proportion of these materials has the potential to be recovered and may be included in reporting for future periods. This is reflected both in the year on year variance as well as the 2015-16 variance between actual and target. Forecast decreases in landfill levy revenue are consistent with observed changes in industry practice in processing and storage of materials.

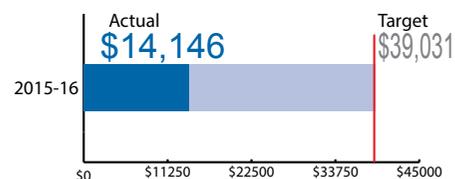
Key Efficiency Indicators



Service 1: Environmental Regulation

1.1 Average Cost per Works Approval and Licence Application

Assessment and decision-making on works approval and licence applications under Part V Division 3 of the *Environmental Protection Act 1986* constitutes a significant proportion of DER's environmental regulation service. This indicator measures the efficiency of agency's service delivery in assessing works approval and licence applications.

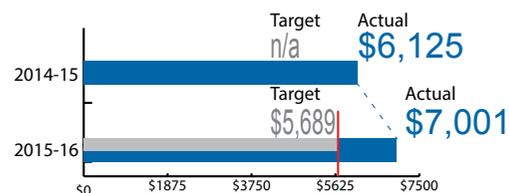


Note to indicator: Historically the number of works approvals and licence applications has not included amendments as the number of amendments have been small and immaterial. DER has however seen an increase in the number of amendments over the last 12 months and this has necessitated the inclusion of works and licence amendments to be included in the average cost calculation. The increase in the number of amendments was the primary

driver for the significant drop in actual average cost per works approval and licence applications as compared to the target. Being the first year this KPI is being presented, prior year comparative data is not provided as systems did not capture relevant data over the 2014-15 period.

1.2 Average Cost per Native Vegetation Clearing Permit Application

Assessment and decision-making on native vegetation clearing permit applications Part V Division 2 of the Environmental Protection Act constitutes a further substantial proportion of DER's environmental regulation service. This indicator measures the efficiency of agency's Regulation's service delivery in assessing clearing permit applications.



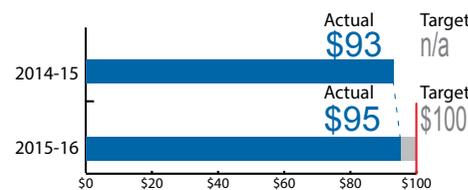
Note to indicator: The 2015-16 Actual average cost is higher than the Target mainly due to lower than expected numbers of applications processed and slightly higher allocated costs.



Service 2: Environment Policy

2.1 Average Cost per Hour of Policy Advice and Recommendations

This indicator reflects the development, review and amendment of environmental policy, national policy, primary and subsidiary legislation, and environmental programs, providing advice to the Minister for Environment and preparing submissions on behalf of the Minister for Environment and the



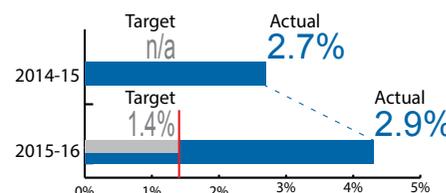
Government relating to legislation administered by the agency. The calculation is based on total contract hours for service for Full Time Employees (FTE).



Service 3: Waste Strategies

3.1 Cost of Landfill Levy Compliance as a Percentage of Landfill Levy Income Collected

The agency undertakes a number of activities to ensure industry compliance with Landfill levy requirements including; the administration of the landfill levy returns, auditing of those returns, processing of exemptions and undertaking inspections at a range of waste facilities. Unauthorised waste activity investigation is also a significant component of this work stream. The total cost of these services together with supporting functions and corporate overheads



is then compared to the total landfill levy income collected for the financial period.

Note to indicator: The 2015-16 Actual percentage has been impacted by both lower than targeted landfill levy income collections and higher than targeted compliance activity costs.

Ministerial Directives

No ministerial directives were received during the financial year.

Other Financial Disclosures

Pricing Policies of Services Provided

The Department charges fees for licensing arrangements on a cost-recovery basis. These licensing arrangements include assessment and decision-making on works approvals and licence applications, administration of licenses, inspection and auditing of licensed premises, compliance and enforcement action, and specialist technical services which support these processes.

Capital Works

The Department has an asset investment program which is focused on information communications and technology and plant and equipment. The capital expenditure is primarily for software and scientific equipment for noise and air quality. Capital expenditure of \$314,000 was incurred during 2015–16 against a budget of \$875,000. The under-spend was due to timing of asset investment.

