



# Annual report

2019 – 20

## Department of Water and Environmental Regulation

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Administering our legal compliance and finances

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## Auditor General independent auditor's report



### Auditor General

#### INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

#### DEPARTMENT OF WATER AND ENVIRONMENTAL REGULATION

#### Report on the financial statements

##### **Opinion**

I have audited the financial statements of the Department of Water and Environmental Regulation which comprise the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Summary of Consolidated Account Appropriations 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 Water and Environmental Regulation for the year ended 30 June 2020 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 Responsibility 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 Director General for the financial statements**

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Department.

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**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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of my auditor's report.

**Report on controls****Opinion**

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Water and Environmental 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 Water and Environmental 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 2020.

**The Director General's responsibilities**

The Director General is 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 were implemented as designed.

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 non-compliance 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****Opinion**

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Water and Environmental Regulation for the year ended 30 June 2020. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Water and Environmental 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 2020.

**The Director General's responsibility for the key performance indicators**

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal control as the Director General 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 Director General 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 entity'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 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 Water and Environmental Regulation for the year ended 30 June 2020 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 contact the entity to confirm the information contained in the website version of the financial statements and key performance indicators.

CAROLINE SPENCER  
AUDITOR GENERAL  
FOR WESTERN AUSTRALIA  
Perth, Western Australia  
/8 September 2020



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## Certification of financial statements

For the reporting period ended 30 June 2020

The accompanying financial statements of the Department of Water and Environmental 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 reporting period ended 30 June 2020 and the financial position as at 30 June 2020.

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



Wayne Millen  
Chief Finance Officer  
16 September 2020



Mike Rowe  
Director General  
16 September 2020

## Statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cost of services</b>			
<b>Expenses</b>			
Employee benefits expense	2.1(a)	102,849	90,665
Supplies and services	2.3	37,013	36,708
Depreciation and amortisation expenses	4.1.1,4.2, 4.3.1	13,123	11,703
Finance costs	6.3	84	-
Accommodation expenses	2.3	8,566	8,392
Grants and subsidies	2.2	15,317	15,160
Other expenses	2.3	4,988	3,620
Loss on disposal of non-current assets	2.4	694	4,664
<b>Total cost of services</b>		<b>182,634</b>	170,912
<b>Revenue and income</b>			
User charges and fees	3.2	29,528	28,854
Commonwealth grants	3.3	4,971	2,800
Waste Levy	3.4	79,634	77,586
Interest revenue		396	899
Other revenue and income	3.5	2,384	4,570
<b>Total revenue</b>		<b>116,913</b>	114,709
<b>Total income other than income from State Government</b>		<b>116,913</b>	114,709
<b>Net cost of services</b>		<b>65,721</b>	56,203

	Notes	2020 \$'000	2019 \$'000
<b>Income from State Government</b>			
Service appropriation	3.1	81,890	83,012
State grants	3.1	2,167	2,062
Services received free of charge	3.1	2,789	2,629
Royalties for Regions fund	3.1	4,797	9,220
<b>Total income from State Government</b>		<b>91,643</b>	96,923
<b>Surplus for the period</b>		<b>25,922</b>	40,720
<b>Other comprehensive income</b>			
<b>Items not reclassified subsequently to profit or loss</b>			
Changes in asset revaluation surplus	8.10	3,880	12,835
<b>Total other comprehensive income</b>		<b>3,880</b>	12,835
<b>Total comprehensive income for the period</b>		<b>29,802</b>	<b>53,555</b>

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

## Statement of financial position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6.4	9,348	11,958
Restricted cash and cash equivalents	6.4	64,402	65,105
Receivables	5.1	22,667	22,748
Amounts receivable for services	5.2	6,057	5,994
Other assets	5.3	2,161	2,063
<b>Total current assets</b>		<b>104,635</b>	107,868
<b>Non-current assets</b>			
Restricted cash and cash equivalents	6.4	1,488	1,019
Receivables	5.1	563	-
Amounts receivable for services	5.2	52,545	40,637
Infrastructure, property, plant and equipment	4.1	350,377	347,936
Right-of-use assets	4.2	3,137	-
Intangible assets	4.3	17,582	20,379
Other assets	5.3	56	-
<b>Total non-current assets</b>		<b>425,748</b>	409,971
<b>Total assets</b>		<b>530,383</b>	517,839

	Notes	2020 \$'000	2019 \$'000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	5.4	4,699	8,585
Lease liabilities	6.1	1,143	-
Contract liabilities	5.5	1,749	-
Employee-related provisions	2.1(b)	24,174	20,354
Other current liabilities	5.6	4	520
<b>Total current liabilities</b>		<b>31,769</b>	29,459
<b>Non-current liabilities</b>			
Lease liabilities	6.1	2,020	-
Employee-related provisions	2.1(b)	6,002	5,275
<b>Total non-current liabilities</b>		<b>8,022</b>	5,275
<b>Total liabilities</b>		<b>39,791</b>	34,734
<b>Net assets</b>		<b>490,592</b>	<b>483,105</b>
<b>Equity</b>			
Contributed equity	8.10	351,630	373,945
Reserves	8.10	18,020	14,140
Accumulated surplus		120,942	95,020
<b>Total equity</b>		<b>490,592</b>	<b>483,105</b>

The Statement of financial position should be read in conjunction with the accompanying notes.

## Statement of changes in equity

For the year ended 30 June 2020

	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated surplus \$'000	Total equity \$'000
<b>Balance at 1 July 2018</b>		<b>411,761</b>	<b>1,305</b>	<b>54,300</b>	<b>467,366</b>
Surplus		-	-	40,720	40,720
Other comprehensive income	8.10	-	12,835	-	12,835
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>12,835</b>	<b>40,720</b>	<b>53,555</b>
<b>Transactions with owners in their capacity as owners:</b>					
Capital appropriations	8.10	4,654	-	-	4,654
Distribution to owners	8.10	(41,333)	-	-	(41,333)
Transfers to other agencies	8.10	(1,137)	-	-	(1,137)
<b>Total</b>		<b>(37,816)</b>	<b>-</b>	<b>-</b>	<b>(37,816)</b>
<b>Balance at 30 June 2019</b>		<b>373,945</b>	<b>14,140</b>	<b>95,020</b>	<b>483,105</b>
<b>Balance at 1 July 2019</b>		<b>373,945</b>	<b>14,140</b>	<b>95,020</b>	<b>483,105</b>
Surplus		-	-	25,922	25,922
Other comprehensive income	8.10	-	3,880	-	3,880
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>3,880</b>	<b>25,922</b>	<b>29,802</b>
<b>Transactions with owners in their capacity as owners:</b>					
Capital appropriations	8.10	6,007	-	-	6,007
Distribution to owners	8.10	(24,236)	-	-	(24,236)
Transfers to other agencies	8.10	(4,086)	-	-	(4,086)
<b>Total</b>		<b>(22,315)</b>	<b>-</b>	<b>-</b>	<b>(22,315)</b>
<b>Balance at 30 June 2020</b>		<b>351,630</b>	<b>18,020</b>	<b>120,942</b>	<b>490,592</b>

The Statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of cash flows

For the year ended 30 June 2020

	Note	2020 (\$'000)	2019 (\$'000)
<b>Cash flows from State Government</b>			
Service appropriation		63,925	67,346
Capital contributions		6,007	4,654
Holding account drawdown		5,994	6,307
Distributions to owner		(24,159)	(41,056)
Net proceeds on sale of land remitted to consolidated account		-	(277)
Royalties for Regions fund		4,797	9,220
State grants		2,653	1,551
<b>Net cash provided by State Government</b>		<b>59,217</b>	<b>47,745</b>

Utilised as follows:

### Cash flows from operating activities

	Note	2020 (\$'000)	2019 (\$'000)
<b>Payments</b>			
Employee benefits		(98,896)	(89,789)
Supplies and services		(36,030)	(32,343)
Finance costs		(83)	-
Accommodation		(8,476)	(8,269)
Grants and subsidies		(19,390)	(17,107)
GST payments on purchases		(7,667)	(6,664)
Other payments		(3,762)	(2,795)
<b>Receipts</b>			
User charges and fees		30,791	28,896
Commonwealth grants		6,221	1,121
Interest received		528	919
Waste Levy		78,012	77,571
GST receipts on sales		357	295
GST receipts from taxation authority		8,049	5,838
Other receipts		2,363	3,712
Recovery of Waste Levy		-	10,000
<b>Net cash used in operating activities</b>		<b>(47,983)</b>	<b>(28,615)</b>
<b>Cash flows from investing activities</b>			
<b>Payments</b>			
Purchase of non-current assets		(12,133)	(11,469)
Loan payments to WA Return Recycle Renew Ltd (WARRRL)		(750)	-
<b>Receipts</b>			
Proceeds from sale of non-current assets		105	291
<b>Net cash used in investing activities</b>		<b>(12,778)</b>	<b>(11,178)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
Principal elements of lease payments		(1,300)	-
<b>Net cash used in financing activities</b>		<b>(1,300)</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents		(2,844)	7,952
Cash and cash equivalents at the beginning of the period		78,082	70,130
<b>Cash and cash equivalents at the end of period</b>	6.4	<b>75,238</b>	<b>78,082</b>

The Statement of cash flows should be read in conjunction with the accompanying notes.

## Summary of consolidated account appropriations

For the year ended 30 June 2020

	2020 Budget estimate \$'000	2020 Supplementary funding \$'000	Revised budget \$'000	2020 Actual \$'000	2020 Variance \$'000
<b>Delivery of services</b>					
Item 82 Net amount appropriated to deliver services	83,936	-	83,936	81,488	(2,448)
Section 25 Transfer of service appropriation	-	-	-	-	-
Amount authorised by other statute - <i>Salaries and Allowances Act 1975</i>	402	-	402	402	-
<b>Total appropriations provided to deliver services</b>	<b>84,338</b>	<b>-</b>	<b>84,338</b>	<b>81,890</b>	<b>(2,448)</b>
<b>Capital</b>					
Item 143 Capital appropriation	9,940	-	9,940	6,007	(3,933)
<b>Administered transactions</b>					
Administered grants, subsidies and other transfer payments	155	-	155	88	(67)
Administered capital appropriations	-	-	-	-	-
<b>Total administered transactions</b>	<b>155</b>	<b>-</b>	<b>155</b>	<b>88</b>	<b>(67)</b>
<b>Grand total</b>	<b>94,433</b>	<b>-</b>	<b>94,433</b>	<b>87,985</b>	<b>(6,448)</b>

No supplementary income was received by the department.

## Notes to the financial statements

### 1 Basis of preparation

The Department of Water and Environmental Regulation (the department) is a Western Australian Government (State Government) entity and is controlled by the state of Western Australia (WA) which is the ultimate parent. The agency is a not-for-profit entity (as profit is not its principal objective).

These annual financial statements were authorised for issue by the Accountable Authority of the agency on 16 September 2020.

#### (a) Statement of compliance

These general-purpose financial statements are prepared in accordance with:

- 1) *The Financial Management Act 2006*
- 2) The Treasurer's Instructions (TIs)
- 3) Australian Accounting Standards (AAS) – Reduced Disclosure Requirements
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the TIs take precedence over AAS. Several AAS are modified by TIs to vary application, disclosure format and wording. 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

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

### (c) Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

### (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 State Government (the owner) as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions.

Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to contributed equity. 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) Comparative figures

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

## 2 Use of our funding

### Expenses incurred in the delivery of services

This section provides additional information about how the department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the department in achieving its objectives and the relevant notes are:

	Notes	2020 \$'000	2019 \$'000
Employee benefits expense	2.1(a)	102,849	90,665
Employee related provisions	2.1(b)	30,176	25,629
Grants and subsidies	2.2	15,317	15,160
Other expenditure	2.3	50,567	48,720
Loss on disposal of non-current assets	2.4	694	4,664

### 2.1(a) Employee benefits expense

	2020 \$'000	2019 \$'000
Employee benefits	94,073	82,877
Superannuation – defined contribution plans	8,776	7,788
<b>Total employee benefits expenses</b>	<b>102,849</b>	<b>90,665</b>
Add: AASB 16 Non-monetary benefits	969	-
Less: Employee contributions	(140)	-
<b>Net employee benefits</b>	<b>103,678</b>	<b>90,665</b>

► **Employee benefits:**

Include wages and salaries, accrued and paid leave entitlements and paid sick leave; and non-monetary benefits (such as cars, housing and free or subsidised goods or services) for employees.

► **Superannuation:**

The amount recognised in profit or loss of the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs or other superannuation funds.

► **AASB 16 Non-monetary benefits:**

Non-monetary employee benefits, that are employee benefits expenses, predominantly relate to the provision of vehicle and housing benefits are measured at the cost incurred by the department.

## 2.1(b) Employee related provisions

Provision is made for benefits accruing to employees, in respect of wages and salaries, annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

	2020 \$'000	2019 \$'000
<b>Current</b>		
<b>Employee benefits provisions</b>		
Annual leave <sup>(a)</sup>	9,939	7,993
Long service leave <sup>(b)</sup>	13,081	11,696
Purchased annual leave	152	410
Deferred salary scheme <sup>(c)</sup>	132	75
	23,304	20,174
<b>Other provisions</b>		
Employment on-costs <sup>(d)</sup>	870	180
<b>Total current employee related provisions</b>	<b>24,174</b>	20,354
<b>Non-current</b>		
<b>Employee benefits provision</b>		
Long service leave <sup>(b)</sup>	5,785	5,228
<b>Other provisions</b>		
Employment on-costs <sup>(d)</sup>	217	47
<b>Total non-current employee related provisions</b>	<b>6,002</b>	5,275
<b>Total employee related provisions</b>	<b>30,176</b>	<b>25,629</b>

### ► (a) Annual leave liabilities:

Classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

### ► (b) Long service leave liabilities:

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.

The provision for long service leave liabilities is calculated at present value as the department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement, and 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.

► **(c) Deferred salary scheme liabilities:**

Classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

► **(d) Employment on-costs:**

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.

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, note 2.3 (apart from the unwinding of the discount [finance cost]) and are not included as part of the department's Employee benefits expense. The related liability is included in Employment on-costs provision.

	2020 \$'000	2019 \$'000
<b>Employment on-costs provision</b>		
Carrying amount at start of period	227	222
Additional/(reversals of) provisions recognised	860	11
Payments/other sacrifices of economic benefits	-	(6)
<b>Carrying amount at end of period</b>	<b>1,087</b>	<b>227</b>

► **Key sources of estimation uncertainty – long service leave**

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

Several estimates and assumptions are used in calculating the department's long service leave provision. These include:

- expected future salary rates
- discount rates
- employee retention rates
- expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

## 2.2 Grants and subsidies

	Notes	2020 \$'000	2019 \$'000
<b>Recurrent</b>			
Contaminated sites management account grants		246	1,593
Grants other		65	292
National On Farm Water Infrastructure Rebate Scheme <sup>(a)</sup>		3,783	-
National partnership payments <sup>(b)</sup>		-	1,553
Rural water grants	5.4 (c)	207	27
Statewide water efficiency measures		225	180
Waste Avoidance and Resource Recovery (WARR) Account	3.4	9,107	9,029
Water innovation partnership		252	184
Water Sensitive Cities – Cooperative Research Centre		180	160
Watering Western Australia – Royalties for Regions (Regional Infrastructure and Headworks Account) <sup>(c)</sup>		150	1,775
Smart Farming Partnerships <sup>(d)</sup>		525	135
Container deposit scheme (Containers for Change)		126	-
Keep Australia Beautiful Council (WA)		112	112
Revitalising Waterways of Geographe Bay #2 – Royalties for Regions (Regional Community Services Fund)		170	-
Revitalising Waterways of Geographe Bay #1 – Royalties for Regions (Regional Infrastructure and Headworks Account)		64	-
Regional Estuaries Initiative – Royalties for Regions (Regional Infrastructure and Headworks Account)		-	120
<b>Capital</b>			
Establishing and Maintaining Vegetation Offsets Account <sup>(e)</sup>		105	-
<b>Total grants and subsidies</b>		<b>15,317</b>	<b>15,160</b>

Transactions in which the department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as Grant expenses. Grants can either be operating or capital in nature.

Grants can be paid as general-purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

- (a) The State and Commonwealth Governments entered into a project agreement from 1 July 2018 for Commonwealth funding of approximately \$4.620 million for National On-Farm Water Infrastructure Rebate Scheme for farmers for emergency water supply for livestock. The scheme is intended to operate for three years to 30 June 2021. The scheme will support a range of infrastructure works that deliver water for livestock, including installing pumps and pipes for water supply and cleaning out farm dams.

Additional funding of \$1 million was agreed in February 2020 to revise the total budget to \$5.620 million with unchanged scheduled conclusion by 30 June 2021.

- (b) State Government entered into arrangements with the Commonwealth Government in May 2017 for funding of approximately \$6.286 million to be provided for the assessment and development of water infrastructure through the National Water Infrastructure Development Fund. The department currently manages the fund which was established to facilitate detailed planning to build or augment existing water infrastructure such as dams, pipelines and managed aquifer recharge.

The amended bilateral schedule negotiated with the Commonwealth in June 2018 indicated the program was to conclude in 2018–19. There is no indication of any further variation or amendment to the bilateral schedule affecting 2019–20.

- (c) Grants issued in partnership with regional local councils to deliver alternative water supply projects through stormwater harvesting, wastewater re-use, refurbishment of agricultural area dams and town dams.
- (d) The State and Commonwealth Governments entered into a project agreement signed by the department in October 2018 for Commonwealth funding of approximately \$2.365 million for Smart Farming Partnerships – National Landcare Program scheduled to conclude by 30 June 2022. The purpose of the Smart Farming Partnerships is to develop, trial and implement new and innovative tools and farm practices that support industry practice changes that will deliver more productive and profitable agriculture, fishing, aquaculture and farm industries; protect Australia's biodiversity; protect and improve the condition of natural resources (in

particular soils and vegetation); and assist Australia to meet its obligations under relevant international treaties.

The National Landcare program aims to protect, conserve and provide for the productive use of Australia's water, soil, plants and animals and the ecosystems in which they live and interact.

