



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

FINAL REPORT 2016–17





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Department of Water and Environmental Regulation

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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 Water and Environmental Regulation.





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

Statement of compliance

Honourable Stephen Dawson MLC
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 final Annual Report for the Department of Environment Regulation for the financial year that ended 30 June 2017.

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

A handwritten signature in black ink, appearing to read 'Alderson'.

Amanda Alderson
Reporting Officer

12 October 2017

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Reporting Officer's foreword

The former Department of Environment Regulation (the Department) amalgamated on 1 July 2017 with the former Department of Water and the Office of the Environmental Protection Authority to become the Department of Water and Environmental Regulation (DWER). All existing functions of the former Department were transferred to DWER.

Following the amalgamation of the three agencies, a Change and Integration Program Office was established to coordinate the comprehensive change management program required for the newly amalgamated DWER.

Key elements of this program includes: facilitating the development of DWER's Strategic Plan and shared values; implementation of an integrated business model and organisational structure; and overseeing the relocation of DWER to Joondalup in 2018.

This report is intended as the final annual report for the Department. During its final year of operation:

- The Department continued its reform agenda – focusing on a comprehensive risk-based approach to its core regulatory functions by building on its Regulatory Framework to provide assurance of effective regulation and improved transparency, via the publishing of Guidance Statements and other materials on its website.
- The Department undertook planning for the introduction of a container deposit scheme, which following consultation with stakeholders is expected to commence from 1 January 2019.
- The Department commenced preparations for reviewing waste levy policy and the operation of the Waste Avoidance and Resource Recovery Account with detailed work to follow in 2017–18 by DWER.
- Funds generated from the landfill levy delivered major programs including: \$20 million to the Better Bins Kerbside Collection Program to improve local government kerbside waste systems; and \$10 million to the Recycled Construction Products Program to promote the use of recycled construction and demolition (C&D) materials in civil construction projects. These and other programs support the achievement of recycling targets in the Western Australian Waste Strategy: *Creating the Right Environment*.
- The Department oversaw the monitoring program of rock art on the Burrup Peninsula for its protection against air pollutants.
- The Illegal Dumping Program – which was established to provide dedicated enforcement capacity to address illegal dumping across the State – became fully operational. In this reporting period, seven people were convicted of 14 offences of illegal dumping under the *Environmental Protection Act 1986* (EP Act).
- The Department commenced the Light Industry Program – a joint initiative with local governments and the former Department of Parks and Wildlife (now the Department of Biodiversity, Conservation and Attractions) to reduce contaminants from light industrial and commercial activities to groundwater and drainage systems in the Swan and Canning river catchments.

Transition into the DWER will result in many changes for the Department. I congratulate all staff for the professional way in which they have managed the transition, as we move forward.



Amanda Alderson
Reporting Officer

12 October 2017

Overview



► Three service areas

The Department had three service areas:



Major achievements for 2016–17 are discussed under Agency performance: highlights.

► Operational structure

From 1 July 2016 to 11 March 2017, the Hon Albert Jacob MLA was Minister for Environment; Heritage (former Environment Minister) with responsibility for the Department. Following the Western Australian State Election on 11 March 2017, the Hon Stephen Dawson MLC was Minister for Environment (Environment Minister) with responsibility for the Department.

Responsible Minister

The Minister exercised authority under the 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.



Legislation administered at 30 June 2017

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 2016–17 to legislation administered

No amendments to legislation administered by the Department were made during 2016–17.

Other key legislation relevant to the Department

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

The Department reported 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 complied 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 were made under legislation by the former Environment Minister and are available in the Western Australian [Government Gazette](#).

During 2016–17, the following were approved by the former Environment Minister.

Under section 6(1)(b) of the EP Act:

- *Environmental Protection (National Paint Product Stewardship Scheme) Exemption Order 2016* (published in the Western Australian [Government Gazette](#) No. 163 on 9 September 2016).

In accordance with the CS Act, section 97(4), the Department gave notice in the Western Australian [Government Gazette](#) No. 132 published on 30 June 2017 that the documents listed below (published by the Department) were for the making and revocation of guidelines for the purposes of the CS Act, section 97. The guidelines revoked under items 2–4 below were in relation to existing guidelines listed in Notice EV401, published in the Western Australian [Government Gazette](#) No. 234 on 29 December 2006, and Notice EV401, published in the Western Australian [Government Gazette](#) No. 154 on 10 August 2010.

► 1. Guidelines made for the purposes of section 97(1) –

Assessment and Management of Contaminated Sites (Contaminated Sites Guidelines, Department of Environment Regulation, December 2014).

Identification, Reporting and Classification of Contaminated Sites in Western Australia (Contaminated Sites Guidelines, Department of Environment Regulation, June 2017).

National Environment Protection (Assessment of Site Contamination) Measure 1999 (made under section 14(1)(d) of the [National Environment Protection Council Act 1994](#) (Cwth) and section 14(1) of the [National Environment Protection Council \(Western Australia\) Act 1996](#) (WA) and in force on 16 May 2013).

► 2. Guidelines revoked for the purposes of section 97(1)(a) –

Assessment Levels for Soil, Sediment and Water (Contaminated Sites Management Series, Department of Environment Regulation, February 2010).

Bioremediation of Hydrocarbon Contaminated Soils in Western Australia (Contaminated Sites Management Series, Department of Environment Regulation, October 2004).

Development of Sampling and Analysis Programs (Contaminated Sites Management Series, Department of Environment Regulation, December 2001).

Reporting on Site Assessments (Contaminated Sites Management Series, Department of Environment Regulation, December 2001).

The Use of Risk Assessment in Contaminated Site Assessment and Management: Guidance on the Overall Approach (Contaminated Sites Management Series, Department of Environment Regulation, November 2006).

► 3. Guidelines revoked for the purposes of section 97(1)(b) –

Potentially Contaminating Activities, Industries and Landuses (Contaminated Sites Management Series, Department of Environment Regulation, October 2004).

Reporting of Known and Suspected Contaminated Sites (Contaminated Sites Management Series, Department of Environment Regulation, November 2006).

Site Classification Scheme (Contaminated Sites Management Series, Department of Environment Regulation, November 2006).

► 4. Guidelines revoked for the purposes of section 97(1)(c) –

Community Consultation Guideline (Contaminated Sites Management Series, Department of Environment Regulation, November 2006).

► Modified penalties

Under section 99E of the EP Act, the Department was 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 2016–17:

Modified penalty notice	Issued to	Reason	Offence date	Fine paid
Modified Penalty Notice 5/16	BHP Billiton Nickel West Pty Ltd	Breach licence condition at the Kambalda Nickel West Concentrator	5 December 2015	\$12,500
Modified Penalty Notice 6/16	Avoca Mining Pty Ltd	Causing environmental harm committed at Higginsville Gold Mine	14 February 2016	\$25,000
Modified Penalty Notice 1/17	Chichester Metals Pty Ltd	Causing environmental harm committed at the Cloudbreak Iron Ore Mine	15 May 2015	\$25,000

► Performance management framework

Outcome-based management framework

The Department directly contributed to the State Government’s strategic goals – specifically social and environmental responsibility – ensuring that economic activity was 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 was 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	 <p>Regulate activities with potential impacts on the environment</p>	 <p>Develop and implement policies and strategies that promote environmental outcomes</p>	 <p>Reduce the impact of waste</p>
Key effectiveness indicators	<ul style="list-style-type: none"> Percentage of major resource 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 working 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

In its fourth and final year of operation, the Department had a number of significant achievements during 2016–17.

Air quality services

To better understand dust issues at Point Samson and at Port Hedland, including the location of dust sources and the movement of dust plumes in the air, the Department undertook separate dust monitoring studies during 2016–17 using Light Detection And Ranging (LiDAR) technology. The LiDAR mapped particle plumes every 10 minutes over a circular area in a six kilometre radius. To support each study, a particle monitoring network providing real-time particle information from key locations was implemented. The reports of the results of these studies will be published by the DWER during 2017–18.

The Department also commenced a 12-month field trial of a vehicle-mounted Remote Air Pollution Infrared Detector (RAPID) in November 2016. The RAPID provides a stand-off monitoring capability and is able to detect 87 air toxics through the use of an infrared detector that can automatically monitor and identify industrial chemicals, providing reliable identification of gas plumes at a distance of up to five kilometres.

Environmental Protection Regulations 1987

The Department began a review of schedule 1 of the *Environmental Protection Regulations 1987* (EP Regulations) to clarify the application of the regulations and waste levy to development sites.

The intent of the regulation amendments is to ensure that the use of clean fill for development, which has historically not been subject to the waste levy, can continue without attracting the levy.

The amendments will also ensure that waste-derived uncontaminated fill which has been tested to show that it meets environmental and health standards can be used without being subject to the waste levy. Amendments to the *Landfill Waste Classification and Waste Definitions 1996 (as amended December 2009)* will support these amendments.

The DWER will undertake targeted stakeholder consultation on the proposed amendments to the EP Regulations.

Waste avoidance and resource recovery

The Department is developing amendments to the *Waste Avoidance and Resource Recovery Regulations 2008* (WARR Regulations) to require reporting and record-keeping of waste and recycling data by local governments, waste recyclers and licensees of major regional landfills.

The Western Australian Waste Strategy: *Creating the Right Environment*, published in March 2012, set out strategic directions and priorities for waste management in Western Australia and established targets for diversion of waste from landfill.

To assess Western Australia's performance against the landfill diversion targets in the waste strategy and to report against budget key performance indicators, waste and recycling data are collected annually from local government and industry in Western Australia. Through its administration of the waste levy, the Department collects data on waste disposed of to landfill. Data are also provided voluntarily through the annual Local Government Waste and Recycling Census and the Recycling Activity Review, which annually surveys businesses that recycle materials.

The provision of waste and recycling data on a voluntary basis has resulted in an incomplete dataset due to variable response rates, reducing the effectiveness of assessment of progress against the targets.

The Department's [consultation paper](#) on the proposed amendments was released for stakeholder consultation from 1 July 2016 to 26 August 2016. Twelve submissions were received, comprising of:

- five individual local governments;
- one regional council;
- two associations (Western Australian Local Government Association and Waste Management Association of Australia); and
- one waste contractor, one waste recycler, one individual, and one consultant.

A paper with the analysis of stakeholder submissions and recommendations for the proposed amendments was published on the Department's website in June 2017.

Stakeholder submissions will inform the regulatory amendments required to give effect to the data reporting requirements. The DWER intends to develop methods for measurement and calculation, as well as guidance on direct waste measurement techniques and other estimation methodologies. Draft methods will be developed in consultation with stakeholders. The requirement to report data will not commence until the relevant method has been approved.

Programs

The Department's existing programs had the following achievements:

- 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. The Smoky Vehicle Reporting Program received 479 valid reports between 1 July 2016 and 30 June 2017, resulting in 388 letters being sent to registered vehicle owners. Seventy per cent of letter recipients provided a response to the letters, with nearly half advising they had repaired their vehicle since being reported.
- The Department worked with industry to collect, validate and provide publicly available emissions and transfers data from 811 industrial facilities in Western Australia through the National Pollutant Inventory database.