Employment and Industrial Relations

Staff profile

Staff profile	2015–16	2014–15	2013–14
Full-time permanent	248	233	244
Full-time contract	18	29	32
Part-time measured on FTE basis	35	37	41
On secondment	6	6	3
Total (average FTE for financial year based on Minimum Obligatory Information Requirement (MOIR) data)	301	305	320
Target (as specified in Budget Statements)	340	340	380

Workforce Planning

In 2015–16, the Department's inaugural Workforce and Diversity Plan was approved by the Public Sector Commission. Developed in accordance with the *Equal Opportunity Act 1984* and in consultation with the Department's Corporate and Operational Executives and the Corporate Leadership Group (CLG), this plan has five strategic objectives designed to help build the workforce and represent diversity. The objectives are:

- attracting a skilled and diverse workforce;
- reforming the workforce—retaining valued employees;
- developing leadership capacity;
- building the capacity and flexibility of our workforce; and
- establishing a values-based culture.

This plan aligns to the Department's [Strategic Outline](#) 2015–16 and aims to set the strategic direction for achieving current and future workforce needs, provide for a diverse workforce and meet statutory requirements.

Staff Development



The focus for 2015–16 was the development and delivery of targeted capability development programs to support agency reform and succession management initiatives. Implementation of the Department's Capability

Framework continued during 2015–16, providing an integrated approach to organisational development and performance improvement. The Department maintained its status as an enterprise registered training organisation during the reporting period.

The Department's Core Capability Training Program was piloted during the reporting period for targeted delivery to staff in Strategy and Reform and Licensing and Approvals. The primary objectives of this program were to build capability in an applied learning environment and provide practical support for staff in understanding and implementing regulatory reform. The program will be rolled out across the Department in 2016–17.

The Department's Performance Management Framework was implemented during 2015–16, with more than 90 per cent of staff participating in the process. The framework focuses on aligning organisational objectives with individual contributions to build and sustain improved workforce performance.

An Executive Coaching Program was implemented during 2015–16 aimed at developing self-awareness and improving capacity to cope and respond in a dynamic environment. The program is framed around individual coaching plans, developed in consultation with the Executive, and will inform key areas for development in 2016–17.

The Department's Expertise Framework continued to develop during 2015–16 to provide a structured approach to improving the quality, timeliness and credibility of the Department's expert advice. It also aims to support capability and succession management initiatives for critical occupational groups. This will be a key area of focus for 2016–17.

The Department's CLG moved into the second year of operation and continued to provide input and advice into current and future strategic initiatives. The forum provides a structured opportunity for applied leadership development at all levels across the Department, and in 2015–16 championed initiatives such as the Leadership Speaker Series and delivered strategies towards developing a values-based culture. Members of the inaugural CLG continue to support initiatives as part of an alumni and were recognised for their contribution at the Graduation and Awards ceremony attended by the Environment Minister.

In November 2015, trainees hosted by the Department as part of the Aboriginal Traineeship Program were recognised at a Graduation Ceremony hosted by the Public Sector Commission. The Department will continue to support the Aboriginal Traineeship Program as a host agency in 2016–17.

Workers' Compensation

During 2015–16 two workers' compensation claims were recorded. The workers' compensation contribution was \$104,984 (excluding GST) for the financial year.

No lost time injuries were reported.

Unauthorised Use of Credit Cards (Personal Use)

During 2015–16 there were six instances where the Western Australian Government Purchasing Card was used for personal use. The aggregate amount of personal use expenditure was \$586. All expenditure was recovered by 30 June 2016. No disciplinary actions were instigated by the notifiable authority during the reporting period.

Governance Disclosures

Board and Committee Remuneration

Contaminated Sites Committee

Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	James Malcolm	Annual	1/7/15–30/6/16	\$73,925
Member	Christopher O'Neill	Per meeting	1/7/15–30/6/16	\$2,142
Member	Jeremy Hogben	Per meeting	1/7/15–30/6/16	\$3,570
Member	Warren Dodge	Per meeting	1/7/15–30/6/16	\$3,570
Member	Linda Rowley	Per meeting	1/7/15–30/6/16	\$4,712

Waste Authority

Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	Marcus Geisler	Annual	1/7/15–30/6/16	\$51,781
Deputy Chair	Jennifer Bloom	Annual	1/7/15–30/6/16	\$32,181
Member	Glenn McLeod	Annual	1/7/15–30/6/16	\$22,468
Member	Neil Foley	Annual	1/7/15–30/6/16	\$25,761
Member	Victoria Bond	Annual	1/7/15–30/6/16	\$25,761

Cockburn Sound Management Council

Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	Emeritus Professor Kateryna Longley	Annual	1/7/15–30/6/16	\$25,655

Contracts with Senior Officers

At the date of reporting, no senior officers, or firms of which senior officers are members, or entities in which senior officers have substantial interests, had any interests in existing or proposed contracts with the Department other than normal contracts of employment.