- (e) The Establishing and Maintaining Vegetation Offsets Account (offsets account) was established for the purpose of establishing or maintaining native vegetation (offset) as a condition of a permit to clear native vegetation, under the *Environmental Protection Act 1986*. The department may require an offset to counterbalance residual significant environmental impacts expected from clearing authorised under a clearing permit.
- » The requirement for an offset counterbalances the loss of native vegetation as a condition of a native vegetation clearing permit, after steps have been taken to avoid, minimise and mitigate the impacts of clearing.
  - » The offsets account established under the *Environmental Protection Act 1986* allows for a more strategic approach to offsets. Land purchased or revegetation undertaken using contributions made to the offsets account are published on the Environmental Offsets Register website.
  - » The department liaises with the Department of Biodiversity, Conservation and Attractions to identify and acquire appropriate areas of native vegetation for addition to the conservation estate.

## 2.3 Other expenditure

	2020 \$'000	2019 \$'000
<b>Supplies and services</b>		
Communications	2,009	1,037
Consultants and contractors	24,846	24,265
Consumables	535	301
Materials	296	131
Travel	872	1,023
Vehicle lease and hire	260	1,748
Minor plant, machinery and equipment	289	2,901
Plant, machinery and equipment lease	322	469
Chemical analysis expense	1,032	1,325
Water carting and drought relief	2,985	-
Other suppliers and services	3,567	3,508
<b>Total supplies and services expenses</b>	<b>37,013</b>	36,708
<b>Accommodation expenses</b>		
Rental <sup>(a)</sup>	6,840	6,121
Power and water consumption	626	780
Rates and taxes	64	400
Security	42	95
Repairs and maintenance	521	601
Cleaning	473	395
<b>Total accommodation expenses</b>	<b>8,566</b>	8,392

	2020 \$'000	2019 \$'000
<b>Other expenses</b>		
Audit fees	308	281
Equipment repairs and maintenance	1,229	1,029
Expected credit losses expense	1	159
Transfer of Water For Food funding <sup>(b)</sup>	-	15
Employment on-costs	1,036	317
Revaluation decrement on land and buildings	-	410
Impairment losses on plant and equipment	-	69
Insurance	477	295
Other operating expenses	1,937	1,045
<b>Total other expenses</b>	<b>4,988</b>	3,620
<b>Total other expenditures</b>	<b>50,567</b>	48,720

- (a) Included within rental costs are short-term leases with a lease term of 12 months or less and low value leases of up to \$5,000. This excludes leases with another wholly owned public sector entity lessor agency. Refer to note 4.2 for aggregate short-term and low value leases expense.
- (b) Transfer of remaining funding to the Department of Primary Industries and Regional Development relating to the Water For Food project.

► **Supplies and services**

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

► **Accommodation expenses**

Repairs, maintenance and cleaning costs are recognised as expenses as incurred.

► **Rental expenses include**

- (i) short-term leases with a lease term of 12 months or less
- (ii) low-value leases with an underlying value of \$5,000 or less
- (iii) variable lease payments recognised in the period in which the event or condition that triggers those payments occurs.

► **Other operating expenses**

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

► **Equipment repairs and maintenance**

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

► **Expected credit losses**

The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

► **Employment on-cost**

Employment on-cost includes workers' compensation insurance and other employment on-costs. The on-costs' liability associated with the recognition of annual and long service leave liabilities is included at note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

## 2.4 Loss on disposal of non-current assets

	2020 \$'000	2019 \$'000
<b>Proceeds from disposal of non-current assets</b>		
Land	81	277
Plant, equipment and vehicles	23	-
<b>Carrying amount of non-current assets disposed</b>		
Land	(184)	(320)
Buildings	(75)	-
Measurement sites	(375)	(4,621)
Plant, equipment and vehicles	(155)	-
Computer equipment	(2)	-
Works of art	(5)	-
Intangibles	(2)	-
<b>Loss</b>	<b>(694)</b>	<b>(4,664)</b>

**Realised and 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.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the Statement of comprehensive income (from the proceeds of sale).

## 3 Our funding services

### How we obtain our funding

This section provides additional information about how the department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the department and the relevant notes are:

	Notes	2020 \$'000	2019 \$'000
Income from State Government	3.1	91,643	96,923
User charges and fees	3.2	29,528	28,854
Commonwealth grants	3.3	4,971	2,800
Waste levy	3.4	79,634	77,586
Other revenue	3.5	2,384	4,570

### 3.1 Income from State Government

	2020 \$'000	2019 \$'000
<b>Appropriation received during the period:</b>		
Service appropriation <sup>(a)</sup>	81,890	83,012
	<b>81,890</b>	83,012
<b>State grants<sup>(b)</sup></b>		
Department of Communities	150	-
Department of Biodiversity, Conservation and Attractions	1,724	1,887
Fremantle Ports Authority	-	24
Department of Fire and Emergency Services	188	-
Main Roads Western Australia	91	120
Office of Emergency Management	-	17
Water Corporation	14	14
<b>Total state grants</b>	<b>2,167</b>	2,062

	2020 \$'000	2019 \$'000
<b>Services received free of charge from other State Government agencies during the period<sup>(c)</sup>:</b>		
Department of Finance – Accommodation lease	123	97
Department of Health – Water source and quality management	195	80
Department of Planning, Lands and Heritage – Corporate services	3	-
Department of Primary Industries and Regional Development – Spatial data	50	13
Department of Transport – Environmental assessment	-	50
Landgate – Land Information Services	373	861
Main Roads Western Australia – Clearing permit assessment	250	230
State Solicitor's Office – Legal services	1,795	1,298
<b>Total services received</b>	<b>2,789</b>	2,629
<b>Royalties for Regions fund</b>		
Regional Infrastructure and Headworks Account <sup>(d)</sup>	3,593	9,163
Regional Community Services Account <sup>(d)</sup>	1,204	57
<b>Total Royalties for Regions fund</b>	<b>4,797</b>	9,220
<b>Total income from State Government</b>	<b>91,643</b>	<b>96,923</b>

► **(a) Service appropriation**

Service appropriations are recognised as income at the fair value of consideration received 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 in the bank account or credited to the Amounts receivable for services (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

- cash component
- a receivable (asset).

The receivable (holding account – note 5.2) comprises the following:

- the budgeted depreciation expense for the year
- any agreed increase in leave liabilities during the year.

► **(b) State grants**

State grants are recognised as income at fair value when the grant payments are received.

► **(c) Services received free of charge**

Services received free of charge are recognised as income at fair value when received.

► **(d) The Regional Infrastructure and Headworks Account and Regional Community Services Account**

The Regional Infrastructure and Headworks Account and Regional Community Services Account are sub-funds within the overarching Royalties for Regions fund. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when the department receives the funds. The department has assessed Royalties for Regions agreements and concludes that they are not within the scope of AASB 15 as they do not meet the “sufficiently specific” criteria.

The application of AASB 15 and AASB 1058 from 1 July 2019 has had no impact on the treatment of income from the State Government.

### 3.2 User charges and fees

	2020 \$'000	2019 \$'000
Industry fees <sup>(a)</sup>	24,278	23,972
Controlled waste <sup>(b)</sup>	4,625	4,560
Contaminated sites	135	187
Clearing regulations	403	63
Water regulatory fees	70	57
Other charges and fees	17	15
	<b>29,528</b>	<b>28,854</b>

**Until 30 June 2019**, user charges and fees revenue was recognised and measured at the fair value of the consideration received or receivable.

**From 1 July 2019**, user charges and fees revenue are recognised at the transaction price when the department transfers control of the services to customers. Revenue is recognised for the major activities as follows:

Revenue is recognised at a point-in-time for licences, works approvals and tracking forms. The performance obligations for these user fees and charges are satisfied when the licence, works approval or tracking form is issued to the customer.

- Licensing and registration fees relating to prescribed premises under Part V of the *Environmental Protection Act 1986*.
- Fees for the licensing of vehicles transporting controlled public waste as per the Environmental Protection (Controlled Waste) Regulations 2004.

### 3.3 Commonwealth grants

	2020 \$'000	2019 \$'000
<b>Commonwealth grants – recurrent</b>	<b>4,971</b>	<b>2,800</b>

**Until 30 June 2019**: Income from Commonwealth grants is recognised at fair value when the grant is receivable.

**From 1 July 2019**: Recurrent grants are recognised as income when the grants are receivable.

Capital grants are recognised as income when the department achieves milestones specified in the grant agreement.

Details of the department's Commonwealth grants are as follows:

	2020 \$'000	2019 \$'000
Indian Ocean Territories Account	393	322
Indian Ocean Territories Water	-	5
National Pollutant Inventory	83	83
Smart Farming Partnerships – National Landcare Program	725	452
National On-Farm Emergency Water Infrastructure Rebate Scheme	3,770	250
National Water Infrastructure Development Fund	-	1,688
	<b>4,971</b>	<b>2,800</b>

### 3.4 Waste levy

	2020 \$'000	2019 \$'000
Waste levy	79,634	77,586

The Waste levy transaction price is determined by legislation. The Waste Avoidance and Resource Recovery Account (WARR Account) was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* (WARR Act). Under the Act, licensed metropolitan landfill operators are required to fund the operations of the WARR Account. The WARR Account holds revenue allocated from the levy to fund waste management programs.

The Waste levy income is recognised and accrued quarterly by the department based on estimated waste volumes and is subsequently adjusted to actual based on actual waste volume determined from the quarterly return submitted by the licensed landfill operators the following month. At the end of the financial year the waste levy is adjusted to actual before the department's financial statements are signed.

### 3.5 Other revenue and income

	2020 \$'000	2019 \$'000
Services rendered		
Establishing and Maintaining Vegetation Offsets Account <sup>(a)</sup>	192	2,540
Pilbara Environmental Offsets Fund <sup>(b)</sup>	685	-
Lease rentals – land and buildings	315	220
Gain on disposal of lease arrangement	1	-
Grants and subsidies revenue – recurrent	-	148
Tree annuity	58	179
Tree harvest	67	160
Recoup – expense overpaid prior year	21	55
Insurance recovery – workers' compensation prior year	95	3
Reversal of impairment losses on plant and equipment	69	-
Assets found during the period – works of art	-	146
Asset revenue <sup>(c)</sup>	65	689
Other revenue	816	430
	<b>2,384</b>	<b>4,570</b>

(a) The department administers the *Environmental Protection Act 1986* which regulates the clearing of native vegetation. Clearing of native vegetation requires the authority of a clearing permit unless it is of an exempt kind.

Clearing permits may include conditions requiring an offset to counterbalance the impacts of clearing. Offsets requirements are imposed in accordance with the WA Environmental Offsets Policy (2011) and the WA Environmental Offsets Guidelines (2014). Some offset requirements involve payment of a monetary contribution into the Establishing and Maintaining Vegetation Offsets Account, which is an account managed by the department.

Contributions into the Establishing and Maintaining Vegetation Offsets Account are made following the grant of the associated clearing permit, and after any related appeals have been received and determined. Revenue from the offsets are recognised at a point-in-time i.e. when the department issues an invoice to the permit holder requesting payment of the contribution into the fund.

- (b) In 2012, the WA Minister for Environment mandated that proponents in the Pilbara region pay their environmental offsets into a strategic fund for conservation. In the same year, the Federal Minister for Environment gave proponents the option of doing so. This led to the establishment of the Pilbara Environmental Offsets Fund. The fund combines money from individual offset payments required under Part V of the *Environmental Protection Act 1986* and may combine contributions required under part 9 or 10 of the *Commonwealth Environmental and Biodiversity Conservation Act 1999*. The establishment of the fund enables the State Government to combine offset money and partner with regional land management organisations to deliver projects that achieve better and more

connected biodiversity conservation outcomes. The department is responsible for managing the fund to ensure that offset payments directly benefit vegetation and habitat impacted by mining.

Despite conditions being included in Ministerial Statements from 2012, the Pilbara Environmental Offset Fund was only established on 18 April 2018. The Ministerial Statements define the proponents of the fund. Implementation conditions within these Ministerial Statements require the preparation of an Impact Reconciliation Report in order to determine the quantum of money owed to the fund by proponents.

Revenue from Pilbara Environmental Offsets Fund is recognised at a point-in-time, i.e. recognised when the department has the right to invoice the proponent. The department has the right to invoice the proponent following submission and acceptance of the proponent's Impact Reconciliation Report.

- (c) Revenue is related to an increment in value of building (2019: land) assets after revaluation. It is recognised as other revenue to the extent it reverses the loss on revaluation recognised as other expenses in previous years. No revaluation surplus existed in the previous year.

## 4 Key assets

### Assets the department utilises for economic benefit or service potential

This section includes information regarding the key assets the department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2020 \$'000	2019 \$'000
Infrastructure, property, plant and equipment	4.1	350,377	347,936
Right-of-use assets	4.2	3,137	-
Intangible assets	4.3	17,582	20,379
<b>Total key assets</b>		<b>371,096</b>	<b>368,315</b>



#### 4.1 Infrastructure, property, plant and equipment

	Capital works in progress \$'000	Works of art \$'000	Computer equipment \$'000	Vehicles \$'000	Infrastructure \$'000	Plant and equipment \$'000	Measurement sites \$'000	Leasehold improvements \$'000	Buildings \$'000	Land \$'000	Total \$'000
<b>Year ended 30 June 2020</b>											
<b>1 July 2019</b>											
Gross carrying amount	10,404	162	522	217	4,612	5,920	170,628	11	4,630	152,712	349,818
Accumulated depreciation	-	-	(250)	(51)	(185)	(1,326)	-	(1)	-	-	(1,813)
Accumulated impairment losses	-	-	-	-	-	(69)	-	-	-	-	(69)
<b>Carrying amount at start of period</b>	<b>10,404</b>	<b>162</b>	<b>272</b>	<b>166</b>	<b>4,427</b>	<b>4,525</b>	<b>170,628</b>	<b>10</b>	<b>4,630</b>	<b>152,712</b>	<b>347,936</b>
Additions	7,994	-	76	6	557	297	14	73	46	-	9,063
Transfers in/(out) <sup>(a)</sup>	(10,908)	-	269	-	-	858	8,308	145	-	1,328	-
Transfers to other agencies <sup>(b)</sup>	-	-	-	-	(3,641)	-	-	-	-	(445)	(4,086)
Disposals	-	(5)	(2)	-	-	(155)	(375)	-	(75)	(184)	(796)
Expensed during the year	-	(54)	-	-	-	-	-	-	-	-	(54)
Revaluation increments/ (decrements)	-	-	-	-	-	-	3,029	-	77	840	3,946
Reversal of impairment losses <sup>(c)</sup>	-	-	-	-	-	69	-	-	-	-	69
Depreciation	-	-	(215)	(42)	(113)	(702)	(4,503)	(10)	(116)	-	(5,701)
<b>Carrying amount at 30 June 2020</b>	<b>7,490</b>	<b>103</b>	<b>400</b>	<b>130</b>	<b>1,230</b>	<b>4,892</b>	<b>177,101</b>	<b>218</b>	<b>4,562</b>	<b>154,251</b>	<b>350,377</b>
Gross carrying amount	7,490	103	784	223	1,335	6,759	177,101	229	4,562	154,251	352,837
Accumulated depreciation	-	-	(384)	(93)	(105)	(1,867)	-	(11)	-	-	(2,460)
Accumulated impairment losses	-	-	-	-	-	-	-	-	-	-	-

- (a) Transfers in/(out) from tangible capital works in progress to completed assets.
- (b) The Department of Planning, Lands and Heritage (DPLH) is the only department with the power to sell crown land. The land is transferred to DPLH for sale and the agency accounts for the transfer as a distribution to owner.
- (c) Recognised in the Statement of comprehensive income due to the fact that the increment reverses a previous decrement (in respect of the same class of assets) which was recognised as an expense in the prior period's profit or loss.

#### Commitments:

At 30 June 2020, the amount of contractual commitments for the acquisition of infrastructure, property, plant and equipment was \$7.7 million including GST (30 June 2019: \$9.7 million).

#### ► Initial recognition

Items of infrastructure, property, plant and equipment costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of infrastructure, property, plant and equipment costing less than \$5,000 are immediately expensed to the Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

#### ► Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land
- buildings
- measurement sites.

Land is carried at fair value.

Buildings and measurement sites are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

**Land and buildings** are independently valued annually by the WA Land Information Authority (valuations and property analytics) 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.

Land and buildings were revalued as at 1 July 2019 by the WA Land Information Authority (valuations and property analytics). The valuations were performed during the year ended 30 June 2020 and recognised at

30 June 2020. In undertaking the revaluation, fair value was determined by reference to market values for land: \$40,540,100 (2019: \$39,957,150) and buildings: \$2,631,500 (2019: \$2,631,500). For the remaining balance, the fair value of buildings was determined on the basis of current replacement cost and the fair value of land was determined on the comparison utility basis with market evidence for land with low-level utility (high restricted use land).

Revaluation model:

Where the fair value of building is determined on the current replacement cost basis, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

**Measurement sites** are independently valued every five years by an external services valuer. In the intervening years, the measurement sites are revalued internally by use of other heavy and civil engineering construction building cost index provided by the Australian Bureau of Statistics. Groundwater measurement sites were independently revalued by Aquenta Consulting as at 30 June 2017. Fair value for measurement sites is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost.

Revaluation model:

Where the fair value of measurement sites is determined on the current replacement cost basis, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

#### Significant assumptions and judgements:

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

#### 4.1.1 Depreciation and impairment

##### ► Charge for the period

	2020 \$'000	2019 \$'000
<b>Depreciation</b>		
Buildings	116	119
Infrastructure	113	111
Plant and equipment	702	695
Vehicles	42	31
Computer equipment	215	99
Leasehold improvements	10	264
Measurement sites	4,503	4,292
<b>Total depreciation</b>	<b>5,701</b>	<b>5,611</b>

As at 30 June 2020, there were no indications of impairment on infrastructure, property, plant and equipment (2019: \$69,000).

### ► Finite useful lives

All infrastructure, property, plant and equipment 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. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful Life: Years
Buildings	20–40 years
Leasehold improvement <sup>(b)</sup>	20 years
Measurement sites	40 years
Plant and equipment	5–20 years
Computer equipment (hardware and software <sup>(a)</sup> )	3–5 years
Infrastructure	20–50 years
Vehicles and boating	5–6 years

- (a) Software that is integral to the operation of related hardware.  
 (b) Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

### ► Impairment

Non-financial assets, including items of plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset measured at cost is written down to its recoverable amount, an impairment loss is recognised through profit and loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

## 4.2 Right-of-use assets

	2020 \$'000	2019 \$'000
<b>Right-of-use assets</b>		
Buildings	613	-
Computer equipment	395	-
Motor vehicles	2,024	-
Plant and equipment	105	-
<b>Net carrying amount at 30 June 2020</b>	<b>3,137</b>	<b>-</b>

Additions to right-of-use assets during the 2020 financial year were \$1 million.