The Department supported the Waste Authority by delivering initiatives as part of the Western Australian Waste Strategy: *Creating the Right Environment*, including:

- Better Bins Kerbside Collection Program – a \$20 million program to support local governments to introduce best practice kerbside collection systems. Ten local governments participated in the Better Bins Program during the year and \$1.87 million was expended on the program.
- In December 2016, a project to develop a toolkit of communication and engagement materials to be used by local governments participating in the Better Bins Program commenced.
- Recycled Construction Products Program – a \$10 million incentive program for local governments, state government entities, regional councils and the private sector to use recycled construction and demolition products in civil construction, such as roads.
- Charitable recyclers support to reduce the impact of the levy. In 2016–17, seven organisations received rebates worth over \$280,000 through the program.
- Household Hazardous Waste program – \$1.95 million to provide funding to local governments to support the collection, storage and disposal of hazardous waste generated by households.
- The Community and Industry Engagement program, which commenced in 2016–17, supports organisations that promote better waste management behaviours, practices and awareness. Two funding rounds provided \$554,700 to support 17 projects.
- The Community Grants Scheme program supports community groups to reduce waste generation, recover resources and reduce the impact of waste on the environment. There were two funding rounds delivered in 2016–17 which provided \$185,673 to 23 projects.
- The Clean Communities program, which was trialed in 2016, provided collection bags in Australian standard bin colours to volunteer community litter collection groups to enable source separation of the waste collected. Eligible groups were able to claim grant payments of up to \$500 for the waste and recycling they collected during the trial.

National Paint Product Stewardship Scheme

The National Paint Product Stewardship Scheme (Paintback) commenced in May 2016 to encourage painters to appropriately dispose of small amounts of architectural and decorative liquid waste paint at participating waste facilities. The Paintback scheme is funded by a \$0.15 per litre levy on the sale of architectural and decorative paint approved by the Australian Competition and Consumer Commission. The scheme is being implemented by Paintback Limited, a company established by the Australian Paint Manufacturers' Association.

In order to encourage participation in the scheme, the Environmental Protection (*National Paint Product Stewardship Scheme*) Exemption Order 2016, published in the *Western Australian Government Gazette* on 9 September 2016, removes the carrier licence requirement under the *Environmental Protection (Controlled Waste) Regulations 2004* for the transport of 100 litres or less of liquid waste paint. The Exemption Order only applies to trade painters participating in Paintback and complying with the requirements set out in the Order.

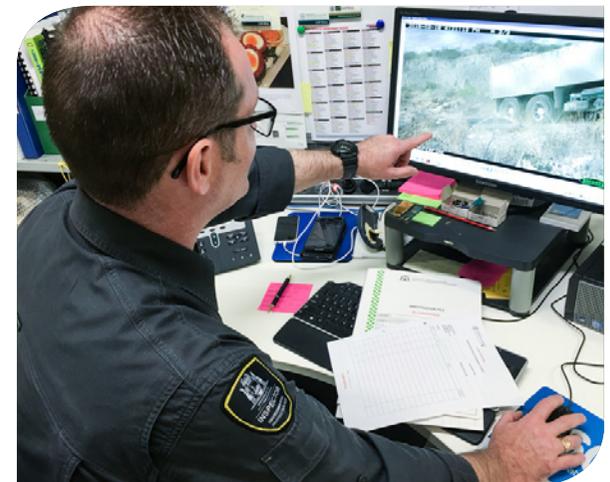
The scheme is expected to contribute to the delivery of the State Government's aim of diverting waste from landfill and protecting the environment.

► 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 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, and clearing permits. 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).

Compliance and enforcement

The Department investigated environmental complaints and incidents as well as undertaking a wide range of proactive compliance programs and initiatives to ensure emissions and discharges met 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			
	2016–17 Budget ⁽¹⁾ \$'000	2016–17 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	40,954	36,624	4,330
Less income	29,165	28,513	652
Net cost of service	11,789	8,111	3,678
Employees (full-time equivalents)	241	231	10
Efficiency indicators			
Average Cost per Works Approval and Licence Application	\$19,823	\$28,875	(\$9,052)
Average Cost per Native Vegetation Clearing Permit Application	\$7,296	\$7,629	(\$333)

(1) As specified in the 2016–17 Budget Statements.

(2) Further explanations are contained in the key performance indicators section of this Annual Report.



► Key deliverables

Industry regulation

During 2016–17, the Department received 200 applications for new works approvals and licences, and granted 94 applications and refused one application. The Department's average time for determining an application for a new works approval or licence (excluding clock-stops) was 65 working days. Of the applications for new works approvals and licences determined by the Department in 2016–17, 59 per cent were decided within the 60 working day target timeframe.

The Department also received 389 applications to amend a works approval or licence and granted 342 amendment applications during the 2016–17 year. The Department's average time for determining an application to amend a works approval or licence (excluding clock-stops) was 68 working days. Of the amendment applications determined by the Department in 2016–17, 68 per cent were decided within the 60 working day target timeframe.

As part of the reform process, the Department published or amended a number of important Guidance Statements, including:

- *Guidance Statement: Decision-making* (published November 2016 and amended in February 2017).
- *Guidance Statement: Risk Assessment* (published November 2016 and amended in February 2017).
- *Guidance Statement: Environmental Siting* (published November 2016).
- *Guidance Statement: Land Use Planning* (published October 2015, amended in August 2016 and February 2017).
- *Guidance Statement: Licence Duration* (published November 2014 and amended in August 2016).

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

During 2016–17, the Department also initiated a program of its ongoing review of existing licences consistent with its *Guidance Statement: Licence Duration*. These reviews ensured the Department's regulatory instruments remained 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 *Environment Protection Biodiversity Conservation Act 1999* (EPBC Act). A total of eight clearing permit applications were bilaterally assessed in 2016–17, 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 Federal Government's 'one-stop-shop' for environmental approvals. The execution of the approval bilateral agreement is dependent on amendments to the EPBC Act which are not supported by the Senate. Amendments are also proposed to the EP Act to facilitate implementation of the approval bilateral agreement.

During 2016–17, the Department received 461 applications for a clearing permit and made 392 decisions. The average timeframe to make a decision (excluding clock-stops) was 34 working days. Of the decisions made on applications for a clearing permit by the Department in 2016–17, 71 per cent were made within the target timeframe of 80 per cent of decisions within 60 working days. The target timeframe for deciding a clearing permit application was altered from calendar days to working days at the beginning of 2016–17.

Compliance and enforcement

The Department received 2,893 complaints in Western Australia in 2016–17.

The Department dealt with 420 pollution incidents of which 281 required a clean-up of discharged waste. Fifty-eight of the incidents were classified as hazardous materials emergencies where the Department provided an on-scene environmental monitoring service and advice to the emergency services. Incidents included hazardous materials fires, chemical spills from premises and vehicles, sewage spills, oil spills, and airborne industrial emissions.

Proactive 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.



Ninety-three per cent of the Department's 1,245 planned inspections were undertaken in 2016–17. The Department administered 250 environmental sanctions, including environmental field reports, infringement notices, formal warnings, and prosecutions.

During 2016–17, the Illegal Dumping Program continued to deliver tailored education, surveillance and enforcement initiatives aimed at reducing illegal dumping. Strategic partnerships are now formalised with 11 local government authorities, Main Roads Western Australia, Landcorp, the Waste Authority, and the Keep Australia Beautiful Council. A total of 335 complaints of illegal dumping were investigated, and seven people were convicted of 14 offences under the EP Act with fines totalling \$69,000.

Noise regulation

In its role of supporting Western Australian local governments administering the *Environmental Protection (Noise) Regulations 1997*, the Department provided formal noise assessment advice, data analysis and/or reports to local governments on 46 occasions.

The Department also approved a noise management plan for waste collection within a specified area of the City of Perth central business district.

Training in noise regulation was provided by the Department to local government authorised persons and inspectors in July, August and November 2016 as well as May 2017.

Air quality services

During 2016–17, 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.

All of the Department's monitoring sites operating for the full 2016–17 period achieved a greater than 90 per cent data recovery. During this reporting period, the progressive upgrade of criteria pollutant monitoring equipment used at the Department's monitoring stations continued.

In addition to the air quality monitoring required under the Ambient Air Quality NEPM, the Department undertook two Light Detection And Ranging (LiDAR) studies, at Point Samson from December 2016 to January 2017, and at Port Hedland from February to June 2017. The LiDAR mapped particle plumes every 10 minutes over a circular area in a six kilometre radius. To support each study, a particle monitoring network providing real-time particle information from key locations was implemented. Reports on the studies will be published during 2017–18.

The Department commenced a 12-month field trial of a vehicle-mounted Remote Air Pollution Infrared Detector (RAPID) in November 2016. The RAPID provides a stand-off monitoring capability and is able to detect 87 air toxics through the use of an infrared detector that can automatically monitor and identify industrial chemicals, providing reliable identification of gas plumes at a distance of up to five kilometres.

Specialist technical air quality advice was provided in response to more than 150 requests, with more than 95 per cent delivered within specified timeframes. The advice supported the Department's regulatory functions, and the statutory functions of other government agencies.

The Department participated in the Collie Airshed Study – an industry-funded study to develop a consistent assessment and air quality management regime for the Collie basin, including a comprehensive meteorological database and a verified air quality model. During 2016–17, the Department successfully applied for access to the Pawsey Supercomputer Centre – a world class user facility based in Western Australia. The Department is running advanced three-dimensional weather models on the Pawsey computers, to simulate meteorology for the Collie region at a fine resolution.

Contaminated sites

The reported sites register listed almost 3,550 sites classified in accordance with the CS Act by 30 June 2017.

A Hazard Abatement Notice was served on the owners of 20 Adelaide Street Hazelmere in December 2016 to prevent access to the site and allow the fire risk to be managed.

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 Federal Government to accredit the clearing permit process as part of a 'one-stop-shop' to reduce duplication of environmental assessment and approval processes between Commonwealth and State territories; 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 811 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 at regional centres with the BurnWise wood heater demonstration trailer; and



- 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. The Smoky Vehicle Reporting Program received 479 valid reports



between 1 July 2016 and 30 June 2017, resulting in 388 letters being sent to registered vehicle owners. Seventy per cent of letter recipients provided a response to the letters, with nearly half advising they had repaired their vehicle since being reported.



Service 2: Environment policy – performance summary

	2016–17 Budget ⁽¹⁾ \$'000	2016–17 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	6,999	5,975	1,024
Less income	0	442	(442)
Net cost of service	6,999	5,533	1,466
Employees (full-time equivalents)	39	42	(3)
Efficiency indicator			
Average Cost per Hour of Policy Advice and Recommendations	\$103	\$101	\$2

(1) As specified in the 2016–17 Budget Statements.

(2) Further explanations are contained in the key performance indicators section of this Annual Report.



► Key deliverables

Policy advice

In this reporting period the Department:

- Continued to participate in the implementation of the National Clean Air Agreement, including reviewing national reporting standards for sulfur dioxide, nitrogen dioxide and ozone, and finalising 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.
- Oversaw the monitoring program of rock art on the Burrup Peninsula for its protection against air pollutants.
- Provided climate change advice to state agencies, local governments and other stakeholders on climate change risk and vulnerability assessments and adaptation planning.
- Continued to participate in the development of a National Standard for Environmental Risk Management of Industrial Chemicals to create a nationally consistent approach for managing environmental risks posed by industrial chemicals.
- Commenced a review of the *Environmental Protection (Controlled Waste) Regulations 2004* to streamline processes for the regulation of the transportation of controlled wastes. This review complements amendments that were undertaken in 2014 to provide greater clarity for industry.



Service 3: Waste strategies

The Environment Minister is responsible for ensuring the Waste Authority is provided with services to fulfil its functions. The Department's staff provided this service, which included implementing programs and projects in the business plan 2016–17.

The Waste Authority has a role in administering the Waste Avoidance and Resource Recovery Account and the delivery of projects and programs in the Business Plan and related government priorities.

Increased waste compliance and enforcement ensures that illegal dumping and levy evasion are not seen as viable options in response to increased waste levy rates.

Service 3: Waste strategies – performance			
	2016–17 Budget ⁽¹⁾ \$'000	2016–17 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of service	23,197	20,016	3,181
Less income	70,750	70,470	280
Net cost of service	(47,553)	(50,454)	2,901
Employees (full-time equivalents)	60	42	18
Efficiency indicator			
Cost of landfill levy compliance as a percentage of landfill levy income collected	3%	2.4%	0.6%

(1) As specified in the 2016–17 Budget Statements.

(2) Further explanations are contained in the key performance indicators sections of this Annual Report.

