



Image: Nudibranch, *Phyllodesmium macphersonae*, San Remo Channel, Western Port

Annual Report 2020-21

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Authorised by the Victorian Commissioner for
Environmental Sustainability
Level 36, 2 Lonsdale Street, Melbourne,
Victoria 3000

For further information email the Commissioner
for Environmental Sustainability at
info.ces@ces.vic.gov.au or visit
<http://www.ces.vic.gov.au>

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TRADITIONAL OWNERS

The Commissioner for Environmental Sustainability proudly acknowledges Victoria's Aboriginal community and their rich culture and pays respect to their Elders past and present.

We acknowledge Aboriginal people as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely. We recognise and value the ongoing contribution of Aboriginal people and communities to Victorian life and how this enriches us.

We embrace the spirit of reconciliation, working towards the equality of outcomes and ensuring an equal voice.

REPORT OF OPERATIONS

Abbreviations

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
CES	Commissioner for Environmental Sustainability, Victoria
CES Act	<i>Commissioner for Environmental Sustainability Act 2003</i>
CMA	Catchment Management Authority
CRG	Commissioner's Reference Group
DELWP	Victorian Department of Environment, Land, Water and Planning
EMS	Environmental Management Systems
EO	Executive Officer
EPA	Environment Protection Authority Victoria
FMA	<i>Financial Management Act 1994</i>
FOI	Freedom of Information
FRD	Financial Reporting Directive
FTE	Full-Time Equivalent
IBAC	Independent Broad-based Anticorruption Commission (Victoria)
ICT	Information and Communications Technology
MaC Act	<i>Marine and Coastal Act 2018</i>
MER	Major Event Review
MILL	Municipal and Industrial Landfill Levy (Victoria)
MSA	Melbourne Strategic Assessment
MSA Act	<i>Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020</i>
OH&S	Occupational Health and Safety
PA Act	<i>Public Administration Act 2004</i>
PID Act	<i>Public Interest Disclosures Act 2012</i>
RFA	Regional Forest Agreement
SDGs	Sustainable Development Goals
SEEA	System for Environmental-Economic Accounts
SLA	Service Level Agreement
SMCE	State of the Marine and Coastal Environment
SoE	State of the Environment
STAG	Stakeholder Technical Advisory Group
TAG	Technical Advisory Group
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
VAGO	Victorian Auditor-General's Office
VCMC	Victorian Catchment Management Council
VMaCC	Victorian Marine and Coastal Council
VPSC	Victorian Public Service Commission

Responsible Body Declaration

I am pleased to present the Annual Report for the Commissioner for Environmental Sustainability year ending 30 June 2021.



Dr Gillian Sparkes AM
Commissioner for Environmental Sustainability
DATE: 29 October 2021

Year in review

As I reflect on the year, I am especially proud of my team and the way in which they have adapted to remote working and the challenges that we all, as members of the global and local community, have confronted throughout the COVID-19 pandemic. This has been a year requiring personal and professional resilience but nonetheless one that has delivered an expansion in our science and engagement work, while maintaining a solid focus on working co-operatively and collaboratively across government and the NGO sectors, and with the scientific and other communities who so generously continue to participate and support our work and through that, the pursuit of the ecologically sustainable development of Victoria.

The 2018 suite of reports – the State of the Environment (SoE) report, and its companion reports, the State of the Forests and the State of the Yarra and its Parklands – provided a comprehensive scientific assessment on the condition and management of Victoria’s natural environment. On 10 December 2020, the Victorian Government publicly released their response to a total of 31 recommendations across the three reports. I was encouraged by the response which supported, in full, part or in principle, 30 of the 31 recommendations, with 19 of 20 SoE 2018 report recommendations supported. This response reaffirms the success of taking a collaborative, co-design approach to our work and involving a broad range of stakeholders in the development of the reports. The support for our work aligning Victoria with international environmental reporting frameworks including the United Nations Sustainable Development Goals (SDGs) to help frame environmental monitoring and reporting in Victoria was particularly pleasing and reflects the progressive approach by Victoria to dealing with the wicked challenge of sustainable development.

The framework for the SoE 2023 report, *Science for Sustainable Development*, was tabled in the Victorian Parliament on 16 June 2020. This framework acquits my responsibilities under section 17 of the *Commissioner for Environmental Sustainability Act 2003* (CES Act) and sets out my ambition and the approach to the Victorian SoE 2023 report and associated reports to be delivered in this reporting cycle.

The *Science for Sustainable Development* framework commits to three levels of scientific synthesis to inform recommendations to government:

1. environmental condition reporting,
2. assessing interlinkages across the SDG targets, and
3. tracking progress on selected SDG targets.

The *Science for Sustainable Development* framework builds on my previous framework (the 2015 *State and Benefit* framework) and sets the ambitious task of exploring and reporting on interactions between the natural environment, wellbeing, and economy in future work. The CES Act defines ecologically sustainable development to be “development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends”. The objectives that support this definition allow me to explore and report on the connections between our quality of life and the environment.