### ► Initial recognition

Right-of-use assets are measured at cost including the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs, including dismantling and removing the underlying asset.

This includes all leased assets other than investment property right-of-use assets, which are measured in accordance with AASB 140 *Investment Property*.

The department has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low-value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

#### ► Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

#### ► Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the department at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.1.

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2020 \$'000	2019 \$'000
Buildings	223	-
Computer equipment	216	-
Motor vehicles	801	-
Plant and equipment	209	-
<b>Total right-of-use assets depreciation</b>	<b>1,449</b>	<b>-</b>
Lease interest expense	84	-
Short-term leases	88	-

The total cash outflow for leases in 2019–20 was \$1.4 million.

The department's leasing activities and how these are accounted for:

The department has leases for vehicles, plant and equipment, computer equipment, office and residential accommodations.

The department has also entered into Memorandum of Understanding (MOU) agreements with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Up to 30 June 2019, the department classified leases as either finance leases or operating leases. From 1 July 2019, the department recognises leases as right-of-use assets and associated lease liabilities in the Statement of financial position.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.1.



### 4.3 Intangible assets

	Capital Works in progress	Analytical products	Licences	Computer software	Total
Year ended 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1 July 2019</b>					
Gross carrying amount	4,029	8,857	21	18,346	31,253
Accumulated amortisation	-	(1,724)	(3)	(9,147)	(10,874)
<b>Opening amount at start of period</b>	<b>4,029</b>	<b>7,133</b>	<b>18</b>	<b>9,199</b>	<b>20,379</b>
Additions	2,568	-	18	592	3,178
Transfers in/(out) <sup>(a)</sup>	(1,719)	-	11	1,708	-
Disposal	-	-	-	(2)	(2)
Amortisation expense	-	(886)	(11)	(5,076)	(5,973)
<b>Carrying amount at 30 June 2020</b>	<b>4,878</b>	<b>6,247</b>	<b>36</b>	<b>6,421</b>	<b>17,582</b>
Gross carrying amount	4,878	8,857	50	20,590	34,375
Accumulated amortisation	-	(2,610)	(14)	(14,169)	(16,793)

(a) Transfer in/(out) from capital works in progress to completed assets.

#### Commitments:

At 30 June 2020, the amount of contractual commitments for the acquisition of intangible assets was \$405,000 including GST (30 June 2019: \$0).

#### ► Initial recognition

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.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- an intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- the intangible asset will generate future economic benefit
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure directly attributable to the intangible asset during its development.

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$5,000 or more that comply with the recognition criteria as per AASB 138.57 (as noted above), are capitalised.

Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income.

Costs incurred in the research phase of a project are immediately expensed.

#### ► Subsequent measurement

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

#### 4.3.1 Amortisation and impairment

	2020 \$'000	2019 \$'000
<b>Charge for the period</b>		
Analytical products	886	874
Computer software	5,076	5,215
Licences	11	3
<b>Total amortisation for the period</b>	<b>5,973</b>	<b>6,092</b>

As at 30 June 2020 there were no indications of impairment to intangible assets.

The department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

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

Licences	3 years
Software <sup>(a)</sup>	3–5 years
Analytical products <sup>(b)</sup>	10 years

- (a) Software that is not integral to the operation of related hardware.
- (b) Analytical products are intangible assets such as geophysical datasets and surveys which are usually produced as part of project work. These products are used by the department to improve its understanding and management of water resources.

#### ► Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 4.1.1.

## 5 Other assets and liabilities

This section sets out those assets and liabilities that arose from the department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2020 \$'000	2019 \$'000
Receivables	5.1	23,230	22,748
Amounts receivable for services	5.2	58,602	46,631
Other assets	5.3	2,217	2,063
Payables	5.4	(4,699)	(8,585)
Contract liabilities	5.5	(1,749)	-
Other current liabilities	5.6	(4)	(520)

### 5.1 Receivables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade receivables	1,386	1,645
Allowance for impairment of trade receivables	(168)	(167)
Accrued revenue	20,148	19,343
GST receivable	1,113	1,927
Loan to WARRRL – Facility B <sup>(a)</sup>	188	-
<b>Total current</b>	<b>22,667</b>	22,748
<b>Non-current</b>		
Loans and advances:		
Loan to WARRRL – Facility B <sup>(a)</sup>	563	-
<b>Total non-current</b>	<b>563</b>	-
<b>Total receivables</b>	<b>23,230</b>	<b>22,748</b>

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

Trade receivables are recognised at the original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

- (a) On 1 October 2020, Containers for Change will commence in WA. Containers for Change is the new statewide container deposit scheme and is run by WA Return Recycle Renew Ltd (WARRRL); a not-for-profit company responsible for establishing the collection network and managing the day-to-day scheme operations.

On 11 June 2020, the state – represented by the department acting for the Waste Authority – entered into a loan agreement with WARRRL to fund the initial cash flow needs of the container deposit scheme. The funds for the loan to WARRRL will be paid out of the Waste Avoidance and Resource Recovery Account (for additional information please refer to note 8.7 Special purpose accounts).

The loan agreement has two distinct facilities:

► **Facility A – An interest-bearing loan with a maximum commitment of \$16 million**

The purpose of the loan is to fund payments by the scheme coordinator (WARRRL) to scheme counterparties (such as refund point operators and logistics and processing service providers), payment of other costs reasonably incurred in the implementation of the scheme and other costs approved in writing by the state during the loan period.

The loan commitment period commenced on 11 June 2020 (the commencement date of the loan agreement) and ends on

the maturity date; being 18 calendar months after the scheme commencement date (1 October 2020).

Interest is payable at an interest rate applicable to the Public Bank Account on the first day of the interest period. The interest period will be one month, and the first interest period is the period commencing on the drawdown date for the loan.

Loan repayments commence six months after the scheme commencement date and thereafter on the last business day of each subsequent calendar month. For Facility A, i.e. the amount to be repaid is equal to the amount of the principal outstanding under Facility A on that repayment date divided by the number of periods remaining until maturity date.

Interest repayments commence six months after the scheme commencement date and for each subsequent interest payment the last day of each month.

► **Facility B – An interest-free loan with a maximum commitment of \$3.5 million**

The purpose of the loan is to fund payments by the scheme coordinator (WARRRL) to network participants approved by the state as eligible recipients whose anticipated revenue was delayed during the loan period due to the scheme's deferral because of the COVID-19 pandemic. The costs that could be met through the



loan were limited to commercial property leases, lease outgoing, property utilities costs (for example water services charges and rates); bank loans to secure property; and bank loans to fund construction and collection network employees.

The loan commitment period commenced on 11 June 2020 (the commencement date of the loan agreement) and ends 20 business days after the scheme commencement date (1 October 2020).

Loan repayments commence six months after the scheme commencement date and thereafter on the last business day of each subsequent calendar month. For Facility B, i.e. the amount to be repaid is equal to the amount of the principal outstanding under Facility B on that repayment date divided by the number of periods remaining until maturity date.

Both the loans facilities are secured by a charge over present and after acquired property, interests, rights and proceeds of WARRRL.

## 5.2 Amounts receivable for services (holding account)

	2020 \$'000	2019 \$'000
Current	6,057	5,994
Non-current	52,545	40,637
<b>Balance at end of period</b>	<b>58,602</b>	<b>46,631</b>

Amounts receivable for services represent 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.

Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the holding accounts).

## 5.3 Other assets

	2020 \$'000	2019 \$'000
<b>Current</b>		
Prepayments	2,161	2,063
<b>Total current</b>	<b>2,161</b>	2,063
<b>Non-current</b>		
Prepayments	56	-
<b>Total non-current</b>	<b>56</b>	-
<b>Balance at end of period</b>	<b>2,217</b>	<b>2,063</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 5.4 Payables

	2020 \$'000	2019 \$'000
<b>Current</b>		
Trade payables <sup>(a)</sup>	1,236	2,529
Other payables <sup>(a)</sup>	1,194	572
Accrued expenses <sup>(c)</sup>	1,134	5,147
Accrued salaries <sup>(b)</sup>	1,135	337
<b>Balance at end of period</b>	<b>4,699</b>	<b>8,585</b>

- (a) Payables are recognised at the amounts 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.
- (b) Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see note 6.4 Restricted cash and cash equivalents) consists of amounts paid annually, from department appropriations for salaries expense, into a Treasury 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.

- (c) In 2018–19, accrued expenses primarily related to rural water grants of \$2,876,000 (2020: \$0). The program officially closed on 30 June 2018 and unprocessed applications for rebates were accrued as liabilities of the department.

## 5.5 Contract liabilities

	2020 \$'000	2019 \$'000
Opening balance at beginning of period	-	-
Initial application of AASB 15	516	-
Restated balance at beginning of period	516	-
Additions	1,749	-
Revenue recognised in the period	(516)	-
<b>Total contract liabilities</b>	<b>1,749</b>	<b>-</b>
Current	1,749	-
Non-current	-	-

The department's contract liabilities primarily relate to user charges and fees yet to be performed as the licence, works approval or tracking form has not been issued to the customer.

## 5.6 Other current liabilities

	2020 \$'000	2019 \$'000
Revenue received in advance	-	516
Stale cheque holding account	4	4
<b>Total current liabilities</b>	<b>4</b>	<b>520</b>

## 6 Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the department.

	Notes	2020 \$'000	2019 \$'000
Lease liabilities	6.1	3,163	-
Assets pledged as security	6.2	3,137	-
Finance costs	6.3	84	-
Cash and cash equivalents	6.4	75,238	78,082

### 6.1 Lease liabilities

	2020 \$'000	2019 \$'000
Current	1,143	-
Non-current	2,020	-
<b>Balance at end of period</b>	<b>3,163</b>	<b>-</b>

The department measures a lease liability, at the commencement date, at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the department uses the incremental borrowing rate provided by the WA Treasury Corporation.

Lease payments included by the department as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)

- payments for penalties for terminating a lease, where the lease term reflects the department exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the department if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of lease liability, that are dependent on sales are recognised by the department in profit or loss in the period in which the condition that triggers those payments occurs. This section should be read in conjunction with note 4.2.

#### ► Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

## 6.2 Assets pledged as security

	2020 \$'000	2019 \$'000
<b>Assets pledged as security</b>		
The carrying amounts of non-current assets pledged as security are:		
Right-of-use asset vehicles	2,024	-
Right-of-use asset plant and equipment	105	-
Right-of-use asset computer equipment	395	-
Right-of-use asset buildings	613	-
<b>Total assets pledged as security</b>	<b>3,137</b>	<b>-</b>

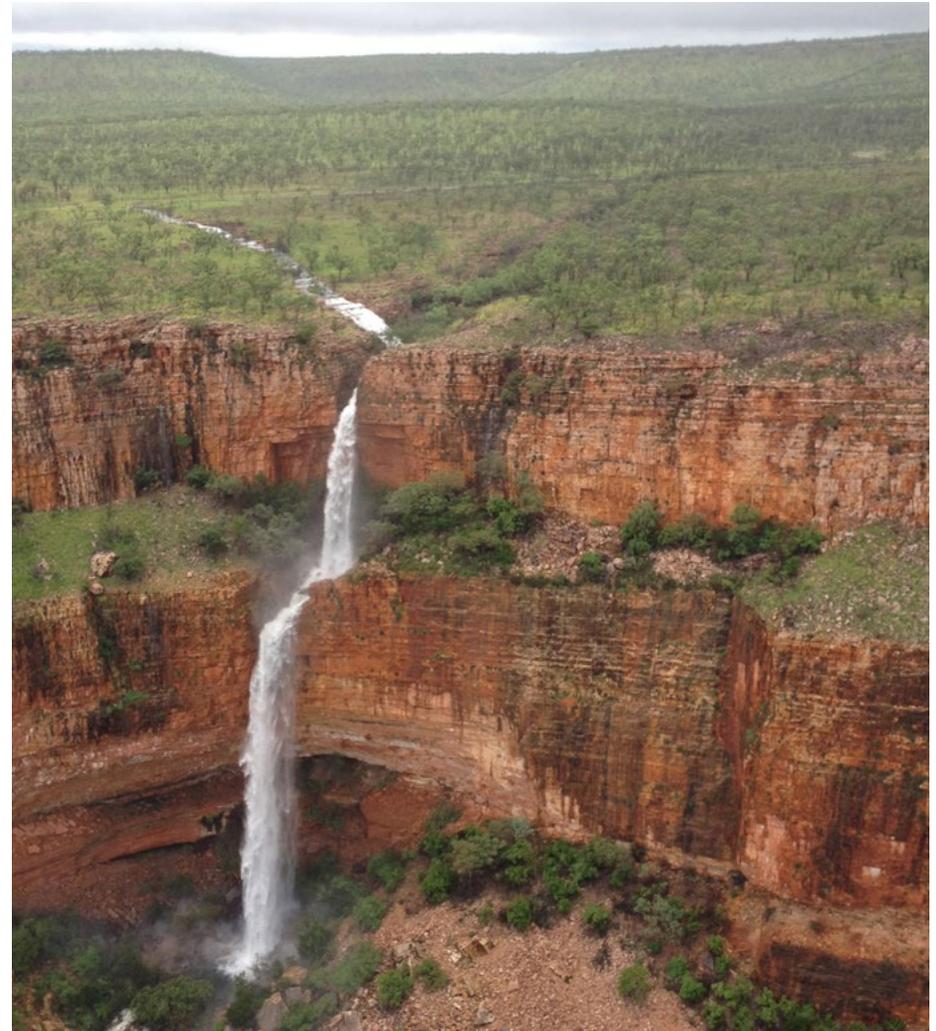
The department has secured the right-of-use assets against related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

### 6.3 Finance costs

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	2020 \$'000	2019 \$'000
Lease interest expense	84	-

Finance cost includes the interest component of lease liability repayments.



## 6.4 Cash and cash equivalents

	2020 \$'000	2019 \$'000
<b>Current</b>		
Cash and cash equivalents	9,348	11,958
Restricted cash and cash equivalents <sup>(a)</sup>	64,402	65,105
<b>Total current</b>	<b>73,750</b>	77,063
<b>Non-current</b>		
Restricted cash and cash equivalents <sup>(b)</sup>	1,488	1,019
<b>Total non-current</b>	<b>1,488</b>	1,019
<b>Balance at end of period</b>	<b>75,238</b>	<b>78,082</b>

(a) Composed of the Waste Avoidance and Resource Recovery Account (\$39.8 million), Establishing and Maintaining Vegetation Offsets Account (\$11.2 million), Low Emissions Energy Development Fund (\$9.3 million), and other funds (\$4.1 million) that are restricted in their purpose and cannot be used in general operations.

(b) Funds are held in the accrued salaries suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalents (and restricted cash and cash equivalent) assets comprise of 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 and the funds held in the suspense account for the purpose of meeting the 27th pay.

## 7 Financial instruments and contingencies

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2

### 7.1 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:

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	75,238	78,082
Financial assets at amortised cost <sup>(a)</sup>	80,719	67,452
<b>Total financial assets</b>	<b>155,957</b>	<b>145,534</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	7,862	8,585
<b>Total financial liabilities</b>	<b>7,862</b>	<b>8,585</b>

(a) The amount of Financial assets at amortised cost excludes the GST recoverable from the ATO (statutory receivable).

## 7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

### 7.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

	2020 \$'000	2019 \$'000
Benefit potentially receivable in relation to Supreme Court action concerning land leased by the Water Resources Ministerial Body.	180	-
Benefit potentially receivable in relation to Supreme Court action involving Fobbing Hall Pty Ltd.	-	100
Benefit potentially receivable in relation to Supreme Court action involving R.C.G Technologies Pty Ltd.	-	2,940
Benefit potentially receivable from the state's claim for outstanding waste levies involving the City of Armadale.	-	5,070
	<b>180</b>	<b>8,110</b>

### 7.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

	2020 \$'000	2019 \$'000
Costs potentially payable in relation to WA Industrial Relations Commission action involving termination of a registered employee.	-	180
Costs potentially payable in relation to Supreme Court action involving Fobbing Hall Pty Ltd.	-	100
Costs potentially payable in relation to Supreme Court action concerning land leased by the Water Resources Ministerial Body.	200	-
Potential exposure in relation to current litigation with a former employee. The matter is still on-going, and a further conciliation conference is about to proceed in the Equal Opportunity Commission.	75	-
<b>Contaminated sites</b>		
Under the <i>Contaminated Sites Act 2003</i> , state agencies are required to report known and suspected contaminated sites to the department. In accordance with the Act, the department classifies these sites on the basis of risk to human health, the environment and environmental values. Where sites are classified as <i>contaminated – remediation required</i> or <i>possibly contaminated – investigation required</i> , the department may have a liability in respect of investigation or remediation expenses.		
There is an outstanding contingent liability in relation to the remediation of the Brookdale Liquid Waste Treatment Facility in agreement with the Water Corporation.	400	400
	<b>675</b>	<b>680</b>

## 8 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Initial application of Australian Accounting Standards	8.2
Key management personnel	8.3
Related party transactions	8.4
Related bodies	8.5
Affiliated bodies	8.6
Special purpose accounts	8.7
Indian Ocean Territories Account	8.8
Remuneration of auditors	8.9
Equity	8.10
Supplementary financial information	8.11
Explanatory statement (controlled operations)	8.12

### 8.1 Events occurring after the end of the reporting period

There are no significant events that occurred after the end of the reporting period.

## 8.2 Initial application of Australian Accounting Standards

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### ► **AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities**

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* for annual reporting periods on or after 1 January 2019. Under the new model, an entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer and is based upon the transfer of control rather than transfer of risks and rewards.

AASB 15 focuses on providing sufficient information to the users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers. Revenue is recognised by applying the following five steps:

- identifying contracts with customers
- identifying separate performance obligations
- determining the transaction price of the contract
- allocating the transaction price to each of the performance obligations
- recognising revenue when or as each performance obligation is satisfied.

Revenue is recognised either over time or at a point in time. Any distinct goods or services are separately identified and any discounts or rebates in the transaction price are allocated to each separate element.

In addition, income other than from contracts with customers are subject to AASB 1058 *Income of Not-for-Profit Entities*. Income recognition under AASB 1058 depends on whether such a transaction gives rise to liabilities or a contribution by owners related to an asset (such as cash) received by the department.