► Key deliverables

A schedule to increase waste levy rates that apply to putrescible and inert landfills came into effect from 1 January 2015. Increases in waste levy rates 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 the majority 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 continued to support an illegal dumping team and implemented programs to support local and state government agencies, 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 Kerbside Collection Program, which supports the rollout of consistent bin infrastructure to households to assist in the recovery of valuable resources being lost to landfill. As of 30 June 2017, 10 local governments had become Better Bins participants, representing approximately 20 per cent of households in the Perth metropolitan region.

The \$10 million Recycled Construction Products Program promotes 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. The Department worked with the Waste Authority to address issues relating to product standards which have impacted the uptake of program funding.



► Budget and key performance indicators

Target versus actual results

► Financial targets

Financial targets			
	2016–17 Target ⁽¹⁾ \$'000	2016–17 Actual \$'000	Variation ⁽²⁾ \$'000
Total cost of services (expense limit) – sourced from Statement of Comprehensive Income	71,150	62,615	8,535
Net income (cost of services) – sourced from Statement of Comprehensive Income	28,765	36,810	8,045
Total equity – sourced from Statement of Financial Position	48,040	72,996	24,956
Net increase/(decrease) in cash held – sourced from Statement of Cash Flows	(3,744)	9,800	13,544
	2016–17 Target	2016–17 Actual	Variation
Approved full-time equivalent (FTE) staff level	340	315	25

(1) As specified in the 2016–17 Budget Statements.

(2) Further explanations are contained in Note 37 'Explanatory Statement' within this Annual Report.

► Summary of 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:	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation ⁽²⁾
Percentage of major resource project works approvals and licences applications decided within 60 working days	100%	67%	(33%)
Percentage of other project works approvals and licences applications decided within 60 working days	80%	59%	(21%)
Percentage of native vegetation clearing permit applications decided within 60 working days	80%	71%	(9%)
Percentage of investigations finalised within 60 working days	80%	68%	(12%)

 Key efficiency indicators:	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation ⁽²⁾
Average Cost per Works Approval and Licence Application	\$19,823	\$28,875	(\$9,052)
Average Cost per Native Vegetation Clearing Permit Application	\$7,296	\$7,629	(\$333)

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

Key effectiveness indicator:	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation ⁽²⁾
Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification	95%	99%	4%

 Key efficiency indicator:	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation ⁽²⁾
Average Cost per Hour of Policy Advice and Recommendations	\$103	\$101	\$2

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

Key effectiveness indicators:	2016-17 Target ⁽¹⁾	2016-17 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%	36%	(14%)
Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the statewide waste strategy target	55%	56%	1%
Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the statewide waste strategy target	60%	57%	(3%)

 Key efficiency indicator:	2016-17 Target ⁽¹⁾	2016-17 Actual	Variation ⁽²⁾
Cost of landfill levy compliance as a percentage of landfill levy income collected	3%	2.4%	0.6%

(1) As specified in the 2016-17 Budget Statements.

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

Disclosures and legal compliance



► Auditor General's opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF ENVIRONMENT REGULATION

Report on the Financial Statements

Opinion

I have audited the financial statements of the Department of Environment Regulation which comprise the Statement of Financial Position as at 30 June 2017, 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.

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Environment Regulation for the year ended 30 June 2017 and the financial position at the end of that period. They are in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for Opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibility of the Reporting Officer for the Financial Statements

The Department of Environment Regulation ceased to exist as a department under the *Financial Management Act 2006* on 30 June 2017. The Treasurer appointed a Reporting Officer under section 68 of the Act who was responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions 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. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Reporting Officer.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Environment Regulation. The controls exercised by the Department 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 (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

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 2017.

The Director General's Responsibilities

The Director General was responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's Responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and the controls, necessary to achieve the overall control objectives, were implemented as designed.

▶ Auditor General's opinion (cont'd)

An assurance engagement to report on the design and implementation of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including the assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and implemented as designed, once the controls are in operation, the overall control objectives may not be achieved so that fraud, error, or noncompliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the Key Performance Indicators

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 working days

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

Qualified Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Environment Regulation for the year ended 30 June 2017. The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, 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 2017.

The Reporting Officer's Responsibility for the Key Performance Indicators

The Reporting Officer 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 internal control as the Reporting Officer determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Reporting Officer is responsible for identifying key performance indicators that are relevant and appropriate having regard to their purpose in accordance with Treasurer's Instruction 904 *Key Performance Indicators*.

Auditor General's Responsibility

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the agency's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory 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 2017 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
17 October 2017

Certification of financial statements

DEPARTMENT OF ENVIRONMENT REGULATION

Disclosures and Legal Compliance**Financial Statements****Certification of Financial Statements****For the year ended 30 June 2017**

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 2017 and the financial position as at 30 June 2017.

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



Amanda Alderson
Reporting Officer
12 October 2017



DEPARTMENT OF ENVIRONMENT REGULATION

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	6	37,332	36,917
Supplies and services	8	9,595	9,512
Depreciation and amortisation expense	9	1,140	1,241
Accommodation expenses	10	5,196	4,894
Grants and subsidies	11	5,895	8,841
Other expenses	12	3,445	2,964
Loss on disposal of non-current assets	18	12	-
Total cost of services		62,615	64,369
Income			
<i>Revenue</i>			
User charges and fees	14	24,314	22,166
Commonwealth grants and contributions	15	83	83
Interest revenue		1,597	1,552
Landfill levy	16	69,428	68,046
Other revenue	17	3,966	4,297
Total revenue		99,388	96,144
Gain on disposal of non-current assets	18	37	-
Total income other than income from State Government		99,425	96,144
NET INCOME		36,810	31,775
Income from State Government			
Service appropriation	19	2,838	2,807
Services received free of charge		609	888
Royalties for Regions Fund		38	62
Total income from State Government		3,485	3,757
SURPLUS FOR THE PERIOD		40,295	35,532
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	31	-	60
Total other comprehensive income		-	60
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		40,295	35,592

See 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 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	32	4,595	1,207
Restricted cash and cash equivalents	20,32	56,418	50,141
Receivables	21	17,764	18,043
Other current assets	22	410	459
Total Current Assets		79,187	69,850
Non-Current Assets			
Restricted cash and cash equivalents	20,32	135	-
Amounts receivable for services	23	1,732	1,299
Property, plant and equipment	24	2,496	2,634
Intangible assets	26	495	1,046
Total Non-Current Assets		4,858	4,979
TOTAL ASSETS		84,045	74,829
LIABILITIES			
Current Liabilities			
Payables	28	628	869
Provisions	29	7,122	6,489
Other current liabilities	30	1,084	1,388
Total Current Liabilities		8,834	8,746
Non-Current Liabilities			
Provisions	29	2,215	2,089
Total Non-Current Liabilities		2,215	2,089
TOTAL LIABILITIES		11,049	10,835
NET ASSETS		72,996	63,994
EQUITY			
Reserves	31	-	-
Accumulated surplus		72,996	63,994
TOTAL EQUITY		72,996	63,994

See 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 2017

	Note	Contributed equity \$000	Reserves \$000	Accumulated surplus \$000	Total equity \$000
Balance at 1 July 2015	31	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
Other contributions by owners		-	-	-	-
Distributions to owners		(28,250)	-	-	(28,250)
Total		(27,375)	-	-	(27,375)
Transfer of debit balances to Accumulated Surpluses		(16,013)	-	80,007	63,994
		16,013	-	(16,013)	-
Balance at 30 June 2016		-	-	63,994	63,994
Balance at 1 July 2016		-	-	63,994	63,994
Surplus		-	-	40,295	40,295
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	40,295	40,295
Transactions with owners in their capacity as owners:					
Capital appropriations		885	-	-	885
Other contributions by owners		2	-	-	2
Distributions to owners		(32,180)	-	-	(32,180)
Total		(31,293)	-	-	(31,293)
Transfer of debit balances to Accumulated Surpluses		(31,293)	-	104,289	72,996
		-	-	(31,293)	-
Balance at 30 June 2017		-	-	72,996	72,996

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

DEPARTMENT OF ENVIRONMENT REGULATION

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$000	2016 \$000
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriation		2,405	2,374
Royalties for Regions Fund		38	62
Capital appropriations		885	875
Distributions to owners		(32,180)	(28,250)
Net cash provided to State Government		(28,852)	(24,939)
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(36,300)	(37,324)
Supplies and services		(8,814)	(8,909)
Accommodation		(5,202)	(4,929)
Grants and subsidies		(6,290)	(8,992)
GST payments on purchases		(2,139)	(2,202)
Other payments		(3,436)	(2,929)
Receipts			
User charges and fees		24,103	22,877
Commonwealth grants and contributions		83	83
Interest received		1,614	1,412
Landfill levy		69,460	68,987
GST receipts on sales		100	164
GST receipts from taxation authority		1,990	2,134
Other receipts		4,105	4,262
Net cash provided by operating activities	32	39,274	34,634
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments			
Purchase of non-current assets		(622)	(314)
Receipts			
Proceeds from the sale of non-current assets		-	-
Net cash used in investing activities		(622)	(314)
Net increase in cash and cash equivalents		9,800	9,381
Cash and cash equivalents at the beginning of the period		51,348	41,967
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32	61,148	51,348

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

DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Income and Expenses by Service

For the year ended 30 June 2017

	Environmental Regulation	Environmental Regulation	Environment Policy	Environment Policy	Waste Strategies	Waste Strategies	Total	Total
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
COST OF SERVICES								
<u>Expenses</u>								
Employee benefits expense	23,714	26,403	3,547	3,750	10,071	6,764	37,332	36,917
Supplies and services	6,180	7,070	1,022	786	2,393	1,656	9,595	9,512
Depreciation and amortisation expense	871	1,015	110	142	159	84	1,140	1,241
Accommodation expenses	3,450	3,762	712	659	1,034	473	5,196	4,894
Grants and subsidies	110	136	112	568	5,673	8,137	5,895	8,841
Other expenses	2,287	2,292	472	391	686	281	3,445	2,964
Loss on disposal of non-current assets	12	-	-	-	-	-	12	-
Total cost of services	36,624	40,678	5,975	6,296	20,016	17,395	62,615	64,369
<u>Income</u>								
User charges and fees	24,314	22,166	-	-	-	-	24,314	22,166
Commonwealth grants and contributions	83	83	-	-	-	-	83	83
Interest revenue	509	498	259	225	829	829	1,597	1,552
Landfill levy	-	-	-	-	69,428	68,046	69,428	68,046
Other revenue	3,572	3,887	181	240	213	170	3,966	4,297
Gain on disposal of non-current assets	35	-	2	-	-	-	37	-
Total income other than income from State Government	28,513	26,634	442	465	70,470	69,045	99,425	96,144
NET INCOME (COST OF SERVICES)	(8,111)	(14,044)	(5,533)	(5,831)	50,454	51,650	36,810	31,775
<u>Income from State Government</u>								
Service appropriation	1,884	2,158	389	378	565	271	2,838	2,807
Services received free of charge	405	682	84	120	120	86	609	888
Royalties for Regions Fund	38	62	-	-	-	-	38	62
Total income from State Government	2,327	2,902	473	498	685	357	3,485	3,757
SURPLUS/(DEFICIT) FOR THE PERIOD	(5,784)	(11,142)	(5,060)	(5,333)	51,139	52,007	40,295	35,532

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

DEPARTMENT OF ENVIRONMENT REGULATION

Schedule of Assets and Liabilities by Service

As at 30 June 2017

	Environmental Regulation	Environmental Regulation	Environment Policy	Environment Policy	Waste Strategies	Waste Strategies	Total	Total
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
<u>Assets</u>								
Current assets	17,727	13,354	10,580	9,236	50,880	47,260	79,187	69,850
Non-current assets	4,224	4,849	261	130	373	-	4,858	4,979
Total Assets	21,951	18,203	10,841	9,366	51,253	47,260	84,045	74,829
<u>Liabilities</u>								
Current liabilities	6,448	7,127	1,053	985	1,333	634	8,834	8,746
Non-current liabilities	1,518	1,645	289	273	408	171	2,215	2,089
Total Liabilities	7,966	8,772	1,342	1,258	1,741	805	11,049	10,835
NET ASSETS	13,985	9,431	9,499	8,108	49,512	46,455	72,996	63,994