The SDGs provide an internationally agreed reporting framework that enable a comprehensive story to be told about Victoria’s environment, and the benefits we derive from it. The intention is to apply the SDGs to broaden the focus of environmental reporting and better address economic, social, and environmental considerations. Utilising the SDGs as an operating framework for ‘state of’ environment reporting provides a depth of science storytelling capable of reflecting the diverse views and complexity of both the natural environment and needs of Victorians.

The *Science for Sustainable Development* framework commits to incorporating, and where possible expanding, the use of spatial data in environmental condition reporting for Victoria. Spatial technology also offers new levels of intelligence to quantify, analyse and unlock the transformative potential of the SDGs as a framework for decision making for sustainable development.

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The Commissioner's Reference Group (CRG) is an important advisory body that is comprised of leaders from key stakeholder and advocacy groups, including industry associations, NGO, and public sector organisations. I am grateful to the members for their continued advice and wise counsel that is so important to enhance the impact of the CES reporting program. This year we welcomed two new members to the CRG: Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association (VLGA), and Jane Lovell, the incoming Chief Executive Officer, Victorian Farmers Federation (VFF). Jane replaces Steve Sheridan as a member of the CRG.

Key deliverables this year towards the delivery of our statutory reporting program include:

- Expert Review Draft of the State of the Marine and Coastal Environment (SMCE) 2021 Report
- Expert Review Draft of the SoE 2018 Biodiversity Update (post 2019-20 bushfires) Report
- Progressing Action 3.6, Water for Victoria plan: Preliminary Scientific Baseline Report for reporting on environmental watering outcomes
- Formative work on the development of Cultural Landscape Health and Management indicators for CES reports,
- The commencement of planning and development of the biannual report on the Melbourne Strategic Assessment program's conservation outcomes, and
- Tabling of the annual Strategic Audit Report on EMS implementation in mandated Victorian Government agencies.

State of the Marine and Coastal Environment 2021 Report

In 2016, the Commissioner for Environmental Sustainability (CES) delivered the first of what was to be a five-yearly, State of the Bays report, which focused on monitoring the health of Victorian coasts, bays, and waterways, with particular focus on the regions of Port Phillip Bay and Western Port. The *Marine and Coastal Act 2018* (MaC Act) was subsequently established to create an integrated and coordinated whole-of-government approach to protect and manage Victoria's marine and coastal environment. Section 37(4) of the CES Act requires the Commissioner to prepare a State of the Marine and Coastal Environment Report, which replaces the previous five-yearly State of the Bays reporting commitment and must include:

- (a) the condition of the marine and coastal environment
- (b) the environmental, social, and economic benefits of the marine and coastal environment, and
- (c) the threats to the marine and coastal environment.

Since 2019, my team and I have been preparing the inaugural Victorian State of the Marine and Coastal Environment (SMCE) Report, scheduled for release by December 2021. The SMCE 2021 Report is an intermediary between the 2016 State of the Bays Report, and the full SMCE report due in 2024 according to the statutory reporting timeline prescribed by the MaC Act. The SMCE 2021 Report covers an expanded scope of regions compared to the 2016 State of the Bays report. The SMCE 2021 Report will cover five regions and six marine biounits – Port Phillip Bay, Western Port, Gippsland Lakes, Corner Inlet and Nooramunga, and Victoria's system of Marine National Parks and Sanctuaries – and will introduce socio-economic indicators for the first time in the Commissioner's marine and coastal reporting.

Stakeholder consultation and engagement was a large part of the SMCE 2021 Report work plan to ensure that the report captures the vast knowledge and perspectives of the diverse group of marine and coastal experts and specialists working across Victoria. My science team were instrumental to our stakeholder consultation activity, which involved identifying data custodians and building relationships for the process of refining indicator measures and thresholds, acquiring and analysing all relevant data and completing a draft report for expert review by June 2021.

In addition, on 26 May 2021, we partnered with the Royal Society of Victoria to deliver the *Uniform Local Indicators Workshop* to prioritise uniform local indicators for the SMCE 2021 Report. The Hon Lily D'Ambrosio, Minister for Energy, Environment and Climate Change, provided an opening address. The aim of the workshop was to identify common local priorities and determine a subset of uniform local indicators for the SMCE 2021 Report.

There was strong interest in the online workshop with 79 people participating from multiple regions across Victoria. The workshop brought together coastal managers from a range of organisations across regions: Catchment Management Authorities (CMAs), local government, Department of Environment Land Water and Planning (DELWP), Parks Victoria, a range of non-government organisations, and volunteers including Landcare, CoastCare and other community members.

Our work on localisation of indicators is evolving and accordingly, we took a deliberative approach to ensure a dynamic level of engagement. This collaboration revealed gaps in our understanding that are now being addressed. We heard that the lack of explicit biodiversity indicators in the subset of 15 indicators was a gap, so we added two biodiversity indicators which, in addition to the Traditional Owners partnerships indicator, have been 'pre-selected' as uniform indicators for coastal reporting. Data and insights from the workshop will inform the report, and the indicator prioritisation activities will support recommendations regarding those measures that are suitable for use, uniformly across Victoria.