The department adopts the modified retrospective approach on transition to AASB 15 and AASB 1058. No comparative information is restated under this approach, and the department recognises, if applicable, the cumulative effect of initially applying the standards as adjustments to the opening balance of accumulated surplus/(deficit) at the date of initial application (1 July 2019).

Under this transition method, the department applies the standards retrospectively only to contracts and transactions that are not completed at the date of initial application (1 July 2019).

Refer to notes 3.1 to 3.5 for the revenue and income accounting policies adopted.

There was no material impact of adopting AASB 15 and AASB 1058.

► **AASB 16 Leases**

AASB 16 *Leases* supersedes AASB 117 *Leases* and related Interpretations. AASB 16 primarily affects lessee accounting and provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The department applies AASB 16 *Leases* from 1 July 2019 using the modified retrospective approach. As permitted under the specific transition provisions, comparatives are not restated. The cumulative effect of initially applying this standard is recognised as an adjustment to the opening balance of accumulated surplus.

The main changes introduced by this standard include identification of lease within a contract and a new lease accounting model for lessees that require lessees to recognise all leases (operating and finance leases) on the Statement of financial position as right-of-use assets and lease liabilities, except for short-term leases (lease terms of 12 months or less at commencement date) and low-value assets (where the underlying asset is valued less than \$5,000). The operating lease and finance lease distinction for lessees no longer exists.

Under AASB 16, the department takes into consideration all operating leases that were off balance sheet under AASB 117 and recognises:

- (a) right-of-use assets and lease liabilities in the Statement of financial position, initially measured at the present value of future lease payments, discounted using the incremental borrowing rate (2.5%) on 1 July 2019
- (b) depreciation of right-of-use assets and interest on lease liabilities in the Statement of comprehensive income
- (c) the total amount of cash paid as principal amount, which is presented in the cash flows from financing activities, and interest paid, which is presented in the cash flows from operating activities, in the Statement of cash flows.

In relation to leased vehicles that were previously classified as finance leases, their carrying amount before transition is used as the carrying amount of the right-of-use assets and the lease liabilities as of 1 July 2019.

The department measures concessionary leases that are of low-value terms and conditions at cost at inception. There is no financial impact as the department is not in possession of any concessionary leases at the date of transition.

The right-of-use assets are assessed for impairment at the date of transition and the department has not identified any impairments to its right-of-use assets.

On transition, the department has elected to apply the following practical expedients in the assessment of its leases that were previously classified as operating leases under AASB 117:

- (a) a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics
- (b) the department has relied on its assessment of whether existing leases were onerous in applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. The department has adjusted the right-of-use asset at 1 July 2019 by the amount of any provisions included for onerous leases recognised in the Statement of financial position at 30 June 2019
- (c) where the lease term at initial application ended within 12 months, the department has accounted for these as short-term leases
- (d) initial direct costs have been excluded from the measurement of the right-of-use asset
- (e) hindsight has been used to determine if the contracts contained options to extend or terminate the lease.

The department has not reassessed whether existing contracts contained a lease at 1 July 2019. The requirements of paragraphs 9–11 of AASB 16 are applied to contracts that came into existence post 1 July 2019.

Measurement of lease liabilities:

	\$'000
Operating lease commitments disclosed as at 30 June 2019	68,770
Add: Operating lease commitments previously not disclosed	1,704
Less: Government office accommodation – arrangements not in AASB 16 scope	(66,792)
Adjusted operating lease commitments as at 30 June 2019	3,682
Discounted using incremental borrowing rate at date of initial application <sup>(a)</sup>	3,556
Add: Finance lease liabilities recognised as at 30 June 2019	-
Less: Short-term leases not recognised as liability	-
Less: Low-value leases not recognised as liability	-
<b>Lease liability recognised at 1 July 2019</b>	<b>3,556</b>
Current lease liabilities	1,181
Non-current lease liabilities	2,375

- (a) The WA Treasury Corporation incremental borrowing rate was used for the purposes of calculating the lease transition opening balance.

### 8.3 Key management personnel

The department has determined key management personnel to include Cabinet Ministers and senior officers of the department. The department does not incur expenditures to compensate Ministers and those disclosures may be found in the annual report on state finances.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the department for the reporting period are presented within the following bands:

	2020	2019
<b>Compensation band (\$)</b>		
\$350,001–\$360,000	1	1
\$250,001–\$260,000	1	-
\$240,001–\$250,000	-	1
\$230,001–\$240,000	-	2
\$220,001–\$230,000	1	2
\$210,001–\$220,000	2	2
\$200,001–\$210,000	2	-
\$190,001–\$200,000	1	-
\$110,001–\$120,000	1	-
\$80,001–\$90,000	-	1
\$60,001–\$70,000	1	-
	<b>2020 \$'000</b>	<b>2020 \$'000</b>
<b>Total compensation of senior officers</b>	<b>2,050</b>	<b>2,037</b>

Total compensation includes the superannuation expense incurred by the department in respect of senior officers.

## 8.4 Related party transactions

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The department is a wholly owned public sector entity that is controlled by the state of WA.

Related parties of the department include:

- all Cabinet 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 statutory authorities including related bodies that are included in the whole-of-government consolidated financial statements (i.e. wholly owned public sector entities)
- associates and joint ventures of a wholly owned public sector entity
- the Government Employees Superannuation Board.

### ► Material transactions with other related parties

Outside of normal citizen type transactions with the department there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

## 8.5 Related bodies

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The department currently does not provide any assistance to other agencies which would deem it to be regarded as related bodies under the definitions included in TI 951 Related and Affiliated Bodies.

## 8.6 Affiliated bodies

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The department currently does not provide any assistance to other agencies which would deem it to be regarded as affiliated bodies under the definitions included in TI 951 Related and Affiliated Bodies.

## 8.7 Special purpose accounts

### ► Reserve 31165 trust account<sup>(i)</sup>

The purpose of the account is joint management as specified in clause 9 of the agreement and in relation to land south of Lake Argyle for the purposes of protecting the water resource value of Lake Argyle and the Ord River Dam. Lake Argyle Reserve 31165 (Reserve 31165 trust account) has been held under joint vesting by the Water Resources Ministerial Body and the Yawoorroong Miriuwung Gajerrong Yirrgeb Noong Dawang Aboriginal Corporation (MG Corporation). The transfer of the vesting of Reserve 31165 trust account solely to the MG Corporation was completed by registration of a Management Order in March 2020. MG Corporation now has the care, control and management of Reserve 31165 trust account and is also the sole lessor for leases over Argyle Downs, Spring Creek and Lissadell cattle stations.

	2020 \$'000	2019 \$'000
Balance at start of period	597	481
Receipts	124	123
Payments	(721)	(7)
<b>Balance at end of period</b>	<b>-</b>	<b>597</b>

### ► Contaminated sites management account<sup>(ii)</sup>

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.

	2020 \$'000	2019 \$'000
Balance at start of period	557	1,863
Receipts	135	187
Payments	(346)	(1,493)
<b>Balance at end of period</b>	<b>346</b>	<b>557</b>

### ► Waste Avoidance and Resource Recovery Account<sup>(ii)</sup>

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; and to encourage applied research and the development of appropriate waste management, waste reduction, 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 WA.

	2020 \$'000	2019 \$'000
Balance at start of period	39,980	38,581
Receipts	21,276	21,663
Payments – loan to WARRRL <sup>(a)</sup>	(750)	-
Payments	(20,711)	(20,264)
<b>Balance at end of period</b>	<b>39,795</b>	<b>39,980</b>

(a) For additional information please refer to note 5.1 Receivables.

#### ► Pilbara Environmental Offsets Fund<sup>(iii)</sup>

The purpose of the account is to deliver environmental offset projects in the Pilbara bioregion of WA in partnership with traditional owners, conservation agencies, industry and government.

	2020 \$'000	2019 \$'000
Balance at start of period	-	-
Receipts	684	-
Payments	(188)	-
<b>Balance at end of period</b>	<b>496</b>	<b>-</b>

(i) Established under section 16(1)(c) of the *Financial Management Act 2006*

(ii) Established under section 16(1)(b) of the *Financial Management Act 2006*

(iii) Established under section 16(1)(d) of the *Financial Management Act 2006*

## 8.8 Indian Ocean Territories Account

#### ► Indian Ocean Territories Account

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

	2020 \$'000	2019 \$'000
Balance at start of period	(12)	7
Receipts	435	327
Payments	(376)	(346)
<b>Balance at end of period<sup>(a)</sup></b>	<b>47</b>	<b>(12)</b>

(a) Under the terms of the Service Delivery Arrangement, the department is to provide a statement of operating and capital expenditure and revenue for the previous financial year to the Commonwealth by 31 August each year.

This notification enables adjustments to biannual payments to be made early in the financial year to take into account any under or overspends against budget estimates from the previous financial year.

## 8.9 Remuneration of auditors

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

	2020 \$'000	2019 \$'000
Auditing the accounts, financial statements, controls and key performance indicators	283	298

## 8.10 Equity

	2020 \$'000	2019 \$'000
<b>Contributed equity</b>		
Balance at start of period	373,945	411,761
<b>Contributions by owners</b>		
Capital appropriation	6,007	4,654
<b>Total contributions by owners</b>	<b>379,952</b>	416,415
<b>Distributions to owners</b>		
Transfer to consolidated account	(24,236)	(41,333)
Transfer to other agencies:		
Land transferred to the Department of Planning, Lands and Heritage	(432)	(87)
Infrastructure and land transferred to the Department of Biodiversity, Conservation and Attractions	(3,654)	(1,050)
<b>Total distributions to owners</b>	<b>(28,322)</b>	(42,470)
<b>Balance at end of period</b>	<b>351,630</b>	<b>373,945</b>
<b>Asset revaluation surplus</b>		
Balance at start of period	14,140	1,305
Net revaluation increment:		
Land, buildings and measurement sites	3,880	12,835
<b>Balance at end of period</b>	<b>18,020</b>	<b>14,140</b>

## 8.11 Supplementary financial information

### ► (a) Write-offs

	2020 \$'000	2019 \$'000
The accountable authority	86	17
The Minister	-	-
Executive Council	-	-
	<b>86</b>	<b>17</b>

### ► (b) Losses through theft, defaults and other causes

	2020 \$'000	2019 \$'000
Losses of public money and property through theft or default	-	-
Amounts recovered	-	-
	-	-

### ► (c) Gifts of public property

The department had no gifts of public property during the financial year (2019: None).

## 8.12 Explanatory statement (controlled operations)

All variances between annual estimates (original budget) and actual results for 2020, and between the actual results for 2020 and 2019, are shown below. Narratives are provided for key major variances which are generally greater than 10% and \$1 million for the statements of comprehensive income and cash flows and the Statement of financial position.

## 8.12.1 Statement of comprehensive income variances

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Expenses</b>						
Employee benefits expense	a	95,752	102,849	90,665	7,097	12,184
Supplies and services		36,184	37,013	36,708	829	305
Depreciation and amortisation expense	1, b	23,127	13,123	11,703	(10,004)	1,420
Finance costs	2	3,167	84	-	(3,083)	84
Accommodation expenses	3	2,032	8,566	8,392	6,534	174
Grants and subsidies		15,372	15,317	15,160	(55)	157
Other expenses	4, c	1,424	4,988	3,620	3,564	1,368
Loss on disposal of non-current assets	d	-	694	4,664	694	(3,970)
<b>Total cost of services</b>		177,058	<b>182,634</b>	170,912	5,576	11,722
<b>Revenue and income</b>						
User charges and fees		32,610	29,528	28,854	(3,082)	674
Commonwealth grants	5, e	2,470	4,971	2,800	2,501	2,171
Waste levy		83,000	79,634	77,586	(3,366)	2,048
Interest revenue		750	396	899	(354)	(503)
Other revenue and income	6, f	6,551	2,384	4,570	(4,167)	(2,186)
<b>Total revenue</b>		125,381	<b>116,913</b>	114,709	(8,468)	2,204
<b>Gains</b>						
Gains on disposal of non-current assets		-	-	-	-	-
Other gains		-	-	-	-	-
<b>Total gains</b>		-	-	-	-	-
<b>Total income other than income from State Government</b>		125,381	<b>116,913</b>	114,709	(8,468)	2,204
<b>Net cost of services</b>		<b>51,677</b>	<b>65,721</b>	<b>56,203</b>	<b>14,044</b>	<b>9,518</b>

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Income from State Government</b>						
Service appropriation		84,338	81,890	83,012	(2,448)	(1,122)
State grants		2,667	2,167	2,062	(500)	105
Services received free of charge	7	1,743	2,789	2,629	1,046	160
Royalties for Regions fund	8, g	7,639	4,797	9,220	(2,842)	(4,423)
<b>Total income from State Government</b>		96,387	<b>91,643</b>	96,923	(4,744)	(5,280)
<b>Surplus</b>		<b>44,710</b>	<b>25,922</b>	<b>40,720</b>	<b>(18,788)</b>	<b>(14,798)</b>
<b>Other comprehensive income</b>						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	3,880	12,835	3,880	(8,955)
<b>Total other comprehensive income</b>		-	<b>3,880</b>	12,835	3,880	(8,955)
<b>Total comprehensive income for the period</b>		44,710	<b>29,802</b>	<b>53,555</b>	<b>(14,908)</b>	<b>(23,753)</b>

**► Major estimate and actual (2020) variance narratives**

1. Depreciation and amortisation expense decreased by \$10.0 million (43.3%) mainly because Government office accommodation (GOA) agreements were initially in the scope for the purposes of AASB 16 *Leases*.
2. Finance costs decreased by \$3.1 million (97.3%) mainly because GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.
3. Accommodation expense increased by \$6.5 million (321.6%) mainly because GOA agreements are now out of scope for the purposes of AASB 16 *Leases* and as such are expensed as incurred.
4. Other expenses are \$3.6 million (250.3%) higher than the estimate mainly due to the cost of water carting emergency water supplies for animal welfare needs.
5. Commonwealth grants increased by \$2.5 million (101.3%) mainly due to additional funding for the National On-Farm Emergency Water Infrastructure Rebate Scheme.
6. Other revenue and income decreased by \$4.2 million (63.6%) mainly due to a reduction in offset revenue from the Establishing and Maintaining Vegetation Offsets Account.
7. Services received free of charge increased by \$1.0 million (60.0%) mainly due to a higher cost of legal advice obtained from the State Solicitor's Office.
8. Royalties for Regions fund income decreased by \$2.8 million (37.2%) mainly due to a deferment of programs to 2020-21.

**► Major actual (2020) and comparative (2019) variance narratives**

- a) Employee benefits expense increased by \$12.2 million (13.4%) mainly due to the hiring of additional fixed-term staff to address business demand and due to COVID-19 pandemic leave not being taken by staff.
- b) Depreciation and amortisation expense increased by \$1.4 million (12.1%) mainly due to the recognition of depreciable right-of-use assets in terms of AASB 16 *Leases*.
- c) Other expenses increased by \$1.4 million (37.8%) mainly due to the cost of water carting emergency water supplies for animal welfare needs.
- d) The loss on disposal of non-current assets decreased by \$4.0 million (85.1%) mainly due to the high number of measurement site bores that were decommissioned in the previous financial year.
- e) Commonwealth grants increased by \$2.2 million (77.5%) mainly due to additional funding for the National On-Farm Emergency Water Infrastructure Rebate Scheme.
- f) Other revenue and income decreased by \$2.2 million (47.8%) mainly due to a reduction in offset revenue from the Establishing and Maintaining Vegetation Offsets Account.
- g) Royalties for Regions fund income decreased by \$4.4 million (48.0%) mainly due to a reduction in income related to the Watering WA and Regional Estuaries Initiative programs.

## 8.12.2 Statement of financial position variances

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		5,110	9,348	11,958	4,238	(2,610)
Restricted cash and cash equivalents		54,064	64,402	65,105	10,338	(703)
Receivables		30,457	22,667	22,748	(7,790)	(81)
Amounts receivable for services	1	10,085	6,057	5,994	(4,028)	63
Other current assets		1,597	2,161	2,063	564	98
<b>Total current assets</b>		<b>101,313</b>	<b>104,635</b>	<b>107,868</b>	<b>3,322</b>	<b>(3,233)</b>
<b>Non-current assets</b>						
Restricted cash and cash equivalents		1,351	1,488	1,019	137	469
Receivables		-	563	-	563	563
Amounts receivable for services	a	53,679	52,545	40,637	(1,134)	11,908
Infrastructure, property, plant and equipment		338,386	350,377	347,936	11,991	2,441
Right-of-use assets	2, b	64,245	3,137	-	(61,108)	3,137
Intangible assets	3, c	21,421	17,582	20,379	(3,839)	(2,797)
Other non-current assets		-	56	-	56	56
<b>Total non-current assets</b>		<b>479,082</b>	<b>425,748</b>	<b>409,971</b>	<b>(53,334)</b>	<b>15,777</b>
<b>Total assets</b>		<b>580,395</b>	<b>530,383</b>	<b>517,839</b>	<b>(50,012)</b>	<b>12,544</b>

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables		7,881	4,699	8,585	(3,182)	(3,886)
Lease liabilities	d	280	1,143	-	863	1,143
Contract liabilities	4, e	-	1,749	-	1,749	1,749
Employee-related provisions	5, f	19,613	24,174	20,354	4,561	3,820
Other current liabilities		355	4	520	(351)	(516)
<b>Total current liabilities</b>		<b>28,129</b>	<b>31,769</b>	<b>29,459</b>	<b>3,640</b>	<b>2,310</b>
<b>Non-current liabilities</b>						
Payables		1,658	-	-	(1,658)	-
Lease liabilities	6, g	66,391	2,020	-	(64,371)	2,020
Employee-related provisions		5,072	6,002	5,275	930	727
<b>Total non-current liabilities</b>		<b>73,121</b>	<b>8,022</b>	<b>5,275</b>	<b>(65,099)</b>	<b>2,747</b>
<b>Total liabilities</b>		<b>101,250</b>	<b>39,791</b>	<b>34,734</b>	<b>(61,459)</b>	<b>5,057</b>
<b>Net assets</b>		<b>479,145</b>	<b>490,592</b>	<b>483,105</b>	<b>11,447</b>	<b>7,487</b>
<b>Equity</b>						
Contributed equity		118,642	351,630	373,945	232,988	(22,315)
Reserves	h	1,305	18,020	14,140	16,715	3,880
Accumulated surplus		359,198	120,942	95,020	(238,256)	25,922
<b>Total equity</b>		<b>479,145</b>	<b>490,592</b>	<b>483,105</b>	<b>11,447</b>	<b>7,487</b>

► **Major estimate and actual (2020) variance narratives**

1. Amounts receivable for services decreased by \$4.0 million (39.9%) compared to the estimate mainly because Government office accommodation (GOA) agreements were initially in the scope for the purposes of AASB 16 *Leases*.
2. Right-of-use assets decreased by \$61.1 million (95.1%) compared to the estimate mainly due to the fact that the GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.
3. Intangible assets decreased by \$3.8 million (17.9%) mainly due to a deferral of the Environment Online program into 2020–2021.
4. Contract liabilities increased by \$1.7 million (100%) due to replacement of AASB 118 *Revenue* and AASB 111 *Construction Contracts* by AASB 15 *Revenue from Contracts with Customers* that requires the separate disclosure of contract liabilities.
5. Employee-related provisions increased by \$4.6 million (23.3%) mainly due to an increase in staff leave provisions and reduced leave taken due to the COVID-19 pandemic.
6. Lease liabilities decreased by \$64.4 million (97.0%) mainly because GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.