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

DEPARTMENT OF ENVIRONMENT REGULATION

Summary of Consolidated Account Appropriations and Income Estimates

For the year ended 30 June 2017

	2017 Estimate \$000	2017 Actual \$000	Variance \$000	2017 Actual \$000	2016 Actual \$000	Variance
Delivery of Services						
Item 84 Net amount appropriated to deliver services Amount Authorised by Other Statutes	2,540	2,540	-	2,540	2,517	23
- <i>Salaries and Allowances Act 1975</i>	298	298	-	298	290	8
Total appropriations provided to deliver services	2,838	2,838	-	2,838	2,807	31
Capital						
Item 153 Capital appropriations	885	885	-	885	875	10
Administered Transactions						
Transfer payments	30	69	39	69	189	(120)
Total administered transactions	30	69	39	69	189	(120)
GRAND TOTAL	3,753	3,792	39	3,792	3,871	(79)
Details of Expenses by Service						
Environmental Regulation	40,954	36,624	(4,330)	36,624	40,678	(4,054)
Environment Policy	6,999	5,975	(1,024)	5,975	6,296	(321)
Waste Strategies	23,197	20,016	(3,181)	20,016	17,395	2,621
Total Cost of Services	71,150	62,615	(8,535)	62,615	64,369	(1,754)
Less Total Income	(99,915)	(99,425)	490	(99,425)	(96,144)	(3,281)
Net Cost of Services	28,765	36,810	8,045	36,810	31,775	5,035
Adjustments	(25,927)	(33,972)	(8,045)	(33,972)	(28,968)	(5,004)
Total appropriations provided to deliver services	2,838	2,838	-	2,838	2,807	31
Capital Expenditure						
Purchase of non-current assets	885	622	(263)	622	314	308
Adjustments for other funding sources	-	263	263	263	561	(298)
Capital appropriations	885	885	-	885	875	10
Details of Income Estimates						
Income disclosed as Administered Income	30	69	39	69	189	(120)
	30	69	39	69	189	(120)

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

Note 37 'Explanatory statement' and Note 45 'Explanatory statement for Administered Items' provides details of any significant variations between estimates and actual results for 2017 and between the actual results for 2017 and 2016.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2017 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*. 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 2017.

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.

As disclosed in note 36 the Department of Environment Regulation, Department of Water and the Office of the Environmental Protection Agency amalgamated to form the Department of Water and Environmental Regulation. The financial statements have been prepared on a going concern basis as the net assets of the Department have been transferred to the new Department who will continue to provide services to the public.

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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

(c) Reporting entity

The reporting entity comprises the Department and related bodies included at note 40 '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 adheres to the Outcome Based Management structure for 2016-17 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 44 '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 T1 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers 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:

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

Provision of services

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

Interest

Revenue is recognised as the interest accrues.

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 2016-17 Budget Statements, the Department retained \$99.4 million (\$96.1 million in 2016) 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).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

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

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

Land is not depreciated.

(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	2 ½ to 5 years
Computer software (a)	2 ½ to 5 years
Website costs	2 ½ 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

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DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 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

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

- Financial Liabilities
 - payables

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 28 '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 20 'Restricted cash and cash equivalents'*) consists of amounts paid annually, from Departmental appropriations for salaries expense, into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days 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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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.

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 provider. The Department makes contributions to GESB or other funds on

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. Contributions to these accumulation schemes extinguish 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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 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 reporting period.

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 2016 that impacted on the Department.

AASB 1057 Application of Australian Accounting Standards

This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. There is no financial impact.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11]

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.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & 138]

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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]

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. As the Department has no joint ventures and associates, the application of the Standard has no financial impact.

AASB 2015-1 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]

These amendments arise from the issuance of International Financial Reporting Standard Annual Improvements to IFRSs 2012 2014 Cycle in September 2014, and editorial corrections. The Department has determined that the application of the Standard has no financial impact.

AASB 2015-2 Amendments to Australian Accounting Standards Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049]

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.

AASB 2015-6 Amendments to Australian Accounting Standards Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, 124 & 1049]

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.

AASB 2015-10 Amendments to Australian Accounting Standards Effective Date of Amendments to AASB 10 & 128

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 & AASB 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. There is no financial impact.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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	<p><i>Financial Instruments</i></p> <p>This Standard supersedes AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, introducing a number of changes to accounting treatments.</p> <p>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.</p>	1 Jan 2018
AASB 15	<p><i>Revenue from Contracts with Customers</i></p> <p>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's income is principally derived from appropriations which will be measured under AASB 1058 Income of Not for Profit Entities and will be unaffected by this change. However, the Department has not yet determined the potential impact of the Standard on 'User charges and fees' and 'Sales' revenues. In broad terms, it is anticipated that the terms and conditions attached to these revenues will defer revenue recognition until the Department has discharged its performance obligations.</p>	1 Jan 2019
AASB 16	<p><i>Leases</i></p> <p>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.</p> <p>Whilst the impact of AASB 16 has not yet been quantified, the entity currently has operating lease commitments for \$7,500,000. The Department anticipates most of this amount will be brought onto the statement of financial position, excepting amounts pertinent to short term or low value leases. Interest and amortisation expense will increase and rental expense will decrease.</p>	1 Jan 2019

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

		Operative for reporting periods beginning on/after
AASB 1058	<p><i>Income of Not-for-Profit Entities</i></p> <p>This Standard clarifies and simplifies the income recognition requirements that apply to not for profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability, a performance obligation (a promise to transfer a good or service), or, an obligation to acquire an asset. The Department has not yet determined the application or the potential impact of the Standard.</p>	1 Jan 2019
AASB 2010-7	<p><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></p> <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>	1 Jan 2018
AASB 2014-1	<p><i>Amendments to Australian Accounting Standards</i></p> <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>	1 Jan 2018
AASB 2014-5	<p><i>Amendments to Australian Accounting Standards arising from AASB15</i></p> <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>	1 Jan 2018

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

		Operative for reporting periods beginning on/after
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i> 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.	1 Jan 2018
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> 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 mandatory effective date (application date) for the Standard has been deferred to 1 Jan 2018 by AASB 2015 10. The Department has determined that the Standard has no financial impact.	1 Jan 2018
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> 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. For Not For Profit entities, the mandatory effective date has subsequently been amended to 1 January 2019 by AASB 2016 7. The Department has not yet determined the application or the potential impact of AASB 15.	1 Jan 2019
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i> 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.	1 Jan 2017
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> 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.	1 Jan 2018

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For the year ended 30 June 2017

		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> 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.	1 Jan 2017
AASB 2016-7	<i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not for Profit Entities</i> This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	1 Jan 2017
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities</i> This Standard amends the mandatory effective date (application date) of AASB 15 and defers the consequential amendments that were originally set out in AASB 2014 5 <i>Amendments to Australian Accounting Standards arising from AASB 15 for not for profit entities to annual reporting periods beginning on or after 1 January 2019, instead of 1 January 2018</i> . There is no financial impact.	1 Jan 2019
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014 2016 Cycle</i> This Standard clarifies the scope of AASB 12 by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5. There is no financial impact.	1 Jan 2017

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
6 EMPLOYEE BENEFITS EXPENSE		
Wages and salaries ^(a) ^(b)	34,091	33,953
Superannuation - defined contribution plans ^(c)	3,241	2,964
	<u>37,332</u>	<u>36,917</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component, leave entitlements including superannuation contribution component.

(b) A prior year amount has been restated to include a reclassification of \$4.778 million relating to employee benefits from Waste Avoidance and Resource Recovery Account incorrectly classified under Note 11 in 'Grants and Subsidies'.

(c) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), Government Employees Superannuation Board (GESB) and other eligible funds.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other expenses'.

The employment on-costs liability is included at note 29 'Provisions'.

7 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The Department has determined that key management personnel include Ministers and senior officers of the Department. However, the Department is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation for senior officers of the Department for the reporting period are presented within the following bands:

Remuneration Band (\$)	2017	2016
330,001 - 340,000	-	1
290,001 - 300,000	-	1
230,001 - 240,000	1	1
210,001 - 220,000	-	1
180,001 - 190,000	1	1
160,001 - 170,000	1	-
150,001 - 160,000	-	1
110,001 - 120,000	1	-
70,001 - 80,000	1	-
60,001 - 70,000	-	1
	\$000	\$000
Short-term employee benefits	860	1,070
Post-employment benefits	108	127
Other long-term benefits	102	-
Total compensation of senior officers	1,070	1,197

8 SUPPLIES AND SERVICES

Consultants and contractors	7,458	7,343
Travel	347	354
Materials	459	437
Communications	243	269
Other	1,088	1,109
	<u>9,595</u>	<u>9,512</u>

Reclassification of payroll tax amounting to \$2.037 million in 2016 from 'Supplies and Services' to Note 12 'Other Expenses' for better presentation.

9 DEPRECIATION AND AMORTISATION EXPENSE

Depreciation		
Information technology assets	3	5
Environmental assets	241	276
Office equipment	2	5
Plant and equipment	94	91
Total depreciation	<u>340</u>	<u>377</u>
Amortisation		
Computer software	800	864
Total amortisation	<u>800</u>	<u>864</u>
Total depreciation and amortisation	<u>1,140</u>	<u>1,241</u>

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
10 ACCOMMODATION EXPENSES		
Lease rentals	4,982	4,702
Power	214	192
	<u>5,196</u>	<u>4,894</u>
11 GRANTS AND SUBSIDIES		
Contaminated Sites Management Account (CSMA) Grants to State Agencies	110	11
Low Emissions Energy Development (LEED) Fund	-	568
WA Local Government Regional Funding Program	130	1,160
Waste Avoidance and Resource Recovery Account (WARR) ^(a)	5,543	6,977
Other	112	125
	<u>5,895</u>	<u>8,841</u>
(a) A prior year amount has been restated to reclassify an amount of \$4.778 million relating to 'Employee Benefits Expense' incorrectly classified in 'Grants and Subsidies' to Wages and Salaries in Note 6 'Employee Benefits Expense'.		
12 OTHER EXPENSES		
Vehicle and other leases	394	667
Audit fees	97	95
Employment on-costs ^(a)	69	105
Payroll Tax ^(b)	2,033	2,037
Restoration costs - Brookdale Liquid Waste Treatment Facility Contaminated Site	700	-
Revaluation decrements on impairment of Land	150	60
Other	2	-
	<u>3,445</u>	<u>2,964</u>

(a) Includes workers' compensation insurance and other employment on-costs.

(b) Reclassification of payroll tax from Note 8 'Supplies and Services' to 'Other Expenses' for better presentation.