As with the 2016 State of the Bays Report, an interpretive web-based report is being developed to animate and further build our science communication platform for the SMCE 2021 Report. My goal is to continue to engage and communicate broadly to ensure our reports are both meaningful and impactful and can be used to support the management of Victoria's precious marine and coastal environment through practical action.

State of the Environment 2018 Biodiversity Update

An update to the SoE 2018 Report biodiversity chapter is being prepared due to the impact and severity of the 2019-20 Victorian bushfires so soon after release of the SoE 2018 Report and complement DELWP's initial analysis and inform the *Protecting Victoria's Environment – Biodiversity 2037* evaluation, refresh, and assessment of targets to occur in 2021-22. The update will be released by December 2021.

Action 3.6 – Water for Victoria: Water Plan

Action 3.6 of the Water for Victoria water plan states the Commissioner will better monitor and report on the benefits of environmental watering by:

- Reporting on the outcomes of environmental watering in Victoria, as part of the five-yearly SoE report, a requirement under section 8 of the CES Act, and
- Recommending ways to improve future public reporting, consistent with the objectives of the CES set out in section 7 of the CES Act.

A project plan, data management and acquisition plan (which identifies themes, indicators, and data custodians), and a stakeholder engagement and communication plan are in place to guide this significant (subset) component of the SoE 2023 Report. Progress during 2020-21 included the drafting of a Preliminary Scientific Baseline Report for reporting on environmental watering outcomes. This Scientific Baseline Report will be prepared to form the basis for broad stakeholder consultation regarding further data acquisition, analysis, and interpretation to be included in the SoE 2023 Report. We will use this report as an engagement tool to work with stakeholders to understand what matters to them and help address the knowledge gaps that have been addressed.

The objectives of the Preliminary Report are to:

- Provide clarity around the roles and responsibilities of players in the system (especially data custodians)

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- Provide a preliminary report on environmental watering outcomes based on existing data. This will include a gap analysis of current data for effective reporting of environmental watering outcomes in Victoria in the future, and actions to address these gaps.
- Present a framework for reporting on environmental watering outcomes in the SoE 2023 Report that also identifies, and aligns with, relevant sustainable development goals.
- Provide a pathway to a comprehensive, whole-of-system approach to report on environmental watering outcomes in the SoE 2023 Report.

Regional Forest Agreements Major Event Review

Consistent with the requirements outlined in the modernised Regional Forest Agreements for Victoria (March 2020), and in my capacity as Commissioner, I have been appointed by the Victorian Minister for Environment and Climate Change to the Independent Panel to conduct the Regional Forest Agreements Major Event Review (2021), led by the Victorian and Commonwealth Governments.

The Major Event Review (MER) is a new feature of Regional Forest Agreements (RFA) where the Victorian and Commonwealth Government can jointly undertake a review in order to assess impacts of 'major events' such as bushfires and floods in relation to the objectives and operations of the RFA. A MER enables assessment of the impacts of a major event and identification of remedial actions.

Cultural Landscape Health and Management

The cover of the *Science for Sustainable Development* framework features an aerial photograph of the extraordinary Budj Bim United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage site, in the Gunditjmarra Country of south western Victoria. Budj Bim is the first Indigenous site to be added exclusively for its cultural significance. This photo is an important reflection of the work underway across the Victorian Government, within DELWP and through my team, to better understand and report on Cultural Landscape Health and Management. This work recognises the unique rights and obligations held by Traditional Owners to care for Country. Recommendation 1 to government in the Victorian SoE 2018 Report is to "develop contemporary cultural indicators to inform future environmental reporting. These indicators must reflect the priorities of Traditional Owners, have practical and cost-effective data-collection methods, be meaningful, and demonstrate change within a five-year reporting period". It is our intention to bring effect to this recommendation through the *Science for Sustainable Development*, SoE 2023 reporting cycle.

Discussion around contemporary cultural indicators has commenced to start developing Cultural Landscape Health and Management indicators for our reports – linking in with other initiatives of the Traditional Owner communities – such as Country Plans.

I recognise that storytelling has been central to Aboriginal and Torres Strait Islander cultures for many thousands of years. Knowing this, my team has commenced conversation externally to further understand how we can use case studies to explore Traditional Owner and Original Custodian relationships with coasts, Country, and Sea Country. Also, how such case studies could be developed from the perspective of Traditional Owners and Original Custodians to inform future environmental reporting.

Communication and Engagement Strategy

A key objective of my team is to engage a broad, diverse audience across Victoria and indeed Australia and the world in our work. Our communications and engagement activities are designed to engage Victorians in environmental science, to enable practical action as outlined in our Communication and Engagement Strategy. The Strategy sets the direction for our activities and is aligned with the Commissioner's functions under the CES Act.

In a practical sense, the move to online working through the pandemic has been an opportunity to strengthen and broaden our engagement activities by leaning into the changing behaviours to online engagement and expanding our network of stakeholders from across Victoria, Australia and indeed the world. Our engagement activities are supported by maintaining a targeted, virtual presence through web and social media channels and regular online, speaking engagements.