► **Major actual (2020) and comparative (2019) variance narratives**

- a) The increase in amounts receivable for services increased by \$11.9 million (29.3%) due to a deferral in capital programs, land acquisitions and asset replacements.
- b) Right-of-use assets increased by \$3.1 million (100%) due to the fundamental changes represented by AASB 16 resulting in a significant change to the measurement and recognition of most operating leases in that, for example, a right-of-use asset is recognised.
- c) Intangible assets decreased by \$2.8 million (13.7%) mainly due the amortisation expense for the year exceeding asset additions.
- d) Lease liabilities increased by \$1.1 million (100%) due to the fundamental changes represented by AASB 16 resulting in a significant change to the measurement and recognition of most operating leases in that, for example, a lease liability is recognised.
- e) Contract liabilities increased by \$1.7 million (100%) due to replacement of AASB 118 *Revenue* and AASB 111 *Construction Contracts* by AASB 15 *Revenue from Contracts with Customers* that requires the separate disclosure of contract liabilities.
- f) Employee-related provisions increased by \$3.8 million (18.8%) mainly due to an increase in staff leave provisions and reduced leave taken due to the COVID-19 pandemic.
- g) Lease liabilities increased by \$2.0 million (100%) due to the fundamental changes represented by AASB 16 resulting in a significant change to the measurement and recognition of most operating leases in that, for example, a lease liability is recognised.
- h) Reserves increased by \$3.9 million (27.4%) due to an increase in the revaluation of land, buildings and measurement sites.

## 8.12.3 Statement of cash flows variances

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Cash flows from State Government</b>						
Service appropriation		61,211	63,925	67,346	2,714	(3,421)
Capital appropriations	1, a	9,940	6,007	4,654	(3,933)	1,353
Holding account drawdown		5,994	5,994	6,307	-	(313)
Distributions to owner	2, b	(44,276)	(24,159)	(41,056)	20,117	16,897
Net proceeds on sale of land remitted to consolidated account		-	-	(277)	-	277
Royalties for Regions fund	3, c	7,639	4,797	9,220	(2,842)	(4,423)
State grants	d	2,667	2,653	1,551	(14)	1,102
<b>Net cash provided by State Government</b>		43,175	<b>59,217</b>	47,745	16,042	11,472

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Cash flows from operating activities</b>						
<b>Payments</b>						
Employee benefits	e	(95,701)	(98,896)	(89,789)	(3,195)	(9,107)
Supplies and services	f	(34,431)	(36,030)	(32,343)	(1,599)	(3,687)
Finance costs	4	(3,167)	(83)	-	3,084	(83)
Accommodation	5	(2,042)	(8,476)	(8,269)	(6,434)	(207)
Grants and subsidies	6, g	(15,372)	(19,390)	(17,107)	(4,018)	(2,283)
GST payments on purchases	h	(7,458)	(7,667)	(6,664)	(209)	(1,003)
Other payments	7	(1,434)	(3,762)	(2,795)	(2,328)	(967)
<b>Receipts</b>						
User charges and fees		32,610	30,791	28,896	(1,819)	1,895
Commonwealth grants	8, i	2,470	6,221	1,121	3,751	5,100
Interest received		750	528	919	(222)	(391)
Waste levy		83,000	78,012	77,571	(4,988)	441
GST receipts on sales		634	357	295	(277)	62
GST receipts from taxation authority	9, j	6,834	8,049	5,838	1,215	2,211
Other receipts	10, k	6,551	2,363	3,712	(4,188)	(1,349)
Recovery of waste levy	l	-	-	10,000	-	(10,000)
<b>Net cash used in operating activities</b>		(26,756)	(47,983)	(28,615)	(21,227)	(19,368)
<b>Cash flows from investing activities</b>						
<b>Payments</b>						
Purchase of non-current assets	11	(16,506)	(12,133)	(11,469)	4,373	(664)
Loan payments to WARRRL		-	(750)	-	(750)	(750)
<b>Receipts</b>						
Proceeds from sale of non-current assets		-	105	291	105	(186)
<b>Net cash used in investing activities</b>		(16,506)	(12,778)	(11,178)	3,728	(1,600)
<b>Cash flows from financing activities</b>						
<b>Payments</b>						
Principal elements of lease payments	12, m	(3,712)	(1,300)	-	2,412	(1,300)
<b>Net cash used in financing activities</b>		(3,712)	(1,300)	-	2,412	(1,300)
Net increase/(decrease) in cash and cash equivalents		(3,799)	(2,844)	7,952	955	(10,796)
Cash and cash equivalents at the beginning of the period		64,324	78,082	70,130	13,758	7,952
<b>Cash and cash equivalents at the end of the period</b>		<b>60,525</b>	<b>75,238</b>	<b>78,082</b>	<b>14,713</b>	<b>(2,844)</b>

► **Major estimate and actual (2020) variance narratives**

1. Capital appropriations were lower than the estimate by \$3.9 million (39.6%) mainly because Government office accommodation (GOA) agreements were initially in the scope for the purposes of AASB 16 *Leases*.
2. Distributions to owners were lower than the estimate by \$20.1 million (45.4%) mainly due to the retention of adequate restricted and working cash.
3. Royalties for Regions fund was lower than the estimate by \$2.8 million (37.2%) mainly due to a deferment of programs to 2020–21.
4. Finance costs were lower than the estimate by \$3.1 million (97.4%) mainly because GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.
5. Accommodation expenses were higher than the estimate by \$6.4 million (315.1%) mainly because GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.
6. Grants and subsidies were higher than the estimate by \$4.0 million (26.1%) mainly due to a carryover of rural water planning programs into 2019–20 and additional payments for the National On-Farm Emergency Water Infrastructure Rebate Scheme.
7. Other payments were higher than the estimate by \$2.3 million (162.3%) mainly due to payments made for COVID-19 pandemic expenses (\$0.4 million) and a payment made to MG Corporation for taking over the Reserve 31165 trust account (\$0.7 million).
8. Commonwealth grants were higher in 2019–20 by \$3.8 million (151.9%) mainly due to funding for the National On-Farm Emergency Water Infrastructure Rebate Scheme.
9. GST receipts were higher in 2019–20 than the estimate by \$1.2 million (17.8%) mainly due to increased value of cash spent on the purchases of taxable supplies and services.
10. Other receipts were lower than the estimate by \$4.2 million (63.9%) mainly due to a lower recovery in environmental vegetation offsets and delays in invoicing in the Pilbara Environmental Offsets Fund.
11. Purchase of non-current assets were lower than the estimate by \$4.4 million (26.5%) mainly due to a deferment of land acquisitions and the Environment Online program to 2020–21.
12. Principal elements of lease payments were lower than the estimate by \$2.4 million (65.0%) mainly because GOA agreements were initially in the scope for the purposes of AASB 16 *Leases*.

► **Major actual (2020) and comparative (2019) variance narratives**

- a) Capital appropriations increased by \$1.4 million (29.1%) mainly due to a change in the recognition of leases under AASB 16.
- b) Distributions to owners decreased in 2019–20 by \$16.9 million (41.2%) mainly due to the retention of adequate restricted and working cash in 2019–20.
- c) Royalties for Regions fund decreased in 2019–20 by \$4.4 million (48.0%) mainly due to a deferment of revenue for Watering WA and the Regional Estuaries Initiative programs to 2020–21.
- d) State grants increased by \$1.1 million (71.0%) mainly due the grant cash inflow received from the Department of Biodiversity, Conservation and Attractions compared to the previous year.
- e) Employee benefits expense increased by \$9.1 million (10.1%) mainly due to the hiring of additional fixed-term staff to address demand and reduced staff leave taken due to the COVID-19 pandemic.
- f) Supplies and services increased by \$3.7 million (11.4%) mainly due to the additional costs of carting emergency water supplies for animal welfare needs.
- g) Grants and subsidies were higher in 2019–20 by \$2.3 million (13.3%) mainly due to the National On-Farm Emergency Water Infrastructure Rebate Scheme.
- h) GST payments on purchases were higher in 2019–20 by \$1.0 million (15.1%) mainly due to the increased value of cash spent on the purchases of taxable supplies and services.
- i) Commonwealth grants were higher in 2019–20 by \$5.1 million (455.0%) mainly due to funding for the National On-Farm Emergency Water Infrastructure Rebate Scheme.
- j) GST receipts were higher in 2019–20 than the estimate by \$2.2 million (37.9%) mainly due to an increase of net cash refunds from the Australian Taxation Office that resulted from the increased value of cash spent on the purchases of taxable supplies and services.
- k) Other receipts were lower in 2019–20 by \$1.3 million (36.3%) mainly due to lower receipts from the Establishing and Maintaining Vegetation Offsets Account.
- l) Recovery of the waste levy was lower in 2019–20 by \$10 million (100%) mainly due to the settlement of Eclipse Resources Pty Ltd's overdue waste levies in 2018–19.
- m) Principal elements of lease payments increased by \$1.3 million (100%) due to the fundamental changes represented by AASB 16 resulting in a significant change to the measurement and recognition of most operating leases in that, for example, principal elements of lease payments are recognised.

## 9 Administered disclosures

This section sets out all of the statutory disclosures regarding the financial performance of the department.

	Notes
Administered income and expenses	9.1
Explanatory statement for administered items	9.2
Administered assets and liabilities	9.3

### 9.1 Administered income and expenses

	2020 \$'000	2019 \$'000
<b>Income</b>		
For transfer:		
Regulatory fees and other charges <sup>(a)</sup>	89	102
<b>Total administered income</b>	<b>89</b>	102
<b>Expenses</b>		
Payments into the consolidated account <sup>(a)</sup>	88	103
<b>Total administered expenses</b>	<b>88</b>	103

- (a) Payments into the consolidated account included water fines collected on behalf of the Water Corporation, and environmental infringement regulatory fees and fines collected on behalf of the State Government.

## 9.2 Explanatory statement for administered items

All variances between annual estimates and actual results for 2020, and between the actual results for 2020 and 2019 are shown below. Narratives are provided for key major variances, which are generally greater than 10% and \$1 million.

	Variance note	Estimate 2020 \$'000	Actual 2020 \$'000	Actual 2019 \$'000	Variance between estimate and actual \$'000	Variance between actual results for 2020 and 2019 \$'000
<b>Income from administered items</b>						
<b>Income</b>						
For transfer:						
Regulatory fees and other charges <sup>(a)</sup>		155	89	102	(66)	(13)
National partnership payments		-	-	-	-	-
<b>Total administered income</b>		155	<b>89</b>	102	(66)	(13)
<b>Expenses</b>						
Payments into the consolidated account <sup>(a)</sup>		155	88	103	(67)	(15)
Grants and subsidies – recurrent		-	-	-	-	-
<b>Total administered expenses</b>		155	<b>88</b>	103	(67)	(15)

(a) Payments into the consolidated account included water fines collected on behalf of the Water Corporation, and environmental infringement regulatory fees and fines collected on behalf of State Government.

### 9.3 Administered assets and liabilities

	2020 \$'000	2019 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	1
<b>Total administered current assets</b>	1	1
<b>Total administered assets</b>	<b>1</b>	<b>1</b>
<b>Liability</b>		
<b>Current liability</b>		
Payables	-	1
<b>Total administered current liabilities</b>	-	1
<b>Total administered liabilities</b>	<b>-</b>	<b>1</b>





## Certification of key performance indicators

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Water and Environmental Regulation's performance, and fairly represent the performance of the Department of Water and Environmental Regulation for the financial year ended 30 June 2020.

Mike Rowe  
Director General  
16 September 2020



## Outcome-based management framework

Government goal Better places: A quality environment with liveable and affordable communities and vibrant regions			
Agency outcome	Key effectiveness indicators	Agency services	Key efficiency indicators
<b>1</b> Western Australia's growth and development is supported by the sustainable management of water resources for the long-term benefit of the state	<ul style="list-style-type: none"> <li>Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use</li> <li>Proportion of priority growth areas that have a water supply planning strategy</li> </ul>	 1. Water information and advice	<ul style="list-style-type: none"> <li>Proportion of statutory referrals from decision-making authorities where advice is provided within target timeframes</li> <li>Average cost per statutory referral assessment</li> <li>Average cost per water measurement site managed</li> </ul>
		 2. Water planning, allocation and optimisation	<ul style="list-style-type: none"> <li>Average cost per plan, report or guidance document to support water planning, allocation and optimisation</li> <li>Average cost per hour of scientific support for water planning, allocation and optimisation</li> </ul>
		 3. Water regulation, licensing and industry governance	<ul style="list-style-type: none"> <li>Average cost of assessing a water licence application by risk assessment category</li> <li>Average time taken (days) to assess a licence application by risk assessment category</li> <li>Average cost of compliance monitoring and enforcement action</li> </ul>
<b>2</b> Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment	<ul style="list-style-type: none"> <li>Percentage of regulatory compliance activities completed as planned</li> <li>Percentage of potential environmental risks identified during compliance monitoring program that are rectified within two months</li> </ul>	 4. Environmental regulation	<ul style="list-style-type: none"> <li>Average cost per works approval and licence application</li> <li>Average cost per native vegetation clearing permit application</li> </ul>
<b>3</b> Development and implementation of strategic policy and legislation that promoted sustainable environmental outcomes	<ul style="list-style-type: none"> <li>Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification</li> </ul>	 5. Environmental and water policy	<ul style="list-style-type: none"> <li>Average cost per hour of policy advice and recommendations</li> </ul>

Agency outcome	Key effectiveness indicators	Agency services	Key efficiency indicators
<p><b>4</b> Waste avoided and the recovery of materials from landfill maximised</p>	<ul style="list-style-type: none"> <li>Percentage of municipal solid waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth metropolitan region</li> <li>Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the statewide waste strategy target</li> <li>Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the statewide waste strategy target</li> </ul>	<p> 6. Waste strategies</p>	<ul style="list-style-type: none"> <li>Cost of landfill levy compliance as a percentage of landfill levy income collected</li> </ul>
<p><b>5</b> Quality advice to the Environmental Protection Authority (EPA) and Minister for Environment on significant proposals and environmental issues</p>	<ul style="list-style-type: none"> <li>The EPA's satisfaction with the department's environmental impact assessment (EIA) service, during the year, in line with best practice principles of EIA</li> <li>Percentage of project-specific conditions which did not require significant change following the appeal process</li> <li>Percentage of assessments that met agreed timelines</li> <li>The EPA's satisfaction with the department's provision of environmental management services during the year</li> </ul>	<p> 7. Environmental impact assessment services to the EPA</p> <p> 8. Environmental management services to the EPA</p>	<ul style="list-style-type: none"> <li>Cost per standardised unit of assessment output</li> <li>Cost per standardised unit of environmental management services output</li> </ul>
<p><b>6</b> Compliance with Ministerial Statement implementation conditions are monitored effectively</p>	<ul style="list-style-type: none"> <li>The number of Ministerial Statements audited compared to targets</li> </ul>	<p> 9. Compliance monitoring services to the Minister for Environment</p>	<ul style="list-style-type: none"> <li>Average cost per environmental audit completed</li> </ul>

Following the machinery of government changes, the Department of Water, the Department of Environment Regulation and the Office of the Environmental Protection Authority were amalgamated and formed the Department of Water and Environmental Regulation (the department) on 1 July 2017. This is the third reporting period for the department post amalgamation.

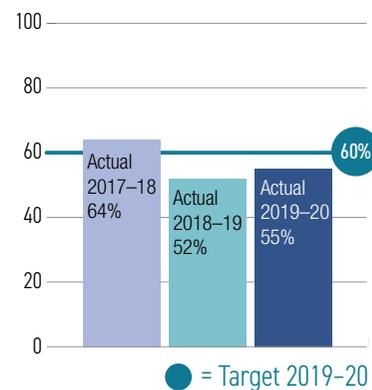
Results with significant variances of 10% or more compared with the target and prior year results are explained. The majority of the movements between the 2019–20 Target and the 2019–20 Actual are due to changes in cost-allocation methodology.

## Key effectiveness indicators

### Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use<sup>(a)</sup>

(a) The 2019–20 survey results have a confidence interval of +/-4.31% at 95% confidence level. Other survey statistics include:

- population size: 1,355 stakeholders
- population character: stakeholder contacts provided by the department
- stakeholders invited to participate: 1,355 stakeholders
- number of respondents: 374
- response rate: 28%
- how sample was selected: Total population as provided by the department contacted by email or mail (for those without email contact details). The initial contact sought assistance with an online survey. Phone follow-up interviews were sought with stakeholders who did not respond to the online self-completion invitation.



The management of the state's water resources to enable growth and development is a core objective for the department, and this occurs within the context of ensuring the sustainability of the resources and their dependent environments.

The department has many stakeholders with competing interests, including those from industry, investment, community and environmental sectors.

A survey was conducted between 20 January and 6 February 2020 with the intent to determine the extent to which stakeholders perceive the department to be effectively fulfilling the statutory and other obligations that form its core role rather than satisfaction with a particular decision or handling of a specific issue.