13 RELATED PARTY TRANSACTIONS

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the Department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- **other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;**
- associates and joint ventures, that are included in the whole of government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB) and Gold State Superannuation Scheme (GSS).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

Significant transactions with government related entities

Significant transactions include:

- service appropriations (Note 19);
- capital appropriations (Note 31);
- services received free of charge (Note 19);
- royalties for regions fund (Note 19);
- superannuation payments to GESB \$2.97 million and GSS \$0.27 million (Note 6);
- lease rentals payments, power to the Department of Finance \$4.60 million (Note 10); and
- grants and subsidies provided, Keep Australia Beautiful (WA) \$0.93 million and Landcorp \$0.11 million (Note 11); and
- remuneration for services provided by the Auditor General (Note 39).
- supplies and services (Note 8)
 - Department of The Attorney General \$0.25 million
 - Department of Corrective Services \$0.07 million
 - Keep Australia Beautiful (WA) \$0.06 million
 - Department of Parks & Wildlife \$2.56 million
 - Department of Finance \$0.43 million
 - Department of Housing \$0.14 million
 - Office of The Environmental Protection Authority \$0.14 million
 - Riskover \$0.08 million
 - Landgate \$0.02 million
- other expenses (Note 12)
 - Riskover \$0.07 million
 - State Fleet WA \$0.33 million
- other revenue (Note 17)
 - Main Roads WA \$1.77 million
 - Water Corporation \$0.17 million
 - Western Australian Planning Commission \$0.08 million
 - Department of Parks & Wildlife \$0.13 million
 - Office Of The Environmental Protection Authority \$0.64 million
 - Department of Mines & Petroleum \$0.07 million
 - Department of Fire & Emergency Services \$0.05 million

Significant outstanding commitments with government related entities

Significant transactions include:

- commitments (Note 34);
 - State Fleet WA \$0.53 million
 - Department of Finance \$6.81 million

Material transactions with related parties

The Department had no material related party transaction with Ministers/senior officers or their close family members or their controlled (or jointly controlled) entities for disclosure.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
14 USER CHARGES AND FEES		
Industry licences	19,821	17,792
Controlled waste	4,245	4,071
Clearing permits	63	57
Other charges and fees	185	248
	<u>24,314</u>	<u>22,166</u>
15 COMMONWEALTH GRANTS AND CONTRIBUTIONS		
National Pollution Inventory	83	83
	<u>83</u>	<u>83</u>
16 LANDFILL LEVY		
Landfill levy	69,428	68,046
	<u>69,428</u>	<u>68,046</u>
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.		
17 OTHER REVENUE		
Environmental offset revenue	2,335	2,014
Other State and private grants and cost recoupments	1,631	2,283
	<u>3,966</u>	<u>4,297</u>
18 NET GAIN/(LOSS) ON DISPOSAL OF NON-CURRENT ASSETS		
Net proceeds from disposal of non-current assets		
Environmental assets	44	-
	<u>44</u>	<u>-</u>
Carrying amount of non-current assets disposed		
Environmental assets	19	-
Net gain/(loss)	25	-
	<u>25</u>	<u>-</u>
19 INCOME FROM STATE GOVERNMENT		
Appropriation received during the period:		
Service appropriation ^(a)	2,838	2,807
	<u>2,838</u>	<u>2,807</u>
Services received free of charge from other State government agencies during the period		
Determined on the basis of the following estimates provided by agencies:		
Department of Finance	28	28
State Solicitor's Office	486	728
Landgate	1	34
Keep Australia Beautiful Council (WA) Inc (KABC)	93	97
Department of Agriculture	1	1
	<u>609</u>	<u>888</u>
Royalties for Region Fund:		
District Allowance	38	62
	<u>38</u>	<u>62</u>
	<u>3,485</u>	<u>3,757</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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
20 RESTRICTED CASH AND CASH EQUIVALENTS		
<u>Current</u>		
WARR Account	33,246	30,398
CSMA	1,942	1,772
Specific Purpose Accounts ^(a)	21,230	17,971
	<u>56,418</u>	<u>50,141</u>
<u>Non-Current</u>		
Accrued salaries suspense account ^(b)	135	-
	<u>56,553</u>	<u>50,141</u>

(a) These include industry grants, contributions and donations under contract or agreement for the benefit of environmental regulation and sustainability projects.

(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.

21 RECEIVABLES		
<u>Current</u>		
Receivables ⁽¹⁾	22,382	22,474
Allowance for impairment of receivables ⁽¹⁾	(21,500)	(21,500)
Accrued revenue	16,356	16,545
GST receivable	526	524
Total Current	<u>17,764</u>	<u>18,043</u>

Reconciliation of changes in the allowance for impairment of receivables:

Balance at start of period ⁽¹⁾	21,500	21,495
Doubtful debts expense	-	5
Write back of allowance for impairment of receivables	-	-
Balance at end of period	<u>21,500</u>	<u>21,500</u>

(1) A prior year adjustment has been recognised in the 'Receivables' and 'Allowance for impairment of receivables' notes to include \$21,495 million which relates to unpaid landfill levy, penalties and the Government Parties legal costs from Eclipse Resources Pty Ltd.

The Department does not hold any collateral or other credit enhancements as security for receivables.

22 OTHER ASSETS		
<u>Current</u>		
Prepayments	410	459
Total Current	<u>410</u>	<u>459</u>
23 AMOUNTS RECEIVABLE FOR SERVICES (HOLDING ACCOUNT)		
Non-current	1,732	1,299
	<u>1,732</u>	<u>1,299</u>

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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
24 PROPERTY, PLANT AND EQUIPMENT		
<u>Land</u>		
At fair value ^(a)	1,342	1,490
	<u>1,342</u>	<u>1,490</u>
<u>Information technology assets</u>		
At cost	20	28
Accumulated depreciation	(12)	(20)
	<u>8</u>	<u>8</u>
<u>Environmental assets</u>		
At cost	1,760	1,669
Accumulated depreciation	(1,000)	(783)
	<u>760</u>	<u>886</u>
<u>Office equipment</u>		
At cost	17	26
Accumulated depreciation	(7)	(17)
	<u>10</u>	<u>9</u>
<u>Plant and equipment</u>		
At cost	746	517
Accumulated depreciation	(370)	(276)
	<u>376</u>	<u>241</u>
	<u>2,496</u>	<u>2,634</u>

(a) Land was revalued as at 1 July 2016 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2017 and recognised at 30 June 2017. In undertaking the revaluation, fair value was determined by reference to market values for land: \$1,340,000 (2016 : \$1,490,000). For the remaining balance of \$2,000, fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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
2017						
Carrying amount at start of period	1,490	8	886	9	241	2,634
Additions	-	8	125	10	229	372
Revaluation increments/(decrements)	(150)	-	(2)	-	-	(152)
Disposals	-	(5)	(8)	(7)	-	(20)
Transfers	2	-	-	-	-	2
Depreciation	-	(3)	(241)	(2)	(94)	(340)
Carrying amount at end of period	1,342	8	760	10	376	2,496
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	1,490	8	886	9	241	2,634

Information on fair value measurements is provided in Note 25.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

25 FAIR VALUE MEASUREMENTS

Assets measured at fair value:
2017

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of period \$000
Land (Note 24)	-	1,340	2	1,342
	-	1,340	2	1,342

Assets measured at fair value:
2016

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Fair Value At end of period \$000
Land (Note 24)	-	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.

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000
2017	
Fair Value at start of period	-
Additions/Transfers	2
Fair Value at end of period	2

Valuation processes

There were no changes in valuation techniques during the period.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for sale as Treasurer's instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Land (Level 3 fair values)

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
26 INTANGIBLE ASSETS		
<u>Computer software</u>		
At cost	2,500	2,215
Accumulated amortisation	(2,005)	(1,205)
	495	1,010
<u>Intangible work in progress</u>		
In progress costs	-	36
	495	1,046
Reconciliations		
<u>Computer software</u>		
Carrying amount at start of period	1,010	1,809
Additions	285	65
Amortisation expense	(800)	(864)
Carrying amount at end of period	495	1,010
<u>Intangible work in progress</u>		
Carrying amount at start of period	36	80
Additions	-	9
Work in progress written off	(33)	(53)
Capitalisation - computer software	(3)	-
Carrying amount at end of period	-	36
27 IMPAIRMENT OF ASSETS		
There were no indications of impairment to property, plant and equipment or intangible assets at 30 June 2017.		
The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period.		
All surplus assets at 30 June 2017 have either been classified as assets held for sale or written-off.		
28 PAYABLES		
<u>Current</u>		
Trade payables	-	11
Accrued expenses	478	858
Accrued salaries	150	-
Total Current	628	869

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
29 PROVISIONS		
<i>Current</i>		
<i>Employee benefits provision</i>		
Annual leave ^(a)	2,071	1,917
Long service leave ^(b)	4,846	4,467
Deferred salary scheme ^(c)	122	29
	<u>7,039</u>	<u>6,413</u>
<i>Other provisions</i>		
Employment on-costs ^(d)	83	76
	<u>7,122</u>	<u>6,489</u>
<i>Non-current</i>		
<i>Employee benefits provision</i>		
Long service leave ^(b)	2,189	2,065
<i>Other provisions</i>		
Employment on-costs ^(d)	26	24
	<u>2,215</u>	<u>2,089</u>

(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	1,688	1,479
More than 12 months after the end of the reporting period	383	438
	<u>2,071</u>	<u>1,917</u>

(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	1,882	1,855
More than 12 months after the end of the reporting period	5,153	4,677
	<u>7,035</u>	<u>6,532</u>

(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	122	-
More than 12 months after the end of the reporting period	-	29
	<u>122</u>	<u>29</u>

(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 12 'Other expenses'.

Movements in other provisions

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

<i>Employment on-cost provision</i>		
Carrying amount at start of period	100	93
Additional provisions recognised	78	112
Payments/other sacrifices of economic benefits	(69)	(105)
Carrying amount at end of period	<u>109</u>	<u>100</u>

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NOTES TO THE FINANCIAL STATEMENTS

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	2017 \$000	2016 \$000
30 OTHER LIABILITIES		
<i>Current</i>		
Unearned revenue - Industry regulation licences	1,084	1,206
Unearned revenue - Lease cost recoupment	-	182
	<u>1,084</u>	<u>1,388</u>
31 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
Contributions by owners		
Capital appropriation	885	875
Transfer of net assets from other agencies		
Transfer of net assets from Landgate	2	-
Total contributions by owners	<u>887</u>	<u>875</u>
Distributions to owners		
Cash transferred to Government	(32,180)	(28,250)
Total distributions to owners	<u>(32,180)</u>	<u>(28,250)</u>
	(31,293)	(16,013)
Transfer of debit balance in Contributed Equity to Accumulated Surpluses	31,293	16,013
Balance at end of period	-	-
Reserves		
Asset revaluation reserve		
Balance at start of period	-	(60)
Net revaluation increments/(decrements)		
Land	(150)	-
Net revaluation decrement expensed off	150	60
Balance at end of period	-	-
Accumulated surplus		
Balance at start of period	63,994	44,475
Result for the period	40,295	35,532
Transfer of debit balance to Accumulated Surpluses ^(a)	(31,293)	(16,013)
Balance at end of period	<u>72,996</u>	<u>63,994</u>
Total equity at end of period	<u>72,996</u>	<u>63,994</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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
32 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	4,595	1,207
Restricted cash and cash equivalents (see note 20 'Restricted cash and cash equivalents')	56,553	50,141
	<u>61,148</u>	<u>51,348</u>
Reconciliation of net income to net cash flows provided by operating activities		
Net income	36,810	31,775
Non-cash items:		
Depreciation and amortisation expense (note 9 Depreciation and amortisation expense)	1,140	1,241
Services received free of charge (note 19 Income from State Government)	609	888
Net revaluation decrement expensed off	150	60
Assets not previously recognised	2	(10)
Net proceeds on disposal of non-current assets	44	-
Net gain on disposal of non-current assets	(25)	-
(Increase)/decrease in assets:		
Current receivables ^(a)	281	708
Other current assets	50	6
Increase/(decrease) in liabilities:		
Current payables ^(a)	(544)	(1,102)
Current provisions	633	1,651
Non-current provisions	126	(710)
Net GST payments ^(b)	100	165
Change in GST in receivables/payables ^(c)	(102)	(38)
Net cash provided by operating activities	<u>39,274</u>	<u>34,634</u>

(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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017 \$000	2016 \$000
33 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: Keep Australia Beautiful Council (KABC) - accommodation and administrative support services	251	251
34 COMMITMENTS		
Non-cancellable operating lease commitments		
Commitments for minimum lease payments are payable as follows:		
Within 1 year	3,886	3,612
Later than 1 year and not later than 5 years	3,614	6,825
Later than 5 years	-	-
	<u>7,500</u>	<u>10,437</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 \$6,812k of the non-cancellable operating lease commitments for 2017. Contingent rent provisions within a lease agreement require that the minimum lease payments shall be increased by the lower of CPI or 3% per annum.