I am committed to transparency and participation in our science reporting program and providing the community with access to multiple reporting products to make environmental science accessible to all Victorians. Hence our Communication and Engagement Strategy emphasises different forms of our major reports for different audiences, including tailored products for Victorians with diverse information needs. This year we commenced development of new web infrastructure to improve our capabilities in this area and ultimately accessibility for Victorians to our work.

Continuing to work with our stakeholders

Co-design and working with a broad range of stakeholders on our reports is an absolute priority. We understand that authentic engagement and co-design, participatory processes in developing our reports are fundamental to delivering accurate, meaningful, and scientifically rigorous reports, so that our work is both useful and being used. Connecting with and listening to a large and diverse stakeholder cohort has continued to be an emphasis throughout my tenure as Commissioner and this year is no different and in fact, where possible we continue to build and grow this area of our work – I am deeply grateful to everyone who is involved in some way, small or large part, in helping me to deliver my work as Commissioner.

This includes the CRG, who continue to provide an invaluable contribution to our work. This year the SMCE 2021 Report has been a key focus and members have generously shared their expertise providing invaluable advice to enhance our work. In addition to the CRG, we continue our commitment to structured, formal and informal forums to gain input and insight from across the Victorian government including through our Technical Advisory Groups (TAG) and NGO Stakeholder Technical Advisory Groups (STAG). This input is augmented by regular, smaller group meetings, in addition to frequent one-on-one meetings with key stakeholders and leaders from across the Victorian environment sector.

I am grateful for the ideas, thoughts and expertise shared at these forums and that is so important to our delivering our reports.

Parliamentary Inquiries

In my capacity as Commissioner, I was involved in three Victorian Parliamentary Inquiries as follows.

Legislative Assembly: *Inquiry into Environmental Infrastructure for Growing Populations*

Written submission to the Inquiry on 1 October 2020 followed by attendance at public hearing for the Inquiry on 20 April 2021.

Legislative Council: *Inquiry into Ecosystem Decline in Victoria*

Attendance at public hearing for the Inquiry on 3 December 2020.

Legislative Council: *Inquiry into Health Impacts of Air Pollution in Victoria*

Written submission to the Inquiry on 31 March 2021.

NEW WORK PROJECTS

Melbourne Strategic Assessment

The *Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020* (MSA Act) came into effect on 1 July 2020. It is the legal framework to support the Victorian Government's Melbourne Strategic Assessment (MSA) Program, which manages the impact of urban development in Melbourne's growth corridors on significant state and federally listed vegetation communities, plants, and animals.

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The MSA agreement with the Commonwealth Government includes a range of commitments relating to conservation outcomes and mitigation measures.

Provisions under the MSA Act implement controls to ensure comprehensive independent monitoring of the MSA Program by delegating responsibility for reporting on the state's progress in implementing the MSA Program's conservation commitments to the CES. A Senior Science Writer was recruited in May 2021 to commence this work with the first report due mid-2022.

Concluding remarks

The commitment and resilience of Victorians in responding to the challenges faced by the bushfires and the coronavirus pandemic during 2019-20 is inspiring. These events brought into sharp focus the importance of taking a systems approach to addressing complex problems, consistent with the *Science for Sustainable Development* framework which I am pleased has garnered significant local, national, and international interest. It is ambitious, builds on the foundations of the SoE 2018 previous reporting cycle and aims to further animate the principles and objectives of ecological sustainable development and the functions of the Commissioner described in the CES Act.

Thanks go again to my staff and myriad of colleagues, collaborators, communities and indeed friends whose contribution to our work is essential. Thanks also to the Secretary, Deputy Secretaries, and many staff from our line agency DELWP and independent members of our Risk and Audit Committee for support with the delivery of our work program.

Since 2014, it has been a privilege to serve as Victoria's Commissioner for Environmental Sustainability, and an honour to meet and work with so many talented people. Thank you to everyone involved and interested in our work. As a small team, we are indebted to so many people – from scientists, authors, communicators, reviewers, community members, NGO stakeholders and administrators to readers, listeners, and users of our work. I am confident that collectively we are enhancing the knowledge, understanding and ultimately progress of the ecological sustainable development of Victoria and improving our environment.

I am pleased to present the 2020-21 Annual Report.



Dr Gillian Sparkes AM
Commissioner for Environmental Sustainability Victoria

Performance report: Overview

Manner of establishment, objectives, and functions of the Commissioner for Environmental Sustainability (FRD 22I)

The Commissioner for Environmental Sustainability (CES) was established by the Victorian Government in November 2003 under the [Commissioner for Environmental Sustainability Act 2003](#) (CES Act).

Established by the Victorian Government in November 2003 under the CES Act, CES provides an independent voice that audits and reports on environmental sustainability, and the state of Victoria's environment.

The Hon Lily D'Ambrosio, Minister for Energy, Environment and Climate Change was the responsible Minister for the period 1 July 2020 to 30 June 2021.