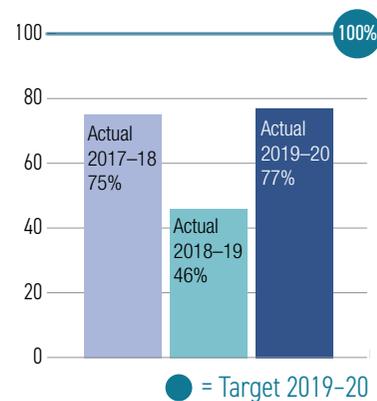
The indicator is based on feedback received from the stakeholders through the survey. It is calculated as a percentage of respondents answering 'very effective' or 'quite effective' to a question in the survey about their perception of the department effectively managing the state's water as a resource for sustainable productive use. The other options for selection included 'neither one nor the other', 'quite ineffective', 'very ineffective' or 'don't know'.

## Proportion of priority growth areas that have a water supply planning strategy

‘Priority growth areas’ refers to a list of significant projects and water resources areas. For each priority growth area the department, or key stakeholders in collaboration with the department, develops a water supply plan or strategy to identify current and future water resource and supply options to meet demand for industry and population growth over the long-term. This supports the timely development of resource and supply options to meet demand in areas of state priority.

Projects included in the priority growth areas have strategic significance for the state; and include areas identified through the Water Supply-Demand Model as having a gap between future water demand and water availability.

The indicator is calculated as a percentage of the priority growth areas with a water supply planning strategy (or advisory report for key stakeholders) out of the total priority growth areas that the department is currently working on.



### ► Variance analysis

Before 2018-19, the proportion of priority growth areas with implemented water supply planning strategy was based on the five-year water supply strategic plan for the period 2013-14 to 2017-18. The five-year plan ended in 2017-18. The approach for establishing the total priority growth areas has changed since 2018-19, where a list of total priority growth areas will be reset every three years so that the target and actual percentage of priority growth areas with a water supply planning strategy or advisory report will be reported on cumulative number of areas that have a water supply planning strategy over a three-year period.

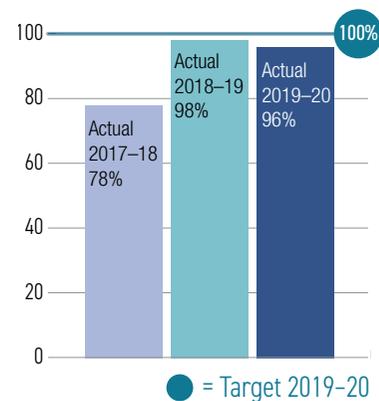
A list of 13 new priority growth areas were established for the period covering 2018-19 to 2020-21, of which six (46%) outputs were completed in 2018-19 and four (31%) outputs were completed during 2019-20 with a cumulative 10 (77%) outputs completed during the period 2018-19 to 2019-20. The remaining three (23%) outputs are expected to be completed for the three-year cycle ending 2020-21.

## Percentage of regulatory compliance activities completed as planned

Compliance activities are an integral part of the department's regulatory work and include promotion, monitoring and enforcement. Information gathered and assessed through compliance activities is also used to inform and revise both regulation and policy frameworks as well as to inform legislative reform programs.

The department is a risk-based regulator that channels its resources to address the greatest risks to public health, the environment and water resources and is responsive to emerging risks and issues.

The prescribed premises compliance monitoring program is focused on the assessment of emissions and discharges from premises to ensure they are managed appropriately by the current instrument and relevant legislation to ensure there is no unacceptable risk to public health, the environment or water resources. The program identifies premises and targets activities based on a risk assessment informed by environmental and operational risk including type of activity, compliance history and intelligence gathered including from complaints and incidents. The nominated inspections are scheduled.



The waste sector compliance monitoring program assessed compliance at landfills and associated industries with the requirements of the landfill levy.

### ► Variance analysis

The department conducted 231 of the 240 planned inspections in 2019-20. In addition, 26 unplanned inspections were completed for the landfill levy compliance monitoring program.

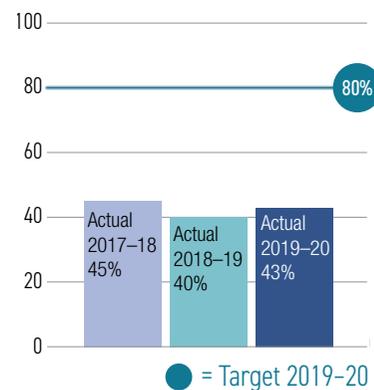
The reduction in percentage of regulatory compliance activity from 98% in 2018-19 to 96% in 2019-20 is in part due to a reduction in the number of planned inspections for 2019-20, to allow more time to dedicate to emerging issues and risks through unplanned inspections.

### Percentage of potential environmental risks identified during compliance monitoring program that are rectified within two months

Non-compliances identified through inspections undertaken as part of the prescribed premises compliance monitoring program and the waste sector compliance monitoring program are recorded and the length of time taken for these non-compliances to be rectified is tracked.

Non-compliances vary in nature, they may be administrative, technical, or operational. Administrative and technical non-compliances generally pose a low risk to public health, the environment or water resources, whereas operational non-compliances and emissions may pose a higher risk.

As compliance monitoring programs target inspections at areas of greatest risk, the resolution of non-compliance is often protracted and relies on work by third parties, therefore requiring longer than the two calendar month target timeframe.



#### ► Variance analysis

During 2019-20, a total of 292 non-compliances were identified due to inspections under the waste sector program and prescribed premises compliance program. The target of 80% of non-compliances being closed within two calendar months was not achieved; 43% of non-compliances were closed within the specified timeframe. As a result of the prescribed premises compliance program targeting its inspections at areas of greatest risk, resolution of non-compliances is often protracted, and relied upon work undertaken by third parties requiring longer than the two calendar month timeframe.

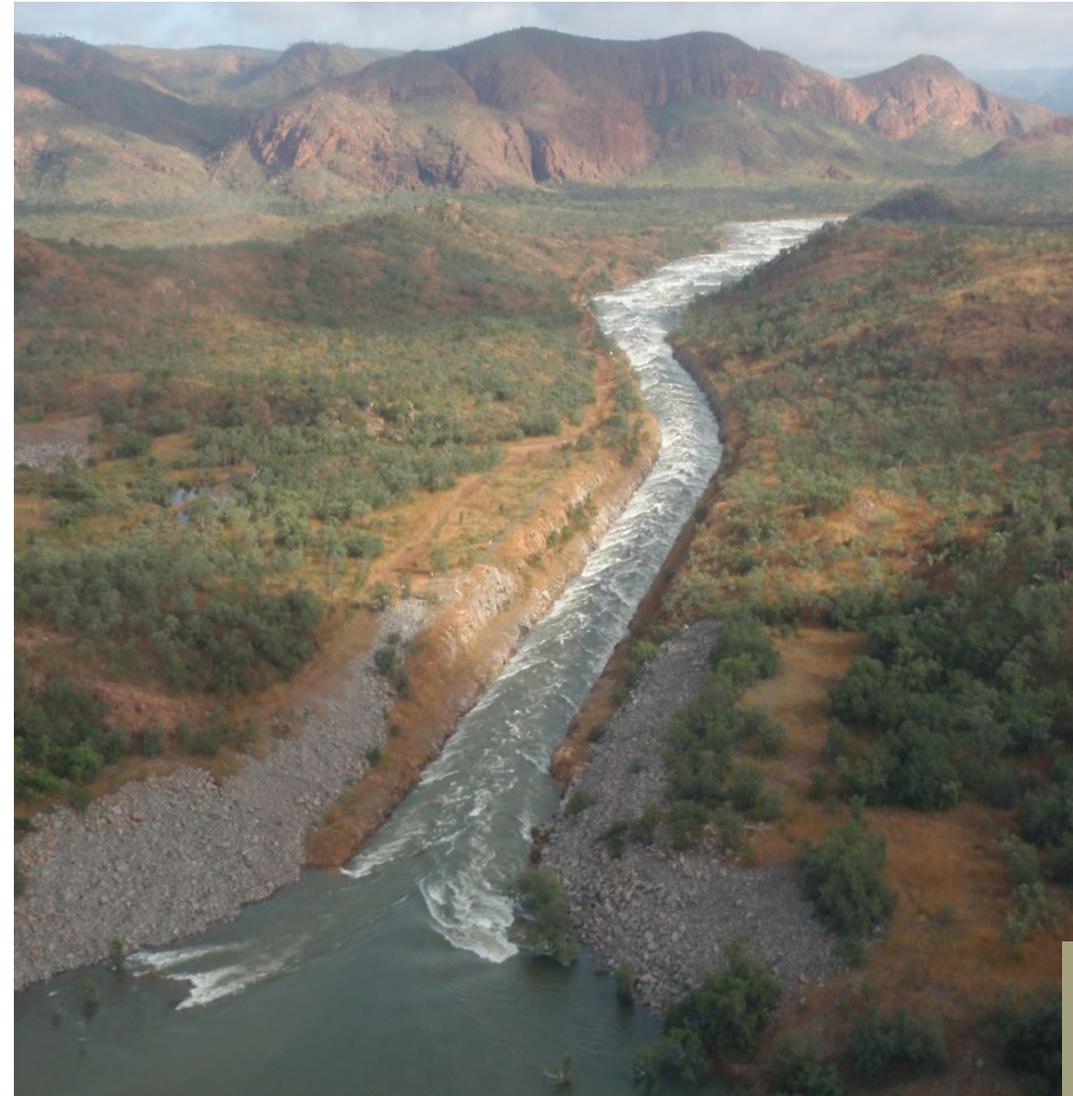
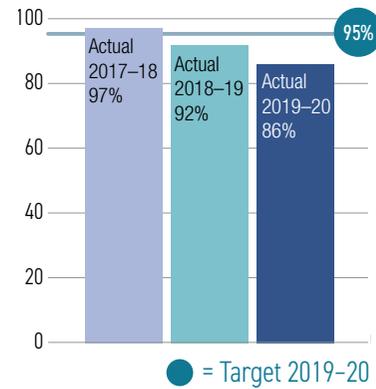
The decrease in the Actual for 2019-20 from the 2019-20 Target is due to the prescribed premises compliance program targeting its inspections at areas of greater risk which increased the protracted work by third parties.

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

This indicator seeks to ensure that the advice provided by the department is consistent with the State Government’s policy direction by measuring how well it meets the Minister for Environment’s expectations.

► **Variance analysis**

The variance is primarily due to a change in the way that modifications have been classified by the Minister’s Office.

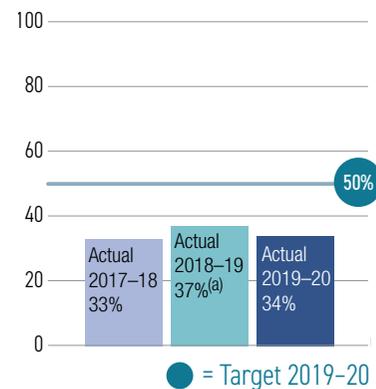


### Percentage of municipal solid waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth metropolitan region

The indicator is a direct measure of the effectiveness of the State Government's waste management goal of diverting waste from landfill and reflects the target in the waste strategy.

Municipal solid waste (MSW) may include construction and demolition (C&D) waste generated by local governments.

Due to the significant time required to gather the relevant information, 2018–19 data, as reported in *Recycling Activity in Western Australia 2018–19*, was used to calculate this indicator for 2019–20, the same basis as used in previous years.



(a) The 2018–19 audited figure was previously reported as 40. This has been restated as reported in *Recycling Activity in Western Australia 2018–19*.

#### ► Variance analysis

Two-bin kerbside waste services typically only divert about 20% of waste from landfill. The State Government has promoted adoption of a three-bin model which can deliver MSW diversion rates greater than 50%. In 2018–19, only 11 Perth local governments reported providing a three-bin waste collection service. Under the Better Bins Plus funding program this is expected to increase to about 18 local governments by 2020–21. More recently the State Government has set a goal for all local governments in the Perth metropolitan and Peel regions to introduce food organics and garden organics (FOGO) services by 2025. These services can recover 65% or more of kerbside collections.

The report *Recycling Activity in Western Australia 2018–19* includes a redistribution of MSW diversion to commercial and industrial (C&I) waste diversion before 2018–19 due to an error by the consultant when preparing the earlier reports. Overall diversion has not changed significantly.

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

The indicator is a direct measure of the effectiveness of the State Government's waste management goal of diverting waste from landfill and reflects the target in the waste strategy.

Due to the significant time required to gather the relevant information, 2018–19 data, as reported in the *Recycling Activity in Western Australia 2018–19*, was used to calculate this indicator for 2019–20, the same basis used in previous years.



(a) The 2018–19 audited figure was previously reported as 45. This has been restated as reported in *Recycling Activity in Western Australia 2018–19*.

#### ► Variance analysis

Increases in the waste levy rate since 2015 have increased the cost of landfilling but led to a more limited response from the industry than expected. Although organic waste already represents a significant proportion of recovered materials from the C&I stream, there are likely to be significant opportunities to improve performance against this target with increased recovery of this material type. C&I diversion is also strongly influenced by international markets for waste materials, which have been increasingly uncertain.

The report *Recycling Activity in Western Australia 2018–19* includes a redistribution of MSW diversion to C&I diversion before 2018–19 due to an error by the consultant when preparing the earlier reports. Overall diversion has not changed significantly.

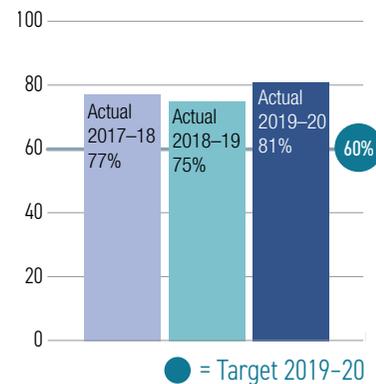
### Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the statewide waste strategy target

The indicator is a direct measure of the effectiveness of the State Government's waste management goal of diverting waste from landfill and reflects the target in the waste strategy.

Due to the significant time required to gather the relevant information, 2018-19 data, as reported in *Recycling Activity in Western Australia 2018-19*, was used to calculate this indicator for 2019-20, the same basis as used in previous years.

► **Variance analysis**

The variance between the 2019-20 Target and the 2019-20 Actual is primarily due to a decrease in the total amount of construction and demolition (C&D) waste reported as being disposed of to landfill rather than an increase in the amount recycled. Scheduled increases in the waste levy since 2015 have made C&D waste landfilling more cost-prohibitive. Furthermore, it is likely that industry has engaged in more stockpiling of C&D waste in lieu of disposal which has contributed to the decrease in the quantity of C&D disposed of to landfill, thus increasing the overall diversion rate. Waste levy avoidance may also contribute to the reported diversion rate.



### The EPA's satisfaction with the department's environmental impact assessment (EIA) service, during the year, in line with best practice principles of EIA

The indicator is determined through surveys of the Environmental Protection Authority's (EPA) members (service recipients) who rate the quality of each service against best practice principles (currently, the International Association for Impact Assessment's Principles of EIA Best Practice).

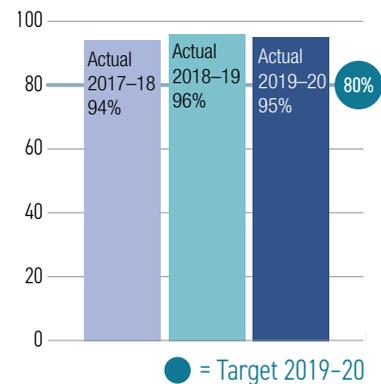
► **Variance analysis**

The department strives to ensure that all advice provided to the EPA is as practical, efficient, rigorous, participative and fit-for-purpose as possible. In line with this goal, this year the EPA considered the EIA services provided by the department were of a very high standard, which resulted in the KPI being exceeded by more than 10%.



## Percentage of project-specific conditions which did not require significant change following the appeal process

The indicator assists stakeholders in ascertaining the quality of conditions recommended by the department's EIA services. The department provides periodic reports to the EPA outlining the results of the appeals process and drawing attention to significant changes to the recommended conditions. This provides an important part of the State Government's expectation of a 'continuous improvement loop' in the appeals process.



A significant change can be deemed as a substantial change to the form of a condition, the deletion or addition of a new condition, a substantial change to the outcome or objective specified in a condition. A substantial change to the specified requirements of an environmental management plan or environmental monitoring plan and a change to a prescribed action are determined on a case-by-case basis.

### ► Variance analysis

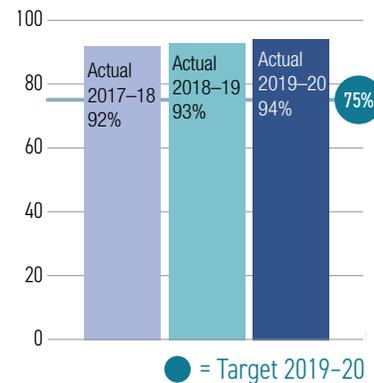
The department strives to ensure the conditions recommended to the EPA are as robust and comprehensive as the project requires and therefore does not require substantial change by the Office of the Appeals Convenor. In line with this goal, this year the department's recommended conditions required minimal substantial changes and therefore exceeded the KPI by more than 10%.

## Percentage of assessments that met agreed timelines

The agreed timeline is stated in the EPA’s report and recommendations and refers to the time between the endorsement of the final assessment document and the release of the report and recommendations. The timeline for an assessment may vary according to the complexity of the project and is usually agreed with the proponent soon after the level of assessment is determined.

### ► Variance analysis

The department strives to ensure that assessments are completed in a timely manner and within the timelines published in EPA guidelines. In line with this goal, this year the department exceeded the KPI by more than 10%.



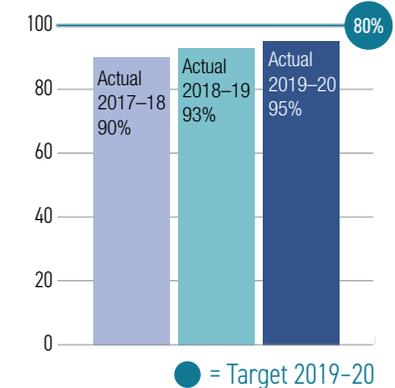
## The EPA’s satisfaction with the department’s provision of environmental management services during the year

The level of quality is determined by the EPA with reference to the desirable underlying qualities of good environmental management advice. The EPA rates the quality of advice on strategic advice, statutory policies or guidelines provided by the department.

Each of the EPA members who participate in a decision rates the product on a scale of one to five (poor to excellent) and the scores of each member are averaged, combined, and proportionally adjusted to a percentage. The final indicator is the average rating awarded to all environment management services endorsed by the EPA during the period.