The Department's fleet leases account for \$525k of the non-cancellable operating lease commitments for 2017. 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 Department's printer leases account for \$163k of the non-cancellable operating lease commitments for 2017. The lease term is 2 years. The lease payments are variable for the term of the lease based on an agreed volume of copies and are payable monthly. There are two optional 1 year contract extensions to the lease exercisable at the discretion of the Department at the end of the lease term. The lease expenditure is expensed as it is incurred.

The commitments are inclusive of GST.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

35 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. A signed letter of agreement dated 22 June 2017 between Water Corporation and Department of Environment Regulation (DER) agreed in principle to a transfer of land to DER.

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

Contingent assets

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

Benefit potentially receivable from the State's claim for outstanding landfill levies involving Moltoni Corporation Pty Ltd (amount is plus costs and penalties) - \$1.2 million.

Benefit potentially receivable in relation to Court of Appeal action involving Eclipse Resources Pty Ltd - \$0.07 million.

Benefit potentially receivable in relation to application of special leave action involving Eclipse Resources Pty Ltd - \$0.07 million.

Benefit potentially receivable in relation to Eclipse Resources Pty Ltd (in Insolvency). Action has commenced to recover the amount - \$16.5 million plus penalties.

Benefit potentially receivable in relation to Supreme Court action involving Fobbing Hall Pty Ltd - \$0.1 million.

36 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

As part of the Machinery of Government reform, effective from 1 July 2017 the Department of Environment Regulation will amalgamate with the Department of Water and the Office of the Environmental Protection Agency forming a new Government Entity to be known as the 'Department of Water and Environmental Regulation'.

37 EXPLANATORY STATEMENT

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for selected major variances, which are generally greater than:

5% and \$1.3 million for the Statements of Comprehensive Income and Cash Flows; and
5% and \$1.2 million for the Statement of Financial Position.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Variance Note \$000	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimate and actual \$000	Variance results for 2017 and 2016 \$000
Statement of Comprehensive Income (Controlled Operations)						
Expenses						
Employee benefits expense ^(a)		36,769	37,332	36,917	563	415
Supplies and services ^(a)		10,658	9,595	9,512	(1,263)	83
Depreciation and amortisation expense		433	1,140	1,241	707	(101)
Accommodation expenses		5,010	5,196	4,894	186	302
Grants and subsidies	1, A	14,010	5,895	8,841	(8,115)	(2,946)
Other expenses		4,070	3445	2,964	(625)	481
Loss on disposal of non-current assets		-	12	-	12	12
Total cost of services		71,150	62,615	64,369	(8,535)	(1,754)
Income						
Revenue						
User charges and fees	B	25,057	24,314	22,166	(743)	2,148
Commonwealth grants and contributions		83	83	83	-	-
Interest revenue		750	1,597	1,552	847	45
Landfill levy	C	70,000	69,428	68,046	(572)	1,382
Other revenue		4,025	3,966	4,297	(59)	(331)
Total revenue		99,915	99,388	96,144	(327)	3,244
Gain on disposal of non-current assets		-	37	-	37	37
Total income other than income from State Government		99,915	99,425	96,144	(490)	3,281
NET INCOME		28,765	36,810	31,775	8,045	5,035
Income from State Government						
Service appropriation		2,838	2,838	2,807	-	31
Services received free of charge		130	609	888	479	(279)
Royalties for Regions Fund		53	38	62	(15)	(24)
Total income from State Government		3,021	3,485	3,757	464	(272)
SURPLUS FOR THE PERIOD		31,786	40,295	35,532	8,509	4,763
OTHER COMPREHENSIVE INCOME						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	-	60	-	(60)
Total other comprehensive income		-	-	60	-	(60)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		31,786	40,295	35,592	8,509	4,703

^(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 2017 Actuals is made in these financial statements.

Major Estimate and Actual (2017) Variance Narratives

1) Grants and subsidies underspent by \$8.1 million (57.9%) mainly due to Waste Avoidance and Resource Recovery (WARR) account program delays (\$6.9 million) and the non-commencement of the Low Emissions Energy Development (LEED) program (\$1 million).

Major Actual (2017) and Comparative (2016) Variance Narratives

A) Grants and subsidies decreased by \$2.9 million (33.3%) mainly due to delay of the WARR account programs.

B) User charges and fees revenue increased by \$2.1 million (9.7%) mainly due to increased industry licence collections.

C) Landfill levy increased by \$1.4 million (2.0%) mainly due to the landfill levy rate increase.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimate and actual \$000	Variance between actual results for 2017 and 2016 \$000
Statement of Financial position (Controlled Operations)						
ASSETS						
Current Assets						
Cash and cash equivalents		1,369	4,595	1,207	3,226	3,388
Restricted cash and cash equivalents		30,835	56,418	50,141	25,583	6,277
Receivables		1,016	17,764	18,043	16,748	(279)
Amounts receivable for services		-	-	-	-	-
Other current assets	2	18,327	410	459	(17,917)	(49)
Total Current Assets		51,547	79,187	69,850	27,640	9,337
Non-current Assets						
Amounts receivable for services		1,732	1,732	1,299	-	433
Property, plant and equipment		3,134	2,496	2,634	(638)	(138)
Intangible assets	3	1,889	495	1,046	(1,394)	(551)
Restricted cash		266	135	-	(131)	135
Other		507	-	-	(507)	-
Total Non-current Assets		7,528	4,858	4,979	(2,670)	(121)
TOTAL ASSETS		59,075	84,045	74,829	24,970	9,216
LIABILITIES						
Current Liabilities						
Payables		606	628	869	22	(241)
Provisions	4	4,838	7,122	6,489	2,284	633
Other current liabilities	5	2,792	1,084	1,388	(1,708)	(304)
Total Current Liabilities		8,236	8,834	8,746	598	88
Non-current Liabilities						
Provisions		2,799	2,215	2,089	(584)	126
Total Non-current Liabilities		2,799	2,215	2,089	(584)	126
TOTAL LIABILITIES		11,035	11,049	10,835	14	214
NET ASSETS		48,040	72,996	63,994	24,956	9,002
EQUITY						
Accumulated surplus		48,040	72,996	63,994	24,956	9,002
TOTAL EQUITY		48,040	72,996	63,994	24,956	9,002

Major Estimate and Actual (2017) Variance Narratives

- Other current assets are under budget by \$17.9 million (97.8%) mainly due to the budget classification of accrued revenue allocated in the Receivables - refer to Note 21.
- Intangible Assets are under budget by \$1.4 million (73.8%) mainly due to the delays to the software capitalisation program that support the Industry Licensing and Compliance and Enforcement.
- Current provisions are over budget by \$2.3 million (47.2%) mainly due to under estimated calculation assumptions regarding long service leave.
- Other current liabilities are under budget by \$1.7 million (61.2%) mainly due to unearned revenue from industry regulated licences being below the estimated budget total.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Variance Note	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimate and actual \$000	Variance between actual results for 2017 and 2016 \$000
Statement of Cash Flows (Controlled Operations)						
CASH FLOWS FROM STATE GOVERNMENT						
Service appropriation		2,405	2,405	2,374	-	31
Royalties for Regions Fund		53	38	62	(15)	(24)
Capital appropriations		885	885	875	-	10
Distributions to owners	6, D	(35,530)	(32,180)	(28,250)	3,350	(3,930)
Net cash provided to State Government		(32,187)	(28,852)	(24,939)	3,335	(3,913)
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee benefits (a)		(36,769)	(36,300)	(37,324)	469	1,024
Supplies and services (a)	7	(10,728)	(8,814)	(8,909)	1,914	95
Accommodation		(5,010)	(5,202)	(4,929)	(192)	(273)
Grants and subsidies	8, E	(14,010)	(6,290)	(8,992)	7,720	2,702
GST payments on purchases	9	(4,000)	(2,139)	(2,202)	1,861	63
Other payments (a)		(4,070)	(3,436)	(2,929)	634	(507)
Receipts						
User charges and fees		25,057	24,103	22,877	(954)	1,226
Commonwealth grants and contributions		83	83	83	-	-
Interest received		750	1,614	1,412	864	202
Landfill levy		70,000	69,460	68,987	(540)	473
GST receipts on sales		300	100	164	(200)	(64)
GST receipts from taxation authority	10	3,700	1,990	2,134	(1,710)	(144)
Other receipts		4,025	4,105	4,262	80	(157)
Net cash provided by operating activities		29,328	39,274	34,634	9,946	4,640
CASH FLOWS FROM INVESTING ACTIVITIES						
Payments						
Purchase of non-current assets		(885)	(622)	(314)	263	(308)
Receipts						
Proceeds from the sale of non-current assets		-	-	-	-	-
Net cash used in investing activities		(885)	(622)	(314)	263	(308)
Net increase in cash and cash equivalents		(3,744)	9,800	9,381	13,544	419
Cash and cash equivalents at the beginning of the period		36,214	51,348	41,967	15,134	9,381
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		32,470	61,148	51,348	28,678	9,800

- (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 2017 Actuals is made in these financial statements.

Major Estimate and Actual (2017) Variance Narratives

- Distribution to owners was under budget by \$3.4 million (9.4%) mainly due to landfill levy receipts being lower than estimated.
- Supplies and services was under budget by \$1.9 million (17.8%) mainly due to budget being overestimated for the year.
- Grants and subsidies was under budget by \$7.7 million (55.1%) mainly due to WARR account program delays and the non-commencement of the LEED program - refer to Note 1 above in the 'Statement of Comprehensive Income'.
- GST payments on purchases was under budget by \$1.9 million (46.5%) mainly due to lower than budgeted 'grants and subsidies' and 'supplies and services' payments.
- GST receipts from taxation authority under budget by \$1.7 million (46.2%) mainly due to lower than budgeted 'grants and subsidies' and 'supplies and services' payments.

Major Actual (2017) and Comparative (2016) Variance Narratives

- D) Distribution to owners increased by \$3.9 million (13.9%) mainly due to an increase in the amount of landfill levy cash received in the year and an increase in industry licence collections.
- E) Grants and subsidies decreased by \$2.7 million (30.1%) mainly due to the delay in the WARR Account programs - refer to Note A above in the 'Statement of Comprehensive Income'.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

38 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 38(c) 'Financial instrument disclosures' and note 21 '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 2017

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:

	2017 \$000	2016 \$000
<u>Financial Assets</u>		
Cash and cash equivalents	4,595	1,207
Restricted cash and cash equivalents	56,553	50,141
Receivables ^(a)	18,970	18,818
<u>Financial Liabilities</u>		
Financial liabilities measured at amortised cost	628	869

(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 2017

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	
2017								
Cash and cash equivalents	4,595	4,595	-	-	-	-	-	-
Restricted cash and cash equivalents	56,553	56,553	-	-	-	-	-	-
Receivables ^(a)	17,238	16,831	393	7	-	7	-	-
Amounts receivable for services	1,732	1,732	-	-	-	-	-	-
	80,118	79,711	393	7	-	7	-	-
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	-	-	-

(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 2017

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 \$000	Variable interest rate \$000	Non- interest bearing \$000	Nominal Amount \$000	Up to 1 month \$000	1-3 months to 1 year \$000	3 months to 1 year \$000	1-5 years \$000	More than 5 years \$000
2017										
<u>Financial Assets</u>										
Cash and cash equivalents	1.96	4,595	4,595	-	4,595	4,595	-	-	-	-
Restricted cash and cash equivalents	1.96	56,553	56,553	-	56,553	56,553	-	-	-	-
Receivables ^(a)	-	17,238	-	17,238	17,238	17,224	7	-	7	-
Amounts receivable for services	-	1,732	-	1,732	1,732	-	-	-	1,732	-
		80,118	61,148	18,970	80,118	78,372	7	-	1,739	-
<u>Financial Liabilities</u>										
Payables	-	628	-	628	628	628	-	-	-	-
		628	-	628	628	628	-	-	-	-

(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 2017

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
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 2017

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.