Insurance Premiums Paid to Indemnify any Director

The Department does not pay separate Directors' and Officers' insurance to indemnify any Director.

Members of the Waste Authority, Cockburn Sound Management Council, the Contaminated Sites Committee and the Office of the Appeals Convenor are covered under the Department's normal insurance.

The Department's insurance covers the personal liability of employees, volunteers, work experience persons and officers of the Department while acting in their official capacity, performing a statutory function or performing a function or task which has been requested by a Minister or Public Authority.

Specifically excluded is the personal liability to the Department of any Director or Officer arising out of their gross negligence, misconduct, bad faith, or breach of duty imposed by the *Statutory Corporations (Liability of Directors) Act 1996*.

Other Legal Requirements

Advertising (*Electoral Act 1907, s 175ZE*)

In 2015–16, the Department spent a total of \$309,453 on advertising.

Expenditure on advertising			
Category	Paid to	Purpose	Amount
Media advertising organisations	Adcorp Australia Ltd	Statutory Public Notices and grant advertising	\$251,410
	State Law Publisher	Notices in the Western Australian Government Gazette	\$1,959
	Carat Media	Infinity Awards advertising	\$1,257
	Shire of Christmas Island	Statutory Public Notices	\$1,308
	Atoll	Statutory Public Notices	\$25
	Cocos (Keeling) Islands Community Resources Centre	Statutory Public Notices	\$654
	Facebook	Grant advertising	\$1,654
	I&G Pty Ltd Media Production	Grant advertising	\$315
	Landgate	Statutory Public Notices	\$3,124
Market Research	Monash University	Research to identify food waste behaviour change strategies for WA schools	\$18,182
	Equilibrium	Research to identify suitable infrastructure for waste reduction in WA high schools	\$10,725
	Online Research Unit	Research to identify food waste behaviour change strategies in WA schools—parents and students	\$18,840
Total			\$309,453

Disability Access and Inclusion Plan Outcomes (DAIP), *Disability Services Act 1993, s 29*

For the 2015–16 reporting period, the Department's obligations under the *Disability Services Act 1993* were covered by the interim DAIP which was lodged with the Disability Services Commission in May 2014.

The Department undertook the following actions in 2015–16:

Outcome 1:

People with disability have the same opportunities as other people to access the services of, and any events organised by, the Department.

Departmental staff who organise events/public consultation were made aware of the interim DAIP and their responsibilities associated with the plan. The plan was made available on the Department's intranet and staff were advised via broadcast email. During the reporting period, the Department's induction and foundation training programs were revised to include disability awareness training.

Outcome 2:

People with disability have the same opportunities as other people to access the buildings and other facilities of the Department.

During 2015–16, the Department reviewed and maintained modifications to the main reception area and public administration centre counters to ensure they remained accessible to people using wheelchairs and people of short stature.

Outcome 3:

People with disability receive information from the Department in a format that enables them to access information as readily as the general population.

To ensure accessibility to content meets the Web Content Accessibility Guidelines (WCAG) standard, the Department maintained a contemporary good practice approach to website content management. Departmental publications were produced in accordance with the WA State Government's Access Guidelines, and included a statement that they are available in alternative formats on request.

Outcome 4:

People with disability receive the same quality of service from Department staff as the general population.

Accessibility considerations, included in information about the Department's obligations as a State Government organisation, are provided as part of the induction of new employees. During 2015–16, the Department's induction and foundation training programs were reviewed to include Disability Awareness Training. In addition, the provision of Disability Awareness Training was communicated to staff via the Department's Workforce and Diversity Plan 2015–2018.

In 2015–16, the Department maintained its registered organisation status and disability awareness training was included in staff training programs.

Outcome 5:

People with disability have the same opportunities as the general population to make complaints to the Department.

During 2015–16, the Department continued to implement the Customer Service Charter and the mechanisms for capturing and monitoring complaints through the online feedback form. The Department is also able to receive complaints from the public via telephone, written correspondence and in person. These options are offered at a reasonable standard of accessibility.

Outcome 6:

People with disability have the same opportunities as the general population to participate in public consultation by the Department.

The Department carries out public consultation to gain the views of all stakeholders and interested parties to inform a transparent and accountable decision-making process. During the reporting period, considerable work was done to improve the Department's public consultation content on the website to ensure it met the WCAG standards of accessibility.

In addition to the web content, the public can consult the Department by way of:

- phone;
- email;
- hard copy submission; and
- attending public meetings.



The public may also access Department staff at two metropolitan and five regional offices.

Outcome 7:

People with disability have the same opportunities as other people to obtain and maintain employment with the Department.