### ► Variance analysis

The department strives to ensure that all environmental management services provided to the EPA have a clear purpose, are rigorous, readable, applicable and consistent, and informed by stakeholder input as possible. In line with this goal, this year the EPA considered the environmental management services provided by the department were of a very high standard, which resulted in the KPI being exceeded by





more than 10%.

### The number of Ministerial Statements audited compared to targets

Compliance monitoring is managed through a structured annual compliance management program. The annual program sets out the number of audits to be undertaken and, using a priority matrix, identifies the Ministerial Statements to be audited.



The Minister imposes conditions on proposals to ensure that they are managed in an environmentally acceptable manner.

► **Variance analysis**

The variance between the 2019-20 Actual and the 2019-20 Target is due to reallocation of compliance resources to priority areas of achieving assessment performance, resulting in under-achievement of the planned target.

## Key efficiency indicators

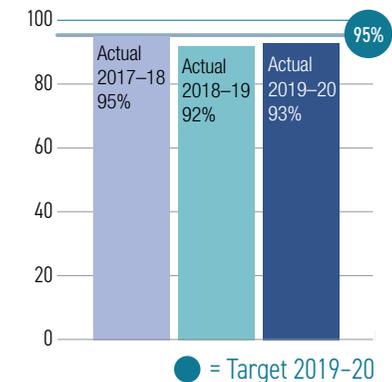
### Service 1: Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by State Government and supports other government agencies and stakeholders in their planning for future economic growth and urban and rural development.

### Proportion of statutory referrals from decision-making authorities where advice is provided within target timeframes

Technically proficient, reliable, and timely advice on the state's water resources enables effective decision-making by decision-making authorities (DMAs) that directly supports growth, development and investment for the long-term benefit of the state. DMAs include the:

- Department of Water and Environmental Regulation
- Department of Planning, Lands and Heritage
- Department of Mines, Industry Regulation and Safety
- Department of Local Government, Sport and Cultural Industries.



This includes advice about water availability; the avoidance, management, and mitigation of impacts on water resources; and the protection of public drinking water sources.

This indicator represents a measure of the department's timeliness with respect to the provision of advice on various statutory referrals from DMAs. It demonstrates the efficiency with which the department is meeting statutory timeframes in providing water information and advice.

A statutory referral is a formal request for water advice from a DMA that has a statutory timeframe associated with the provision of that water advice. This indicator is calculated as a percentage of the total number of statutory referrals from DMAs to the department for advice that met the 35-business-day timeframe within the period.



### Average cost per statutory referral assessment

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
13,072	11,442	14,477	7,182

This measure provides information on the amount of operational expenditure being used for statutory referrals that enable decisions on proposals that support the state's growth and development.

The indicator is relevant to the service because it is a directly attributable operational cost incurred in service delivery to meet the desired outcome.

An assessment is generated from both a formal request for water advice from a DMA or proponent such as under the Better Urban Water Management Framework. The indicator is calculated using the total cost of the water information and advice service divided by the total number of assessments conducted within the period.

#### ► Variance analysis

The reduction in the Actual for 2019-20 from the 2018-19 Actual and 2019-20 Target was driven by an increase in the volume of statutory referral assessments and a reduction in the total costs due to changes in cost-allocation methodology to allocate cost to this service.

### Average cost per water measurement site managed

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
8,754	7,118	7,467	9,437

Access to reliable and current information about water resources – quantity and quality – is a core input to decision-making by State Government and water-dependent businesses that enables growth and development of the state.

Stakeholders access water information and data to support investment and business decisions. It also supports accurate water resource management decisions and advice. To service this need, the department measures or holds water data for more than 116,000 groundwater and surface water field sites, verifies and stores the data and makes it available as water information.

Regular or periodic field measurements are essential to maintain up-to-date data, and verification, storage and accessibility are essential to make data available as reliable information.

This indicator is calculated by dividing the annual cost of water measurement and water information functions by the number of active sites.

#### ► Variance analysis

The increase in the Actual for 2019-20 from the 2018-19 Actual and 2019-20 Target resulted from increases in the total cost for measurement sites managed due to changes in cost-allocation methodology to cost to this service, with the volume of sites managed remaining relatively consistent.



## Service 2: Water planning, allocation and optimisation

The department undertakes and facilitates water planning, allocation, and optimisation to ensure the sustainable management of water resources for the long-term benefit of the state, which relies on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

### Average cost per plan, report or guidance document to support water planning, allocation and optimisation

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
417,794	431,338	342,767	348,488

Water resources need to be sustainably managed to achieve sufficient water quantity and quality for current and future needs. Increasingly precise, systematic, and transparent management is produced in science-based water allocation and optimisation plans, reports and guidance documents. They guide and define management decisions to meet demand and avoid, mitigate, or minimise unsustainable impacts on resources. With this in place, sufficient good-quality surface and groundwater will remain an ongoing part of future water supply for economic and population growth and the liveability of towns and cities.

Average cost is calculated by dividing the cost of the services by the total number of the following types of documents or advice produced:

#### 1. Plans

- Water allocation plan
- Drinking water source protection plan
- Statement of response to public submissions

## **2. Plans for public comment**

- Water allocation plan for public comment
- Water source protection plan for public comment

## **3. Technical reports**

- Drinking water source protection area assessments
- Environmental water requirements report, or provisions report
- Allocation limits methods report

## **4. Guidance documents**

- Water quality protection notes and information sheets
- Local water licensing strategy (for example Indigenous Land Use Agreement, allocation statement)

## **5. Status reports including:**

- Annual or tri-annual compliance Jandakot, and Gnangara compliance reports
- Water allocation plan evaluations
- Drinking water source protection reviews
- Statewide planning reports (e.g. water resources inventory)
- Pre-planning or implementation phase status reports (e.g. discussion paper, review of allocation limits or components)
- Communication products (or sets of communication products) (e.g. water availability outlooks, website text, fact sheets)

## **► Variance analysis**

The decrease in the Actual for 2019–20 from the 2018–19 Actual, was mainly the result of changes in cost-allocation methodology to allocate cost to this service. There were also fewer documents or advice delivered as a result of impacts to staffing during the COVID-19 pandemic, delaying consultation on planning deliverables and reprioritisation of senior staff onto priority projects in other areas of the business (water, industry regulation, licensing advice, EPA assessments and advice, and State Administration Tribunal cases).

### Average cost per hour of scientific support for water planning, allocation and optimisation

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
196	145	222	161

The sustainable management of water resources for the long-term benefit of the state relies on quality and contemporary water science. The indicator will enable judgement about the efficient application of the department's science capacity.

This indicator shows the average cost of providing scientific support for the achievement of water planning, allocation and optimisation outcomes.

This indicator is calculated by dividing annual cost of full-time equivalent (FTE) and operational expenses by total hours worked by employees directly supporting scientific outcomes for this service.

#### ► Variance analysis

The movement in the Actual for 2019-20 from the 2019-20 Target and the 2018-19 Actual is largely due to an increase in the number of hours of scientific support for water planning, allocation and optimisation due to changes in cost-allocation methodology to allocate cost to this service.



### Service 3: Water regulation, licensing, and industry governance

Responsible, proportional regulation ensures investment, growth and development is underpinned by sustainable management of the state's water resources for the long-term benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

### Average cost of assessing a water licence application by risk assessment category

Risk assessment category	Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
Low risk	3,400	3,788	3,834	3,284
Medium risk	4,534	5,051	5,111	4,378
High risk	5,667	6,313	6,389	5,473

Water licenses or access entitlements are a fundamental asset for giving confidence in investment decisions. Responsible, proportional regulation gives confidence that Western Australia's water resources are being sustainably managed for the long-term benefit of the state. The average cost by risk category enables judgement about the efficiency of water license assessments by risk category.

Licensing is the main tool for sharing and allocating the state's water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource and is the regulatory tool to ensure efficient and sustainable productive use of available water.

The indicator is calculated by using the departmental cost of the water licencing service divided by the number of licence and permit applications assessed by risk category within the period.

#### ► Variance analysis

The variance between the 2019-20 Actual costs and the 2019-20 Target costs and 2018-19 Actual costs reflects an overall increase in the total number of water licence application assessments completed in 2019-20 relative to the 2019-20 budgeted volumes and the 2018-19 Actual volumes, and a reduction in the total costs allocated to this indicator in 2019-20 relative to the budgeted costs for 2019-20.

### Average time taken (days) to assess a licence application by risk assessment category

Risk assessment category	Actual 2017-18 (Days)	Actual 2018-19 (Days)	Target 2019-20 (Days)	Actual 2019-20 (Days)
Low risk	73	57	65	46
Medium risk	134	133	75	85
High risk	158	213	95	87

Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licenses are one of the fundamental assets that support investment decisions.

The department ensures that the level of assessment applied to an application is consistent with the risk posed should a licence be granted.

The indicator enables judgement about the department's efficiency in decision-making about license applications within this risk-based framework.

Licensing is the main tool for sharing and allocating the state's water resources. A water licence grants a licensee an entitlement to an allocation of a particular water resource. Licensing application assessment times will vary according to the category level of the licence being processed. Higher-risk licence applications are generally more complex and require more time to administer.

This indicator shows the average time taken to assess a licence or permit application by risk category grouping. The indicator includes applications for permits to interfere with bed and banks, licences to construct a well, licences to access water, renewal of and amendments to existing licences to access water, trades, transfers and agreements.

Risk categories for licence or permit applications guide the level of assessment that is carried out by the department based on the risk should a licence or permit be granted. Risk categories are defined as low, medium or high. Primary factors considered when assigning an assessment risk category are the volume of water being requested, how much water is available in the resource where the water is being requested, and potential impact of the proposed water use on other water users and/or the environment, including cumulative impacts.

The indicator is calculated using the total time taken to assess all licence and permit applications within each risk category completed within the period. The measurement of time includes 'stop the clock'.

'Stop the clock' means the time measure excludes the time taken by processes outside of the department's control. When an application process is outside of the department's control the time taken during this process is not included when calculating assessment times. The 'clock is stopped' in these instances.

► **Variance analysis**

The average time taken to process a water licence application has been significantly reduced in 2019–20 across all water licence application risk categories, driven by the successful implementation of the water licensing backlog action plan and several other water licensing business performance initiatives. The 2019–20 Target was achieved across the low and high-risk categories, while the 2019–20 Actual for medium-risk category applications was reduced to 85 days from 133 days in 2018–19 (a 36% reduction).

Importantly, it should be noted that the average processing duration for low-risk applications, which currently represent more than 80% of the total water licence applications processed in 2019–20, is 19 days (or 29%) less than the target of 65 days.



## Average cost of compliance monitoring and enforcement action

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
743	608	610	205

The department relies on water usage information for accurate water resource management advice and decisions. The department's compliance monitoring of licensed use provides accurate information on actual licensed water use to ensure the sustainable management of water resources for the long-term benefit of the state.

The department undertakes compliance monitoring and, where appropriate, enforcement action when licensed water use is found to be not in accordance with terms, restrictions, and conditions. Compliance monitoring within a risk-based framework ensures the department fulfils its legislative requirements, while ensuring efficient and sustainable productive water use.

Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licenses are one of the fundamental assets that support investment decisions.

This indicator is calculated using the departmental cost of compliance and enforcement activities divided by the number of compliance and enforcement actions undertaken by the department during the year.

The enforcement actions include the following activities undertaken by the department when licenced water use is found to be inconsistent with the licencing terms, restrictions and conditions:

- incidents of suspected non-compliance identified
- educational letters
- licence amendments
- warnings, infringements, or direction notices
- prosecutions.

### ► Variance analysis

The significant reduction in the average cost of compliance monitoring and enforcement action for the 2019-20 Actual from the 2019-20 Target and 2018-19 Actual reflects a significant increase in compliance monitoring events and incidents in 2019-20 as an outcome of compliance monitoring event backlog reduction initiatives and expanded regional compliance monitoring scheduling driven by the commencement of stage three of the water metering regulations, and a reduction in the actual costs of service (driven by changes in the cost-allocation methodology to allocate costs to this service).



## Service 4: Environmental regulation

The department seeks to prevent, control and abate activities with the potential to cause pollution or environmental harm. It has adopted a risk-based approach to delivering its regulatory role, which broadly fits into three main functions:

1. approvals and licensing
2. monitoring, audit and compliance inspections
3. enforcement, including complaint and incident investigation.

### Average cost per works approval and licence application, Average cost per native vegetation clearing permit application

	Actual 2018–19 \$	Target 2019–20 \$	Actual 2019–20 \$
Average cost per works approval and licence application	47,505 <sup>(a)</sup>	62,184	47,220
Average cost per native vegetation clearing permit application	29,865	40,192	17,644

(a) The 2018–19 audited figure was previously reported as \$57,821. This has been restated to include applications decided as withdrawn or declined (previously excluded) to more accurately reflect the time and effort spent on assessment of applications. The restatement further allows realignment with the application assessment methodology for native vegetation clearing permit applications.

These measures of efficiency were established to reflect the costs per regulatory action for an instrument for the department's industry regulation and native vegetation regulation functions. These are considered relevant efficiency indicators as they:

- capture the primary regulatory functions of the department
- measure the amount of resources required to assess and determine an industry regulation instrument and native vegetation instrument
- are of interest to parties paying regulatory fees
- are relevant to the review and determination of the department's regulatory fees and charges.

The indicators are considered relevant to the service as they can track the efficiency of the assessment of regulatory instruments over time and provide a simple metric for users of the department's budget statements and annual report.

The indicator is calculated by dividing the total group costs deemed relevant to the agency activity of carrying out and administering the function of works approvals and licences – being applications assessment and decision-making on works approval and licence applications under Part V Division 3 of the *Environmental Protection Act 1986* by the number of work approvals, licences, licence renewals and amendments assessed to provide the average cost.

► **Variance analysis**

The reduction in average cost per works approval and licence application between the 2019–20 Target and the 2019–20 Actual is due to an increase in the number of works approval and licence applications decided as 'withdrawn, declined, returned or expired' not previously included, and changes in cost-allocation methodology to allocate the costs to this service.

The reduction in average cost per native vegetation clearing permit application from the 2018–19 Actual and the 2019–20 Target to the 2019–20 Actual is due to an increase in the number of native vegetation clearing permit applications decided and changes in cost-allocation methodology to allocate the costs to this service.

## Service 5: Environmental and water policy

Develop and implement policies and strategies that promote environmental outcomes.

### Average cost per hour of policy advice and recommendations

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
89	84	76	118

This measure of efficiency was established to reflect the cost per hour of policy advice. This is considered a relevant efficiency indicator as it:

- captures a significant function of the department
- measures the amount of resources required to develop and implement policies and strategies
- is of interest as it shows the cost of policy development
- is relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to this service as they can track the efficiency of the policy development and implementation over time and provide a simple metric for users of the department's budget statements and annual report.

The indicator is calculated by totalling the functional group costs associated with agency activity of carrying out and administering the function of providing policy advice and recommendations. The advice and recommendations mainly relate to the development, review and amendment of environmental policy, national policy, primary and subsidiary legislation, and environmental programs, providing advice to the Minister and the State Government in relation to legislation administration. The total number of available FTE hours for the services are divided into the costs to provide an average cost per hour of policy advice and recommendations.

#### ► Variance analysis

The significant increase in average cost per hour of policy advice and recommendations from the 2018-19 Actual and the 2019-20 Target to the 2019-20 Actual is largely due to changes in cost-allocation methodology to allocate costs to this service.



## Service 6 Waste strategies

Waste avoided and the recovery of materials from landfill maximised.

### Cost of landfill levy compliance as a percentage of landfill levy income collected

Actual 2017-18 %	Actual 2018-19 %	Target 2019-20 %	Actual 2019-20 %
1.31	2.10	1.97	1.94

This measure of efficiency was established to reflect the cost of levy compliance as a percentage of the landfill levy income collected. This is considered a relevant efficiency indicator as it:

- measures the amount of resources applied to the waste avoidance strategies and landfill diversion strategies
- is of interest as it shows the cost of managing the waste strategies
- is relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to the service as it can track the efficiency of managing waste strategies and provides a simple metric for users of the department's budget statements and annual report.

The cost of landfill levy compliance as a percentage of landfill levy income collected is determined by totalling those functional group costs deemed relevant to the department's activity of carrying out and administering the function of providing landfill levy compliance – being the administration of the landfill levy returns, auditing of those returns, processing of exemptions and undertaking inspections at a range of waste facilities, and carrying out unauthorised waste activity investigations. The indicator is calculated by dividing the cost of levy compliance by the amount of landfill levy income collected for the year.



## Service 7: Environmental impact assessment services to the EPA

Conduct, for the EPA, environmental impact assessments of significant proposals and schemes.

### Cost per standardised unit of assessment output

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
34,681	33,082	30,383	39,924

While the variation in assessment complexity is reflected in the level of assessment set, several other factors affect how complex a proposal is to assess. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent dealing with a proposal, how the complexity weightings were allocated and trialled, in consultation with experienced officers, according to inherent proposal characteristics that cause a proposal to be more difficult rather than what causes an assessment to take more time to complete. This ensures that the indicator measures the efficiency of the department's provision of EIA advice to the EPA rather than the department's cost per hour. The total complexity is calculated by summing the individual complexities allocated to each assessment according to their inherent characteristics.

The cost per standardised unit of assessment output is calculated by dividing the total cost of assessments (including an allocation of post-approval costs and a portion of costs for policy and administrative support) by the total complexity weighting of assessments completed during the financial year.

#### ► Variance analysis

The increase in cost per standardised unit of assessment output from the 2018-19 Actual and the 2019-20 Target to the 2019-20 Actual is due to changes in cost-allocation methodology to allocate cost to this service. In 2019-20 the department received additional funding to support strategic projects. Outputs of these projects will be realised in 2020-21 and are not reflected in the 2019-20 outputs.



## Service 8: Environmental management services to the EPA

Develop, for the EPA, statutory policies, guidelines, and strategic advice to manage environmental impacts and protect the environment.

### Cost per standardised unit of environmental management services output

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
31,377	21,049	22,511	34,793

Due to the variation in complexity of environmental management services provided, an average cost per piece of advice provided would not fairly represent the department's efficiency in providing such advice to the EPA. In fact, such a measure could provide a perverse incentive to produce many straightforward pieces of advice rather than tackling more complex issues that are more difficult to investigate. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent investigating a matter, how the complexity weightings were allocated, in consultation with experienced officers, according to inherent characteristics that cause a piece of environmental management advice to be more difficult rather than what causes it to take more time to complete. This ensures that the indicator measures the efficiency of the department's provision of environmental management advice to the EPA rather than the department's cost per hour.