	- 100 basis points		+ 100 basis points		
	Carrying amount \$000	Surplus \$000	Equity \$000	Surplus \$000	Equity \$000
2017					
<u>Financial Assets</u>					
Cash and cash equivalents	4,595	(46)	(46)	46	46
Restricted cash and cash equivalents	56,553	(566)	(566)	566	566
<u>Financial Liabilities</u>	-	-	-	-	-
Total Increase/(Decrease)		<u>(612)</u>	<u>(612)</u>	<u>612</u>	<u>612</u>
	Carrying amount \$000	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>

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 2017

39 REMUNERATION OF AUDITOR

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

	2017 \$000	2016 \$000
Auditing the accounts, financial statements and key performance indicators, agreed fee	97	101

40 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.

41 SPECIAL PURPOSE ACCOUNTSContaminated 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.

	2017 \$000	2016 \$000
Balance at start of period	1,772	1,326
Receipts	298	478
Payments	(128)	(32)
Balance at end of period	<u>1,942</u>	<u>1,772</u>

DEPARTMENT OF ENVIRONMENT REGULATION**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2017

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.

	2017 \$000	2016 \$000
Balance at start of period	30,398	20,628
Receipts	18,054	26,882
Payments	(15,206)	(17,112)
Balance at end of period	<u>33,246</u>	<u>30,398</u>

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

42 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.

	2017 \$000	2016 \$000
Balance at start of period	62	72
Receipts	263	255
Payments	(292)	(265)
Balance at end of period	<u>33</u>	<u>62</u>

43 SUPPLEMENTARY FINANCIAL INFORMATION**(a) Write-offs**

The Department had one minor write off of \$1.30 (2016 - \$276) for underpayment of invoices 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.

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

44 DISCLOSURE OF ADMINISTERED INCOME AND EXPENSES BY SERVICE

	Environmental Regulation	Environmental Regulation	Environment Policy	Environment Policy	Waste Strategies	Waste Strategies	Total	Total
	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000	2017 \$000	2016 \$000
INCOME FROM ADMINISTERED ITEMS								
<u>Income</u>								
For transfer:								
Regulatory fees and fines	69	189	-	-	-	-	69	189
Total administered income	69	189	-	-	-	-	69	189
<u>Expenses</u>								
Transfer payments ^(a)	69	189	-	-	-	-	69	189
Total administered expenses	69	189	-	-	-	-	69	189

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

DEPARTMENT OF ENVIRONMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

45 EXPLANATORY STATEMENT FOR ADMINISTERED ITEMS

All variances between estimates (original budget) and actual results for 2017, and between the actual results for 2017 and 2016 are shown below. Narratives are provided for key variances, which are generally greater than 2% and \$600.

	Variance Note \$000	Estimate 2017 \$000	Actual 2017 \$000	Actual 2016 \$000	Variance between estimate and actual \$000	Variance between actual results for 2017 and 2016 \$000
INCOME FROM ADMINISTERED ITEMS						
<u>Income</u>						
For transfer:						
Regulatory fees and fines	1,A	30	69	189	39	(120)
Total administered income		30	69	189	39	(120)
<u>Expenses</u>						
Transfer payments	2,B	30	69	189	39	(120)
Total administered expenses		30	69	189	39	(120)

Major Estimate and Actual (2017) Variance Narratives

1) Regulatory fees and fines was over budget by \$39k (130%) due to modified penalties issued in the year. 3 modified penalties produced the majority of revenue in 2016-17 which was above the estimate for the year.

2) Transfer payments over budget by \$39k (130%) - 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 (2017) and Comparative (2016) Variance Narratives

A) Regulatory fees and fines decreased by \$120k (64%) mainly due to revenue from 3 modified penalties in the year compared to 8 modified penalties in 2016.

B) Transfer payments decreased by \$120k (64%) - 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



► Outcomes and key effectiveness indicators

The outcomes-based management structure and key performance indicators are reported in The Government of Western Australia Budget Statements 2016–17 Budget Paper No. 2 Volume 2.

► 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 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	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

The Department 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 EP Act, and published guidance such as the Department’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.

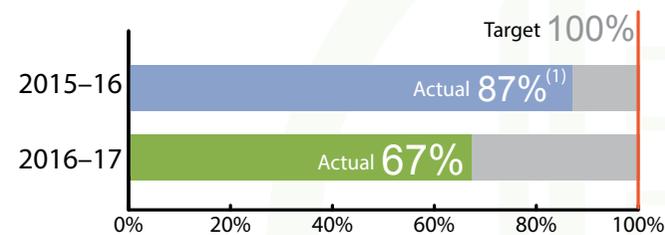
► 1.1 Percentage of major resource project works approvals and licences applications decided within 60 working days.

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 former 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 Environmental Protection Authority referral and assessment.
- Decision on the application is pending a further approval (for example planning approval).



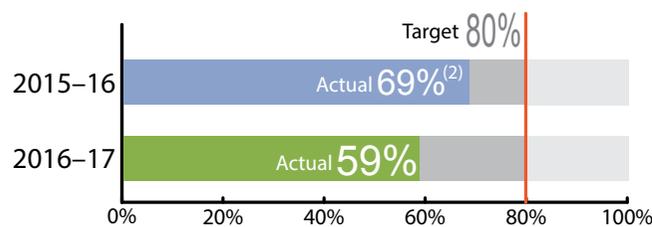
Note to indicator: The percentage of applications finalised within 60 working days between 2016-17 (67%) and 2015-16 (87%), which is below the Department’s target of 100%, is primarily due to the inadequacy of the licensing business system requiring separate manualised data capture, and significant resourcing issues during these years. Review of the processes and procedures, including the development of appropriate business systems will be a focus for the DWER in the upcoming financial year.

(1) The ‘Actual’ figure reported for 2015-16 was 79% and has now been recalculated following the definition of a ‘major project’ being updated to be consistent with other government departments.

► 1.2 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 works 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.



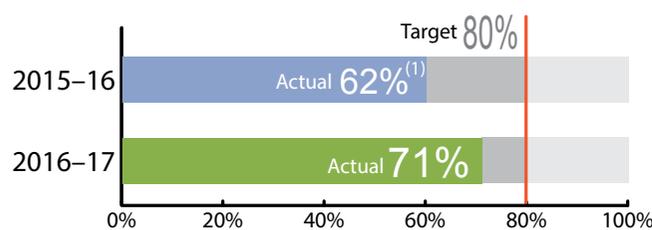
Note to indicator: The percentage of applications finalised within 60 working days between 2016-17 (59%) and 2015-16 (69%), which is below the Department’s target of 80%, is primarily due to the inadequacy of the licensing business system, and significant resourcing issues during these years. Review of the processes and procedures, including the development of appropriate business systems, will be a focus for the DWER in the upcoming financial year.

(2) The ‘Actual’ figure reported for 2015-16 was 66% and has now been recalculated following the definition of an ‘other project’ being updated to be consistent with other government departments.

► 1.3 Percentage of native vegetation clearing permit applications decided within 60 working days.

The performance indicator is in place to ensure the effective delivery of the regulation of clearing of native vegetation.

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



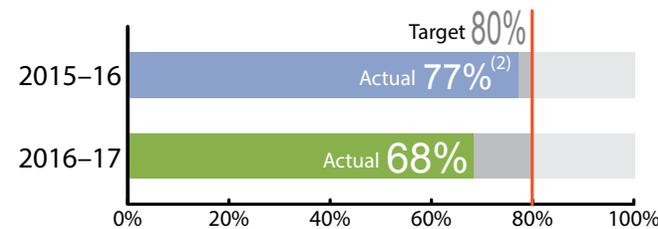
Note to indicator: The improved result between 2016-17 actual (71%) and the 2015-16 actual (62%) is attributed to the implementation of enhanced processes and decision-making, including ensuring appropriate prioritisation. Noting the improvement from the previous financial year, the management of a backlog of protracted applications resulted in the target (80%) not being met (actual 71%).

(1) The ‘Actual’ figure reported for 2015-16 was 43% which was originally based on calendar days; however, this has now been recalculated based on working days as per the approved key performance indicators.

► 1.4 Percentage of investigations finalised within 60 working days.

The Department investigates complaints and associated breaches of the EP Act 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: The target of 80% was not achieved in 2016-17 due to an increased volume of investigations in the reporting period and constrained resources to undertake the investigations.

The variance between 2016-17 actual (68%) and the 2015-16 actual (77%) is due to an increase in the number of matters under investigation received in 2016-17 compared to 2015-16. The volume of matters under investigation increased to 3,382 in 2016-17 compared to 3,003 in 2015-16.

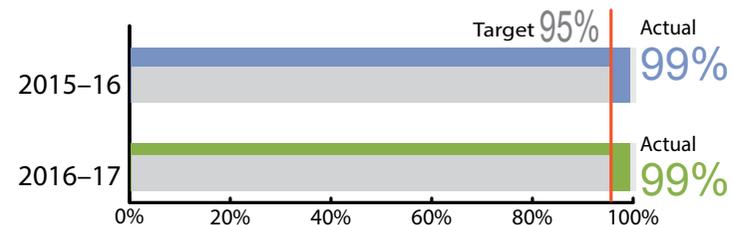
(2) A revised methodology has been implemented which accurately captures matters being investigated by the Department. The ‘Actual’ figure reported for 2015-16 is 96% and has now been recalculated using the revised methodology.



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

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

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

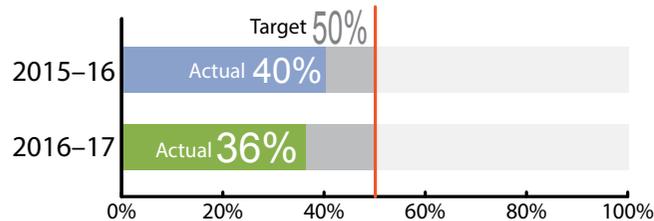




Outcome: Waste avoided and the recovery of materials from landfill maximised

The data used to calculate these indicators are based on the *Recycling Activity in Western Australia 2015–16* report. These annual reports allow comparison of performance across years.

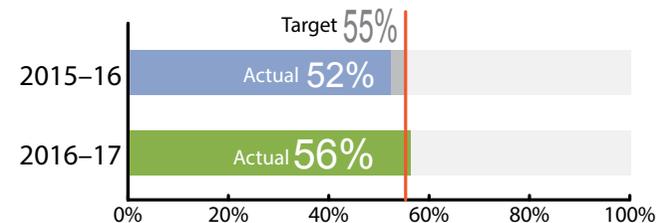
► 3.1 Percentage of municipal solid waste reported as diverted from landfill through recycling compared to the waste strategy target in the Perth metropolitan region.



Note to indicator: Municipal solid waste includes construction and demolition waste generated by local governments. The variance between 2016–17 actual (36%) and the 2015–16 actual (40%) is due to a reduction in construction and demolition materials reported as recovered from municipal solid waste. This was partially offset by a reduction in waste disposed of to landfill compared to that reported in 2015–16.

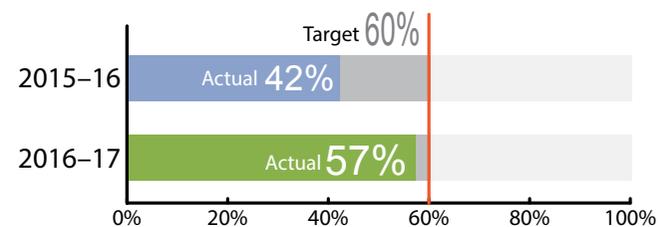
Local government uncertainty following the discontinuation of local government amalgamations affected regional local governments' long-term planning and decisions about investment in improved mixed waste processing, and the recovery of materials from municipal solid waste (WALGA, Lessons Learnt: Metropolitan Local Government Reform June 2016).