The legislative objectives of the CES per section 7 of the CES Act are to:

- report on matters relating to the condition of the natural environment of Victoria
- encourage decision-making that facilitates ecologically sustainable development
- enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment
- encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.

The major functions of the CES per section 8 of the CES Act are to:

- prepare a report on the state of the environment of Victoria
- conduct annual strategic audits of, and prepare reports on, the implementation of environmental management systems by agencies and public authorities
- every two years, conduct a strategic audit and prepare a report on the implementation of the MSA conservation outcomes to DELWP
- audit public education programs relating to ecologically sustainable development and advise the Minister as to the effectiveness of the programs in encouraging the community to adopt ecologically sustainable development principles and practices
- advise the Minister in relation to any matter relating to ecologically sustainable development or the implementation of the MSA conservation outcomes
- prepare and make a State of the marine and Coastal Environment Report under the *Marine and Coastal Act 2018*
- make a report on the progress of a Biodiversity Strategy per section 18D of the *Flora and Fauna Guarantee Act 1988*.

In addition to these statutory reporting functions, the CES may also publish statements and guidelines.

The CES Act is available online [here](#).

Funding

Since 2016-17, the Commissioner for Environmental Sustainability (CES) has been funded from the Municipal Land Fill Levy (MILL) Trust, a hypothecated trust account which DELWP administers. On top of this base funding, DELWP occasionally provides additional grants to CES for commissioned work.

Following consultation with DELWP, the CES 2020-21 Business Plan Update and projected budget was approved by the Minister for Energy, Environment and Climate Change, Hon Lily D'Ambrosio MP, on 29 March 2021 in accordance with section 15 of the *Commissioner for Environmental Sustainability Act 2003* (CES Act).

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Annual reporting requirements from the CES Act

In describing the annual reporting requirements of the CES, section 16 of the CES Act notes:

“The Commissioner must include:

- (a) a brief summary of all activities completed, commenced or conducted; and
- (b) a statement of the financial and other resources used in preparing reports under Part 3 – during the financial year in the relevant annual report of operations under Part 7 of the *Financial Management Act 1994*.”

Our mission

CES reports on the State of Victoria's environment to help government, business and the community take practical action.

Key projects and achievements for the year (FRD 22I)

This year, the CES has sought to progress the objectives of section 7 of the CES Act through the *Science for Sustainable Development* framework for the SoE 2023 Report that was tabled in the Victorian Parliament on 16 June 2020.

The *Science for Sustainable Development* framework provides a comprehensive description of the path the CES will take to deliver the SoE 2023 Report and is the guiding framework for all other ‘state of’ reports to be prepared by the CES during the 2019-24 cycle. Importantly, *Science for Sustainable Development* promotes the use of internationally developed and recognised monitoring and reporting inputs including the United Nations’ SDGs and System of Environmental-Economic Accounting (SEEA).

Key initiatives and achievements for CES in 2020-21 include:

- Development of an Expert Review Draft of the State of the Marine and Coastal Environment (SMCE) 2021 Report.
- Development of an Expert Review Draft of the SoE 2018 Biodiversity Update Report.
- Formative work on the development of Cultural Landscape Health and Management indicators for CES Reports.
- The commencement of planning and development of the biannual report on the Melbourne Strategic Assessment program’s conservation outcomes.
- The development of a Communication and Engagement Strategy including the engagement of a digital partner to develop a new website supporting the future CES reporting remit.
- Delivery of the *Uniform Local Indicators for the State of the Marine and Coastal Environment (SMCE) 2021 Report workshop* on 28 May 2021. Delivered in partnership with the Royal Society of Victoria.
- International Day for Women and Girls in Science 2021 on 11 February 2021. Delivered by the CES in partnership with the Royal Society of Victoria.
- Formal meetings were held for the SMCE 2021 Report development with our Technical Advisory Group (TAG) and NGO Stakeholder Technical Advisory Group (STAG) groups.
 - TAG meetings were held in November 2020 and April 2021.
 - Our first STAG group meeting was held in December 2020 and the second in April 2021.

The Commissioner and the CES team presented and/or participated in the following key events:

- Victorian Local Government Association Connect Podcast – 11 September 2020
- Talk of the Tides – hosted by the Association of Bayside Municipalities – 16 September 2020
- Victorian Spatial Showcase and eSummit – 18 and 19 November 2020

- Relevance of Digital Earth to Support UN SDGs by 2030 – Online Panel Session, 8th Digital Earth Summit, Austria, 2 December 2020
- Smart Cities Forum (RMIT University and Ho Chi Minh City People’s Committee) – 22 January 2021
- International Day of Women and Girls in Science presentation – 11 February 2021
- Locate Conference – 30 March 2021
- Victorian Marine and Coastal Council (VMaCC) Science Panel meeting – 12 April 2021
- Uniform Local Indicators for the State of the Marine and Coastal Environment 2021 Report – 28 May 2021.