The cost per standardised unit of environmental management services output is calculated by dividing the total cost of environmental management services (including an allocation of administrative support) by the total complexity weighting of environmental management services endorsed during the period.

#### ► Variance analysis

Strategic advice and support for environmental management services to the EPA is provided by a dedicated EPA services directorate within the department with support from other functions of the department for specialist environmental services. The Actual cost per standardised unit of environmental management services output is higher than the Target for 2019-20 and 2018-19 Actual due to changes in cost-allocation methodology to allocate cost to this service. Additional advice and support were provided by the department in 2019-20.

## Service 9: Compliance monitoring services to the Minister for Environment

Audit the compliance with conditions set under Ministerial approvals and undertake enforcement action as appropriate.

### Average cost per environmental audit completed

Actual 2017-18 \$	Actual 2018-19 \$	Target 2019-20 \$	Actual 2019-20 \$
18,069	31,719	21,267	65,666

The indicator is calculated by dividing the total cost (including an allocation of administrative overheads) allocated to compliance monitoring services by the total number of audits (not including desktop scans) completed during the period.

#### ► Variance analysis

Compliance monitoring services to the Minister for Environment are provided by a dedicated compliance and enforcement directorate within the department with support from other functions of the department. The Actual average cost per environmental audit completed in 2019-20 is higher than the 2019-20 Target and 2018-19 Actual due to changes in cost-allocation methodology to allocate costs to this service and reallocation of staff to priority areas, than previously predicted.



## Other legal requirements

### Expenditure on advertising, market research, polling and direct mail

In accordance with section 175ZE of the *Electoral Act 1907*, the department incurred the following expenditure in advertising, market research, polling, direct mail and media advertising. Total expenditure for 2019–20 was \$155,530.29 (excluding GST).

Expenditure	Total	Expenditure paid to	Amount
Advertising agencies	Nil		Nil
Market research organisations	Nil		Nil
Polling organisations	Nil		Nil
Direct mail organisations	Nil		Nil
Media advertising organisations	\$149,034.78*	State Law Publisher	\$6,495.51
		Big Head Digital	\$2,520.00
		Facebook	\$18,665.89
		Google	\$834.16
		Initiative Media Australia	\$117,944.70
		Email media	\$600.00
		Independent and general media	\$8,470.03
<b>Total</b>			<b>\$155,530.29</b>

\*Please note: Total media advertising organisations' expenditure does not include the State Law Publisher spend of \$6,495.51.



## Disability Access and Inclusion Plan

We recognise that people with disability, their families and carers have the same rights as other members of the community to access employment and services, information and facilities, and to participate in community consultation.

In support of our commitment to improved disability access and inclusion, our equity and diversity panel has championed a number of initiatives under our five-year [Disability Access and Inclusion Plan](#).

Critical to the plan, a diversity mission statement was approved by our Corporate Executive to embed diversity and inclusion in all that we do.

Every day we support and inspire each other to be our whole selves and best selves – to thrive and reach our full potential. We celebrate, acknowledge, respect and embrace differences because we know that when people from different backgrounds and with different points of view work together, we create the most value and reflect the community we serve.

## Public sector standards and ethical codes

Five claims of breaches of the Western Australian Public Sector Standards in Human Resources (Employment Standard) were lodged in the fiscal year. Zero were upheld.

Every day we support and inspire each other to be our whole selves and best selves – to thrive and reach our full potential.



## Recordkeeping

We are committed to continuously improving our recordkeeping culture, tools and practices to ensure compliance with the *State Records Act 2000* and best business outcomes for the department. In line with the State Records Commission (SRC) Standard 2, Principle 6, the following information is provided.

In 2019–20, our recordkeeping manual and a disaster recovery plan for hard records was completed and communicated to staff. A risk assessment with a roadmap to implement an information classification scheme was also completed.

Activities continued this year using the online training system (Blueprint) and the deployment of a mandatory records awareness module for staff.

We continued training on the Business Toolbox which helps staff create, collaborate and share documents more effectively and securely, while supporting mobility and ensuring the integrity of our information assets. This provided staff with effective business tools to collaborate during the COVID-19 pandemic and remain open for business across the department.

In 2019–20, 40 per cent of staff training was completed in regional offices including training to the Office of the Appeals Convenor.

Our paper-lite initiative continued, reducing our use of physical documents. When files are recalled from offsite storage now, they are scanned into a digital format complying with SRC Standard 8. This approach reduces

impacts on the environment, improves information availability and enhances the digital workplace.



## Government policy requirements

### Substantive equality

We are committed to implementing substantive equality measures and strive to make our services available to all Western Australians in a form that meets individual needs.

We deliver this by ensuring our processes associated with water and environmental management and planning practices are developed with input from the public and stakeholders as well as broad public invitations to comment on draft documents.

Our equity and diversity panel has oversight of the development and implementation of an equity framework which integrates substantive equality strategies.

Following the launch of our first Reconciliation Action Plan, we are continuing our work to build sustainable relationships with the Aboriginal community.

Importantly, we seek to listen, learn and build strong partnerships with the Traditional Custodians of the land.

We aim to provide genuine opportunities for Aboriginal people within our workforce and through our business.

Following the launch of our first Reconciliation Action Plan in 2019 during National Reconciliation Week, we are continuing our work to build sustainable relationships with the Aboriginal community.

Our Disability Access and Inclusion Plan provides the framework for universally inclusive access.

## Occupational health, safety and injury management

### Providing safe spaces

We understand that family and domestic violence is a complex issue. We also recognise the adverse impact it can have on our employees and fully support the State Government's Safe Spaces initiative.

We acknowledge there is a strong need to provide affected employees with appropriate levels of support, as and when required.

In 2019–20, as part of the 16 days in WA to Stop Violence Against Women Program, we partnered with the City of Joondalup to host a special event to shine a spotlight on all forms of abuse and call us to action against it.

We invited a number of guest speakers to the event, including Dr Ann O'Neill who founded and directs [Angel Hands](#) – a not-for-profit organisation assisting those affected by homicide or other personal violence.

As part of this, we coordinated the creation of hundreds of 'angel packs' (small calico bags) which our staff filled with donated toys and treats for children affected by trauma. These were provided to Dr O'Neill for use by her charity which distributes them to the WA Police Force and other emergency responders to give to children.

In addition, we coordinated the donation of bags filled with toiletries and other essential items set for distribution to individuals who have been impacted by domestic abuse.



### ► Occupational safety and health and injury management

As a department, we recognise that our strength is in the work of our dedicated employees and we are committed to providing a safe and healthy workplace for all.

We have established a three-tier occupational safety and health (OSH) consultation system that includes an OSH Steering Committee (meets quarterly), OSH Reference Group (meets quarterly), area committees, and safety and health representatives.

These groups focus on the continuous improvement of our OSH systems, processes and performance, workplace safety, and risk and hazard awareness. Our Steering



Committee is also responsible for ensuring that our department-wide OSH Action Plan is implemented and meets its targets.

The OSH committees, which include employee representatives, are integral to effective OSH consultation within our department. The locations and details of our safety and health representatives, as well as associated documents and forms, are available to all staff through our intranet.

### ► Mechanisms for consultation with employees

The primary mechanism for consultation with employees is through our OSH committees and representatives.

We also have an incident management reporting system in place that clearly articulates notification protocols and escalation points.

Our online platforms provide us with another method to ensure effective and inclusive engagement with our staff for their feedback on department policy and procedures, as well as updating and announcing events occurring in our safety and wellbeing space.

### ► Commitment to return employees back to work after injury

To address any workplace injuries that occur, our department has a workers' compensation and injury management policy and guidelines to assist injured employees to return to work as soon as medically appropriate.

This system ensures we can intervene promptly and effectively in injury management, enabling injured employees to remain at work or return to work at the earliest possible time.

This system and our return to work programs are compliant with the requirements of the *Workers' Compensation and Injury Management Act 1981* and have been reviewed and approved by RiskCover, our department's insurer.

### ► Performance

In managing the health and safety of our people, our obligations are primarily set out under the Public Sector Commissioner's Circular – *Code of Practice: Occupational Safety and Health in the Western Australian Public Sector*, as well as the requirements of the *Occupational Safety and Health Act 1984* and the *Workers' Compensation and Injury Management Act 1981*. The department complies with the code and the requirements of the Acts.

Our performance against the targets set in the code is demonstrated on the next page.

Measure	Results 2017-18	Results 2018-19	Results 2019-20	Targets	Comments towards targets
Number of fatalities	0	0	<b>0</b>	0	The department has had 0 fatalities.
Lost time injury and disease incidence rate	1	5	<b>3</b>	0	While the number of lost time injuries is low, we are continuously reviewing better and more efficient ways of managing risk and injuries in the workplace to reach our target of zero time lost to injuries.
Lost time injury and disease severity rate	0	0	<b>0</b>	0	Severe claims are measured against those which have lost 60 days or more.
Percentage of injured workers returned to work (i) within 13 weeks	100%	100%	<b>100%</b>	100%	Injured employees must return to work within some capacity before 13 weeks, with restrictions on work in the original area of employment or other meaningful work.
Percentage of injured workers returned to work (ii) within 26 weeks	100%	100%	<b>100%</b>	100%	We have put strategies in place to ensure all claimants return to work within 13 weeks, as guided by the clinical advice.
Percentage of managers trained in occupational safety, health and injury management responsibilities, including refresher training within three years	0 <sup>5</sup>	0 <sup>6</sup>	<b>Injury management training 77%</b> <b>Online training modules for managers 79%</b>	100%	We will continue to provide injury management training, with all managers required to complete this.  Refresher training will occur for online modules every two years.

<sup>5</sup> Regarding the 2017-18 and 2018-19 managers training numbers: 2017 was the year in which our amalgamated department emerged from machinery of government. As a result, all programs were 'reset' and redeveloped for the department with 2017-18 and 2018-19 the formative years for this training development and release, and 2019-20 demonstrating our program success rates.

<sup>6</sup> As explained above.

► **Manager and supervisor training in occupational safety, health and injury management responsibilities**

In 2019–20, we trained one new safety and health representative (with three new representatives awaiting), with training conducted centrally for all representatives through a recognised provider.

We require all our managers and employees to undertake annual OSH training, which is made available through our online learning system.

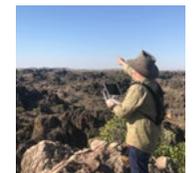
Our managers are trained in occupational safety and health through use of the department’s learning management system. Training modules cover all aspects including the OSH legal framework, duty of care, hazard and risk management, incident management, OSH training and injury management, and return to work programs.

We require all our managers and supervisors to complete this training every two years, achieving a pass mark of at least 80 per cent. In 2019–20, we achieved a success rate of

79 per cent, with further retraining scheduled to occur in the 2020–21 financial year.

In 2019–20, we commenced injury management training for line managers – recording a 77 per cent completion rate.

Further fundamental health and safety training will commence in the 2020–21 financial year, with all managers and employees (both metropolitan and regionally-based) to be trained by an external training provider.



## Freedom of information

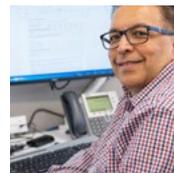
In accordance with section 10 of the *Freedom of Information Act 1992* (FOI Act), a person has a right to be given access to documents of an agency subject to and in accordance with the FOI Act. It is our commitment to make information available as soon as possible and at the least possible cost.

For the 2019–20 period, we received 348 FOI applications and, of these, seven applications progressed to an internal review and three to external review with the Office of the Information Commissioner.

This financial year:

- the average time taken to process FOI applications was 39 days<sup>7</sup>
- we received 11 applications for personal information
- we received 337 applications for non-personal information
- in addition to the 348 FOI applications received by the department, we handled a further 42 consultations from other agencies.

<sup>7</sup> The mandatory requirement under the FOI Act is 45 days.



# Appendices

## Appendix A: Legislation

### Legislation administered by the Department of Water and Environmental Regulation as at 30 June 2020

- *Carbon Rights Act 2003*
- *Contaminated Sites Act 2003*
- *Country Areas Water Supply Act 1947*
- *Environmental Protection Act 1986*
- *Environmental Protection (Landfill) Levy Act 1998*
- *Litter Act 1979* (The Department of Water and Environmental Regulation is the agency principally assisting the Minister for Environment in the administration of this Act assisted by the Keep Australia Beautiful Council [Western Australia])
- *Metropolitan Arterial Drainage Act 1982*
- *Metropolitan Water Supply, Sewerage and Drainage Act 1909*
- *National Environmental Protection Council (Western Australia) Act 1996*
- *Plumbers Licensing Act 1995* (except part 5A which is administered by the Minister for Commerce principally assisted by the Department of Mines, Industry Regulation and Safety) – alternative citations are *Water Services Coordination Act 1995* and *Water Licensing Act 1995*
- *Rights in Water and Irrigation Act 1914*
- *Waste Avoidance and Resource Recovery Act 2007* (The Department of Water and Environmental Regulation is the agency principally assisting the Minister for Environment in the administration of this Act assisted by the Waste Authority)
- *Waste Avoidance and Resource Recovery Levy Act 2007* (The Department of Water and Environmental Regulation is the agency principally assisting the Minister for Environment in the administration of this Act assisted by the Waste Authority)

## Regulations administered by the Department of Water and Environmental Regulation as at 30 June 2020

- *Water Agencies (Powers) Act 1984*
- *Water Agencies Restructure (Transitional and Consequential Provisions) Act 1995*
- *Water Corporations Act 1995*
- *Water Efficiency Labelling and Standards Act 2006*
- *Water Resources Legislation Amendment Act 2007*
- *Water Services Act 2012*
- *Water Services Coordination Act 1995*
- *Water Services Licensing Act 1995*
- *Waterways Conservation Act 1976*
- Clean Air (Determination of Air Impurities in Gases Discharged to the Atmosphere) Regulations 1983
- Contaminated Sites Regulations 2006
- Country Areas Water Supply (Clearing Licence) Regulations 1981
- 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 (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 (Plastic Bag) Regulations 2018
- Environmental Protection (Recovery of Vapours from the Transfer of Organic Liquids) Regulations 1995
- Environmental Protection (Rural Landfill) Regulations 2002
- Environmental Protection (Solid Fuel Burning Appliances and Firewood Supply) Regulations 1998
- Environmental Protection (Unauthorised Discharges) Regulations 2004
- Environmental Protection Regulations 1987
- Litter Regulations 1981
- Noise Abatement (Noise Labelling of Equipment) Regulations (No. 2) 1985
- Plumbers Licensing and Plumbing Standards Regulations 2000
- Rights in Water and Irrigation Regulations 2000
- Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019
- Waste Avoidance and Resource Recovery Regulations 2008
- Waste Avoidance and Resource Recovery Amendment Regulations 2019
- Waste Avoidance and Resource Recovery Levy Regulations 2008
- Water Agencies (Entry Warrant) Regulations 1985
- Water Agencies (Infringements) Regulations 1994
- Water Corporations (Transitional Provisions) Regulations 2013
- Water Services Regulations 2013
- Water Services Coordination Regulations 1996
- Water Services (Water Corporations Charges) Regulations 2014
- Waterways Conservation Regulations 1981

## Other subsidiary legislation affecting our activities

For all other subsidiary legislation including by-laws, notices, declarations, proclamations, approvals, exemptions, orders, policy, pollution control areas, vesting orders, irrigation districts, standards and guidelines, please visit [www.legislation.wa.gov.au](http://www.legislation.wa.gov.au).

## Other key legislation affecting our activities

In the performance of our functions, the department complied with the following laws:

- *Aboriginal Heritage Act 1972*
- *Auditor General Act 2006*
- *Corruption and Crime Commission Act 2003*
- *Disability Services Act 1993*
- *Equal Opportunity Act 1984*
- *Financial Management Act 2006*
- *Freedom of Information Act 1992*
- *Government Employees Housing Act 1964*
- *Industrial Relations Act 1979*
- *National Environmental Protection Council Act 1997 (Cwlth)*
- *Long Service Leave Act 1958*
- *Minimum Conditions of Employment Act 1993*
- *Native Title Act 1993 (Cwlth)*
- *Occupational Safety and Health Act 1984*
- *Public Interest Disclosure Act 2003*
- *Public Sector Management Act 1994*
- *Salaries and Allowances Act 1975*
- *State Records Act 2000*
- *State Supply Commission Act 1991*
- *Workers' Compensation and Injury Management Act 1981*

## Appendix B: Shortened forms

Term	Definition
AAS	Australian Accounting Standards
CBH	Cooperative Bulk Handling Group
CEFF	Clean Energy Future Fund
CIE	Community and Industry Engagement Program
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DMIRS	Department of Mines, Industry Regulation and Safety
DPLH	Department of Planning, Lands and Heritage
EIA	Environmental impact assessment
EMP	Environmental Management Plan
EPA	Environmental Protection Authority
FOGO	Food organics, garden organics
FTE	Full-time equivalent
FWSPS	Farm Water Supply Planning Scheme
GCSAWA	Golf Course Superintendents Association of Western Australia
GIS	Geographic information system
HHW	Household hazardous waste
IBSA	Index of Biodiversity Surveys for Assessment
IMSA	Index of Marine Surveys for Assessment

Term	Definition
LGA	Local government authorities
LiDAR	Light detection and ranging
MLA	Member of the Legislative Assembly
MLC	Member of the Legislative Council
NEPM	National Environment Protection Measure
NPI	National Pollutant Measure
OSH	Occupational safety and health
PIWI	Peel Integrated Water Initiative
REI	Regional Estuaries Initiative
RGW	Revitalising Geographe Waterways
RtR	Roads to Reuse
SRC	State Records Commission
TI	Treasurer's Instructions
WA	Western Australia
WARR	Waste Avoidance and Resource Recovery
WARRL	WA Return Recycle Renew Ltd
WESROC	Western Suburbs Regional Organisation of Councils
WIR	Water information reporting
WWS	Waste Wise Schools

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Your feedback on our 2019–20 annual report would be greatly appreciated. We will use your comments to help improve the clarity and presentation of our publications. Thank you for your input.

- Did the report help you understand the department, its purpose, services and performance?  
not at all | not really | somewhat | yes | absolutely
- Did you find the design and presentation functional and effective?  
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- Was the report clear, concise and easy to read?  
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