During 2015–16, the Department lodged the Workforce and Diversity Plan 2015–2018 with the Public Sector Commission. This plan has reciprocal links to the Department's DAIP. Specific initiatives include: reviewing the provision of equal employment opportunities for applicants and employees with disabilities; and maintaining a register of recruitment agencies providing services to people with disability and regularly contacting them regarding advertised positions.

Compliance with Public Sector Standards and Codes of Ethics

Public sector standards	Significant action taken to monitor and ensure compliance
One breach of standard claim was resolved in the reporting period.	The Department's Human Resources page on the intranet continued to be monitored and reviewed to provide policies and guidelines relevant to the standards, and awareness raising sessions were conducted during the reporting period.
Western Australian Public Sector Code of Ethics/Code of Conduct	
Three alleged breaches raised in 2014–15 were finalised during the reporting period.	
Three new allegations were investigated and two were finalised during the reporting period.	The Department conducted face to face refresher Accountable and Ethical Decision Making (AEDM) training with a focus on identified issues, for example, home garaging and making public comment. A completion rate of 90 per cent was achieved during the reporting period.
No alleged breaches have been carried over to 2016–17.	

Recordkeeping Plans, *State Records Act 2000*, s 61 State Records Commission Standards

As required by all State Government organisations under s 23 of the *State Records Act 2000*, the Department's Recordkeeping Plan was submitted to the State Records Commission (SRC) and approved by the Commissioner on 20 March 2015.

The Plan demonstrates progress towards better practice recordkeeping and compliance with the minimum requirements of [SRC Standard 2: Recordkeeping Plans](#) and [SRC Standard 6: Outsourcing](#).

Mandatory records and document management training for employees is part of the Department's induction process. Recordkeeping roles and responsibilities are also included in the Department's *Records Management Policy, Code of Conduct* and AEDM training.





GOVERNMENT POLICY REQUIREMENTS



OVERVIEW



PERFORMANCE



SIGNIFICANT
ISSUES



DISCLOSURES
& COMPLIANCE



REQUIREMENTS

Substantive Equality

The Department is named on the Equal Opportunity Commission's list of agencies required to continue implementing the Policy Framework for Substantive Equality.

The Department continued to receive bureau services from the Department of Parks and Wildlife (Parks and Wildlife) during 2015–16 for corporate services, and the obligations under the Policy Framework for Substantive Equality were met by Parks and Wildlife's performance in this area.

Occupational Safety, Health and Injury Management

The Department, through its commitment to providing, developing and maintaining a safe working environment, is continuing to:

- meet its obligations within the *Occupational Safety and Health Act 1986* (OSH Act) and the *Workers' Compensation and Injury Management Act 1981*;
- receive occupational safety and health (OSH) and injury management support, including the development of return to work plans, from Parks and Wildlife through bureau services; and
- develop and implement transitional arrangements for its internal OSH capability through an OSH Committee, safety management system, operational guidelines and work practices.

All Departmental employees have an obligation to take their responsibilities for OSH and injury management seriously in order to establish and maintain a safe and healthy workplace. The Department's executive and senior management remain committed to delivering leadership and compliance to applicable standards of OSH for all employees.



During the reporting year, the Department carried out the following:

- Elected safety and health representatives and employee representatives from each workplace to facilitate effective communication and consultation between the employer and employees in relation to safety and health matters. Employee representatives reached agreement as to the membership and function of the Department's OSH Committee which will exercise its functions across all Departmental workplaces. The establishment of the OSH Committee will enable and assist consultation and cooperation between management and employees in relation to safety and health issues. The OSH Committee will support and advise the Department's Executive in the development, maintenance and continuous improvement of safety management systems and performance.
- Provided training in first aid, OSH and injury management obligations, as well as mandatory safety and health representative training.
- Mapped all training underpinned by compliance with the OSH Act and OSH Regulations.
- Developed the Department's draft Safety Management System.
- Continued to operate a system of job safety analysis to all field officers.

Measure	Actual results		Results against target	
	2014–15	2015–16	2014–15	2015–16
Number of fatalities	0	0	0	Target (0) achieved
Lost time injury and/or disease incidence rate	0	0	0 or 10% reduction	Target (0) achieved
Lost time injury and/or disease severity rate	0	0	0 or 10% reduction	Target (0) achieved
Percentage of injured workers returned to work:				
(i) within 13 weeks	100%	100%	Greater than or equal to 80%	Target (100%) achieved
(ii) within 26 weeks	100%	100%	Greater than or equal to 80%	Target (100%) achieved
Percentage of managers trained in occupational safety, health and injury management responsibilities	n/a*	82%	Greater than or equal to 80%	Target (Greater than or equal to 80%) achieved

* Development of the Department's OSH training program commenced in 2014–15 and was implemented in the reporting period 2015–16.

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