Performance reporting: non-financial (FRD 22I)

The non-financial performance report is structured around the key activities of CES and the statutory requirements of CES under the CES Act.

The approved five-year Business Plan 2019-24 and 2020-21 Business Plan Update outline the key deliverables for the CES for 2020-21 which have been achieved and include:

- continuing work on the SMCE report due in 2021
- per section 18(1) of the CES Act, preparing the Strategic Audit Report of implementation of Environmental Management Systems (EMS) by Victorian Government agencies and public authorities, as reported through FRD 24D, by 31 January 2021
- advancing ecologically sustainable development principles and practices by:
 - developing socio-economic indicators, aligned with the UN SDGs, for use in the 2023 SoE report
 - using data and spatial information in a more sophisticated way – towards digital reporting
 - considering and collaborating with DELWP on the use of the UN SEEA in reporting, and the development of a strategy to incorporate SEEA accounts into the 2023 SoE
 - confirming (through DELWP) the climate adaptation indicators to be used in the 2023 SoE report to ensure they align with Victoria's Climate Change Strategy
 - tracking CES recommendations to Government.

Output summary (FRD 8D)

As required under section 16 of the CES Act, this section sets out a summary of all activities completed, commenced, or conducted during 2020-21. It reports on CES delivery against the initiatives set out in the CES Act, in the Business Plan Update and budget, approved as required under section 15 of the CES Act by the responsible portfolio Minister on 29 March 2021.

CES objectives, indicators and linked outputs are tabulated below, showing the outputs against the statutory requirements and the Business Plan.

CES objectives, indicators and linked outputs for 2020-21

Table 1: Objectives, indicators and linked outputs for 2020-21

Objectives	Indicators	Outputs
1. Report on matters relating to the condition of the natural environment of Victoria.	Demonstrate progress toward the SoE 2023 reporting consistent with the Framework and the project plan.	The SoE 2023 report framework ' <i>Science for Sustainable Development</i> ' was tabled in Parliament on 16 June 2020. The Expert Review Drafts of the SMCE 2021 Report and SoE 2018 Biodiversity Update Report have been developed according to this Framework.
2. Encourage decision-making that facilitates ecologically sustainable development.	Demonstrate SoE 2023 reporting is consistent with the Framework and the project plan.	SoE 2023 will assess the environmental condition of the SoE 2018 baseline indicators – in terms of status, trend and data quality. SoE 2023 and other reports in the cycle will measure environmental condition and Victoria's progress against relevant SDG targets.
	Report on environmental watering outcomes as per Water Plan action item 3.6.	Preparatory work completed towards reporting on environmental watering outcomes in future SoE reports.

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3. Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.
- Provide opportunity for increased engagement leading to knowledge and understanding in the general community.
- Application of a formative method for utilisation of the UN SDGs in SoE reporting in the Expert Review Draft of the SMCE 2021 Report.
- Delivery of the *Uniform Local Indicators for the State of the Marine and Coastal Environment (SMCE) 2021 Report workshop* on 28 May 2021. Delivered in partnership with the Royal Society of Victoria.
- Maintained an active social media presence and CES website www.ces.vic.gov.au.
- Participation in organising committee for the first *Victoria Nature Festival* delivered virtually across Victoria, as well as promotional activities. The festival aims to help Victorians stay connected with nature, whether at home or in the outdoors.
- Delivered the *International Day for Women and Girls in Science 2021* event to inspire young women to pursue careers in science, technology, engineering and mathematics.
4. Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.
- Coordination, development and tabling of the Strategic Audit Report on the EMS of mandated Victorian Government agencies.
- Stakeholder engagement.
- Provided the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24D.
- Implementation of the *Science for Sustainable Development* framework in the development of the Expert Review Drafts of the SMCE 2021 Report and SoE 2018 Biodiversity Update Report.
- Continued to work closely with state government at all levels to inform CES reporting and to better frame future CES recommendations. This includes delivery of the *Uniform Local Indicators for the State of the Marine and Coastal Environment (SMCE) 2021 Report workshop*.
- Continued with formalised engagement processes. These included meetings of the CRG which consists of representatives of non-governmental environmental stakeholders and meetings of the TAG and newly formed STAG which consist of experts in environmental fields both in and outside of government.

Reporting progress towards achieving objectives in the report of operations (FRD 22I)

Table 2: Progress against objectives

<i>CES objectives</i>	<i>Outputs</i>	<i>Progress</i>
1. Report on matters relating to the condition of the natural environment of Victoria.	The SoE 2023 report framework ' <i>Science for Sustainable Development</i> ' was tabled in Parliament on 16 June 2020.	The Expert Review Drafts of the SMCE 2021 Report and SoE 2018 Biodiversity Update Report have been developed according to this Framework.
2. Encourage decision-making that facilitates ecologically sustainable development.	Collaborated with DELWP and advocated for wide adoption of the use of the SEEA in reporting.	In collaboration with CES, DELWP committed to developing a set of representative accounts for inclusion in future SoE reports.
	Developed a strategy to show how to incorporate SEEA into SoE reporting.	Continued formative work around expanded application of SEEA in SoE 2023.
	Commenced preparatory work on reporting on environmental watering outcomes in future SoE reports.	Continuing formative work around development of a framework for evaluation and reporting.