► 3.2 Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the statewide waste strategy target.



Note to indicator: The variance between 2016–17 actual (56%) and the 2015–16 actual (52%) is due to an increase in commercial and industrial waste reported as recovered and therefore diverted from landfill. This continues a trend of improved performance.

► 3.3 Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the statewide waste strategy target.



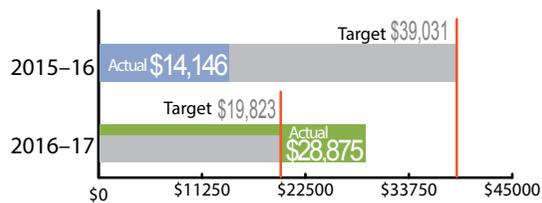
Note to indicator: The variance between 2016–17 actual (57%) and the 2015–16 actual (42%) is due to a reduction in construction and demolition waste reported as disposed of to landfill and therefore diverted from landfill. Note that the key performance indicator is a stand-alone percentage reflecting the waste strategy target and is not a proportional measure of the extent to which the target has been met.



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 EP Act constitutes a significant proportion of the Department's environmental regulation service. This indicator measures the efficiency of the Department's service delivery in assessing works approval and licence applications.



Note to indicator:

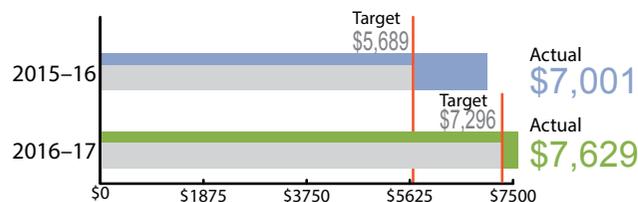
Actual 2016-17 v Actual 2015-16
The higher Average Cost per Works Approval and Licence Application between 2016-17 and 2015-16 actuals is mainly due to the complexity and lower number of approvals and applications processed.

Actual 2016-17 v Target 2016-17

The higher Average Cost per Works Approval and Licence Application between 2016-17 Actual and 2016-17 Target is mainly due to the lower number of approvals and applications processed, reduced staffing numbers, and the complexity associated with processing of the new licence amendment instrument.

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 EP Act constitutes a further substantial proportion of the Department's environmental regulation service. This indicator measures the efficiency of the Department's regulatory service delivery in assessing clearing permit applications.



Note to indicator:

Actual 2016-17 v Actual 2015-16
The higher Average Cost per Native Vegetation Clearing Permit Application between 2016-17 and 2015-16 actuals is mainly due to a higher number of clearing permits and increased 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 Environment Minister and preparing submissions on behalf of

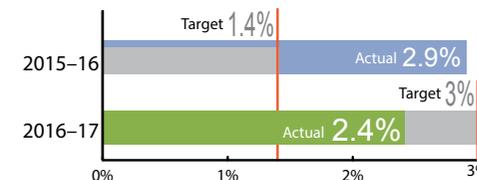
the Minister and the Government relating to legislation administered by the agency. The calculation is based on total contract hours for service for full-time employees.



Service 3: Waste strategies

3.1 Cost of landfill levy compliance as a percentage of landfill levy income collected.

The Department undertakes a number of activities to ensure industry compliance with landfill levy requirements including: the administration of 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 with the total landfill levy income collected for the financial period.



Note to indicator:

Actual 2016-17 v Actual 2015-16
The cost of landfill levy compliance as a percentage of landfill levy income collected between 2016-17 and 2015-16 actuals has reduced due to higher levy income collections and lower compliance activity costs in 2016-17.

Actual 2016-17 v Target 2016-17

The cost of landfill levy compliance as a percentage of landfill levy income collected is lower than targets mainly due to lower compliance activity costs than budgeted amount in 2016-17.

▶ Ministerial directives

No ministerial directives were received during the financial year.

▶ Other financial disclosures

Pricing policies of services provided

The Department charges fees for industry licensing arrangements on a cost-recovery basis.

These licensing arrangements include assessment and decision-making on works approvals and licence applications; administration of licences; 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 information technology assets, environmental assets, office equipment, plant and equipment, and computer software. Capital expenditure of \$622,000 was incurred during 2016–17 against a budget of \$885,000. The under-spend was due to timing of asset investment.

Employment and industrial relations

Staff profile	2016–17	2015–16	2014–15	2013–14
Full-time permanent	238	248	233	244
Full-time contract	23	18	29	32
Part-time measured on FTE basis	40.2*	35	37	41
On secondment	3	6	6	3
Total (average FTE for financial year based on minimum obligatory information requirement (MOIR) data)	304.2	301	305	320
Target (as specified in Budget Statements)	340	340	340	380

*Figure includes fixed-term and permanent part-time employees.

Workforce planning

In 2016–17, the Department progressed implementation of the Workforce and Diversity Plan 2015–2018. This plan aims to set the strategic direction for achieving current and future needs, provide for a diverse workforce, and meet statutory obligations.

During the reporting period, cultural challenges within the Department were identified arising from feedback from the 2015 Public Sector Commission’s (PSC) Employee Perception Survey, a preliminary investigation by PSC into these findings, and an agency commissioned external review. A Workforce Strategic Outline, aligned to the five strategic objectives of the existing Workforce and Diversity Plan, resulted from these reviews incorporating the following objectives:

Supporting
the
workforce

Attracting
and retaining
a skilled
and diverse
workforce

Developing
leadership
capability

Building the
capacity and
flexibility
of our
workforce

Building a
values-based
culture

Staff development

The focus for the reporting period was implementing the organisational development priorities specified in the Workforce Strategic Outline 2017–2018.

A number of wellness and wellbeing initiatives were delivered to provide support to staff in leading self and others positively during times of changes. These sessions were supported through lunch and learn seminars covering a range of wellness and wellbeing related topics.

The Department's Leadership and Management Program was implemented during the reporting and incorporated an Executive Leadership Development Program, Management Essentials training, Executive and Management Coaching Program, and the development of leadership and management learning circles aimed at providing opportunities for peer support and to promote the sharing of information and experiences.

The Department's Core Capability Training Program continued to be delivered with the objective of building capability in an applied learning environment. The focus area was upskilling internal subject matter experts who developed and delivered operational-specific training across a range of areas, including industry regulation and environmental sciences.

The Department's Corporate Leadership Group (CLG) moved into its third 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 2016–17 the CLG championed initiatives such as the Planning Forum, the Leadership Speaker Series, and coordinated the staff survey. Members of the CLG were recognised for their contribution at the Graduation and Awards Ceremony attended by the former Environment Minister.

During 2016–17, the Department hosted an Aboriginal Trainee as part of PSC's Aboriginal Traineeship Program.

During 2016–17, two workers' compensation claims were recorded. The workers' compensation contribution was \$68,548.00 (excluding GST) for the financial year.

No lost time injuries were reported.

Unauthorised use of credit cards (personal use)

During 2016–17, there were eight instances where the Western Australian Government Purchasing Card was used for personal use. The aggregate amount of personal use expenditure was \$325. All expenditure was recovered by 30 June 2017. 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	1/7/16–30/6/17	\$70,347
Member	Christopher O'Neill	Per meeting	1/7/16–31/10/16	\$4,998
Member	Jeremy Hogben	Per meeting	1/7/16–30/6/17	\$7,854
Member	Warren Dodge	Per meeting	1/7/16–30/6/17	\$9,282
Member	Linda Rowley	Per meeting	1/7/16–31/10/16	\$2,356
Member	Michael Hardy	Per meeting	1/11/16–30/6/17	\$3,570
Member	Anthony Jarvis	Per meeting	1/11/16–30/6/17	\$2,142

Waste Authority				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	Marcus Geisler	Annual	1/7/16–30/6/17	\$61,139
Deputy Chair	Jennifer Bloom	Annual	1/7/16–30/6/17	\$32,181
Member	Glenn McLeod	Annual	1/7/16–30/6/17	\$22,468
Member	Neil Foley	Annual	1/7/16–30/6/17	\$26,155
Member	Victoria Bond	Annual	1/7/16–30/6/17	\$25,761

Cockburn Sound Management Council				
Position	Name	Type of remuneration	Period of membership	Gross remuneration
Chair	Emeritus Professor Kateryna Longley	Annual	1/7/16–30/6/17	\$24,521

Contracts with senior officers

At the date of reporting, no senior officers, or firms of which senior officers were members, or entities in which senior officers had 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 2016–17, the Department spent a total of \$248,477 on advertising.

Expenditure on advertising			
Category	Paid to	Purpose	Amount
Media advertising organisations	Adcorp Australia Ltd	Statutory Public Notices and grant advertising	\$220,824
	Facebook	Grant advertising	\$1,867
	State Law Publisher	Notices in the Western Australian <i>Government Gazette</i>	\$1,613
	Cocos (Keeling) Islands Community Resources Centre	Statutory Public Notices	\$1,257
	Shire of Christmas Island	Statutory Public Notices	\$713
	Atoll	Statutory Public Notices	\$252
	Campaign Monitor	Grant and Infinity Awards advertising	\$125
Market research	Monash University	Research to identify food waste behaviour change strategies for Western Australian schools	\$16,268
	Equilibrium	Research to identify suitable infrastructure for waste reduction in Western Australian high schools	\$5,558
Total			\$248,477

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

During the 2016–17 reporting period, the Department lodged the inaugural Disability Access and Inclusion Plan 2016–2020 with the Disability Services Commission.

The Department undertook the following actions in 2016–17:

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 2016–17, 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.

The Department also ensured signage with clear lettering contrast was provided, and parking provisions met the needs of people with disability in terms of quantity and location.

Outcome 3 People with disability receive information from the Department in a format that will enable them to access the 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 Western Australian State Government’s Access Guidelines, and included a statement they were available in alternative formats on request.

Outcome 4 People with disability receive the same level of quality of service from staff of the Department 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 2016–17, 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.

Outcome 5 People with disability have the same opportunities as the general population to make complaints to the Department.

During 2016–17, 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 other people 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, which meets 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; or
- 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 2016–17, the Department ensured assistive technologies were provided with staff that required them, and flexible working arrangements were considered on a case-by-case basis for people with disability.

In addition, the Department continued to liaise with existing Disability Service Providers and ensured a Substantive Equality Statement appeared in all advertised vacancies.

Compliance with public sector standards and codes of ethics

Public sector standards	Significant action taken to monitor and ensure compliance
Two breach of standard (Employment) claims were resolved in the reporting period.	The Department's Human Resources page on the intranet continued to be monitored and reviewed to provide polices 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	
One alleged breach raised in 2016–17 was finalised during the reporting period.	90 per cent of the Department's staff completed Accountable and Ethical Decision Making (AEDM) training during the 2015–16 reporting period, and during 2016–17 the messages were reinforced via staff broadcasts, and Director General's instructions periodically throughout the year.
One disciplinary process was discontinued during the reporting period due to the officer resigning.	
One additional investigation was commenced and has been carried over to 2017–18.	

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



Government policy 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 former Department of Parks and Wildlife (Parks and Wildlife) during 2016–17 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* 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 Corporate 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.
- 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 ⁽¹⁾	2016–17 ⁽¹⁾	Target	Comment on result
Number of fatalities	0	0	0	Target (0) achieved
Lost time injury and/or disease incidence rate	0	0.66	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*	80%*	Greater than or equal to 80%	Target (80%) achieved

* Trained within the last three years in accordance with PSC's Circular 2012-05. Development of the Department's OSH training program commenced in 2014–15 and was implemented in the reporting period 2015–16.

⁽¹⁾This indicator examines a three-year trend and, as such, the comparison base is to be two years prior to the current reporting year.

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