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| 3. | Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment. | Application of the SDGs enabling better, holistic conversations with the community as CES tracks progress on ecologically sustainable development. | <p>Ongoing.</p> <p>Further developed a method for utilisation of the UN SDGs as a guiding framework in SoE reporting. Including:</p> <ul style="list-style-type: none"> • Localisation of SDG targets • Assessment of selected SDG targets • Understanding Interlinkages between targets |
| | | Participate in forums and visits, workshops and seminars with government and non-governmental organisations (NGOs), speeches and presentations at environment and leadership seminars. | Ongoing. |
| | | Maintain an active social media presence and CES website www.ces.vic.gov.au . | The total number of website users over the 2020-21 period was 40,930. |
| 4. | Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development. | <p>Provide the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24D.</p> <p>Continue to work closely with state government at all levels to inform CES reporting and to better frame future CES recommendations.</p> <p>Continue with formalised engagement processes. These include meetings of the CRG which consists of representatives of non-governmental environmental stakeholders and meetings with TAGs which consist of experts in environmental fields both in and outside of government.</p> | <p>Complete.</p> <p>The 2019-20 EMS Report was tabled in Parliament on 2 March 2021.</p> <p>Ongoing.</p> <p>Ongoing with the inclusion of the STAG for the first time this financial year.</p> |
-

Performance report: Financial (FRD 22I)

Budget portfolio outcomes (FRD 8D)

CES is funded via grants paid out of the MILL Trust administered by DELWP. The CES operating budget is administered by DELWP's Environment and Climate Change division and approval of the budget and Business Plan is in accordance with section 15(3)(b) of the CES Act and is approved each year by the Minister.

The July 2020 to June 2021 CES budget was \$1,947,000. In addition, the trust fund carried forward \$44,683 from the previous year.

Table 3: Budget July 2020 to June 2021

Budgeted Expenditure	2020-21 Budget (\$)	2020-21 Actual (\$)
Employee expenses	1,582,153	1,609,500
All other expenses	364,847	333,440
Total	1,947,000	1,942,940

As described in the Service Level Agreement (SLA) between DELWP and CES, DELWP continued to provide business systems, information technology access and services, human resources, and financial services support. Budget figures for employee expenses are provided by DELWP based on number and classification of staff.

Table 4: Departmental five-year financial summary (FRD 22I)

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Total income from transactions	1,947,000	1,447,000	1,507,000	1,637,000	1,450,000	1,114,608
Total expenses from transactions	1,942,940	1,473,724	1,890,074	1,418,719	1,211,760	944,200
Non-financial assets	62,760	31,406	40,990	27,348	37,737	17,306
Financial assets	796,205	575,543	556,080	925,236	632,698	336,082
Total assets	858,965	606,949	597,070	952,584	670,435	353,388
Payables	3,444	33,147	34,069	21,692	19,497	12,309
Provisions	554,763	343,949	287,908	288,729	217,257	162,627
Borrowings	62,886	31,557	41,057	23,139	29,181	17,528
Total liabilities	621,093	408,653	363,034	333,560	265,935	192,464

The increase in total liabilities in 2020-21 predominantly relates to an increase in the annual leave provision with staff taking less leave throughout the year during COVID-19 conditions.

REPORT OF OPERATIONS

Departmental current year financial review

The current statutory reporting program for the CES up to 2024 is summarised below:¹

- Five-yearly SoE report – due to be tabled in 2023.
- Report on the outcomes of environmental watering (Action 3.6, Water Plan) – due as part of SoE 2023.
- Report against Biodiversity 2037 targets – due as part of SoE 2023.
- Five-yearly SMCE report (build on State of the Bays 2016) – due 2021 (partial), due to be tabled 2024 (full).
- Five-yearly State of the Yarra and its Parklands Report – due to be tabled 2023.
- Five-yearly State of the Forests Report – due 2023.
- Five-yearly State of the Great Ocean Road Coast and Parks Report – due date to be confirmed.
- Melbourne Strategic Assessment Report – due 2022.
- Strategic audit of the implementation of Environmental Management Systems by Agencies and public authorities – due to the Minister by 31 January each year.

Financial position – balance sheet (FRD 22I)

In 2020-21, the net worth of CES increased from a deficit of \$35,740 in 2019-20 to a surplus of \$39,580 in 2020-21. The financial surplus was a result of revenue recognised by CES being greater than the expenses in the period and the net gain arising from the revaluation of long service liability.

Cash flows

While the cash balance at 30 June 2021 was nil, CES had committed funding of \$1,947,000 for 2020-21, with \$486,750 of the receivable from DELWP received post year end on 29 July 2021.

Subsequent events (FRD 22I)

There were no subsequent events to report.

Organisational structure and corporate governance arrangements (FRD 22I)

Dr Gillian Sparkes AM was the Commissioner for the full period.

Dr Sparkes holds a PhD in Applied Science (Chemistry), a Master of Business Administration, and is a Fellow of the Australian Institute of Company Directors and a National and Victorian Fellow of the Institute of Public Administration Australia. Within the Victorian public sector, Dr Sparkes AM has held senior roles including:

- Chair of the Board of Sustainability Victoria
- Deputy Secretary Corporate and Business Services for the Department of Sustainability and Environment, and
- Non-executive Director of South Gippsland Water.

¹ Due to the impact of the 2019-20 bushfires the CES is preparing an update to the SoE 2018 Biodiversity chapter ahead of, and in addition to, the SoE 2023.

Dr Sparkes has extensive operational and commercial experience through leadership roles in the private and public sectors dealing with environmental, industrial, water, waste, energy, emergency management and community issues.

Dr Sparkes was named one of the IPAA Top 50 Public Sector Women in 2020.

Dr Sparkes was appointed to the Steering Committee of the Sustainable Communities and Waste Hub funded under the Commonwealth Government’s National Environment Science Program in June 2021. The Sustainable Communities and Waste Hub is a consortium comprising of six world-class research institutions led by the University of New South Wales.

On 13 June 2021, Dr Sparkes was awarded a Member (AM) in the General Division of the Queen’s Birthday 2021 Honours “for significant services to environmental sustainability, and to public administration”. As Commissioner, Dr Sparkes AM is leading reforms to enhance the state’s environmental monitoring, assessment and reporting, and establish the United Nations SDGs and SEEA as part of the reporting frameworks for Victoria.

The Commissioner’s Advisory Bodies (FRD 22I)

The Commissioner’s Reference Group (CRG) is CES’ primary advisory body formed under the CES Act (section 9(2)). The CRG provides advice and support to the CES and is comprised of leaders from key stakeholder and advocacy groups, including not for profit and public sector organisations and approved by the Minister. The CRG meets approximately once every quarter throughout the year.

Table 5: CES Advisory Body Meetings

<i>CES Advisory Body</i>	<i>Number of meetings in the 2020-21 FY</i>
Commissioner’s Reference Group	3

REPORT OF OPERATIONS

Commissioner's Reference Group membership and biographies

Ms Victoria Marles, Chief Executive Officer of Trust for Nature

Ms Victoria Marles leads Trust for Nature (Victorian Conservation Trust), a key statutory environment organisation focused on private land conservation and the development of eco-markets. This role utilises her extensive experience as a lawyer and senior executive in the media, communications, and consumer protection sectors. She joined Trust for Nature in 2009 after recognising the organisation's work protecting biodiversity in the state of Victoria.

In addition to her responsibilities at Trust for Nature, Ms Marles is also on the steering committee of the International Land Conservation Network and the Australian Business Biodiversity Initiative.

As Victoria's first Legal Services Commissioner, Ms Marles supervised the establishment of the current Victorian legal regulatory framework. As Deputy Telecommunications Industry Ombudsman, Legal Services Commissioner, and a tribunal member in the jurisdiction of guardianship and administration, Ms Marles has developed extensive dispute resolution experience.



Dr Kirsten Shelly, Council Member of the Victorian Catchment Management Council

Dr Kristen Shelly was appointed as a Council Member to the Victorian Catchment Management Council (VCMC) in September 2018. VCMC provides independent advice on the condition of land and water resources, and the priorities for Victorian Catchment Management Authorities. VCMC is also tasked with advising government to help prepare Victoria for future environmental challenges including climate change and population growth, increasing land use, and natural disasters such as bushfires and floods.

Dr Shelly currently works at Melbourne Water, where she has held several management roles, including Manager of the Western Treatment Plant, General Manager of Waterways and Land, and Manager of Catchments and Water Quality. Prior to working at Melbourne Water, Dr Shelly was a Senior Policy Adviser in various water portfolios, as well as former Director of Water Strategies for the Queensland Water Commission.



Dr Anthony Boxshall, Chair of the Victorian Marine and Coastal Council

Dr Anthony Boxshall is a marine ecologist who has worked in Australia and the USA across Government, academia, and the private industry. He is the Founder and Principal of *Science into Action*, a science impact company turning great science into greater actions. A former National President of the Australian Marine Sciences Association (AMSA – the largest learned society for professional marine scientists in Australia), he has worked at UC Santa Cruz USA, Deakin University, and has been on several innovation boards.

A Melbourne Enterprise Fellow in the School of Biosciences at The University of Melbourne, he was until late 2017 the Director, Applied Sciences at the Environment Protection Authority (EPA) Victoria.



Dr Kaye Rodden, Non-Executive Director at National Landcare Network

Dr Kaye Rodden is an active partner in a farm business west of Geelong on the Barwon River. She has been involved in Landcare and natural resource management for over 30 years. Dr Rodden is a founding member of Barrabool Hills Landcare Group and is its current President. She also sits on the Boards of the Geelong Landcare Network and the Victorian Rabbit Action Network and is the President of the Friends of the Barwon. Dr Rodden spent nine years as a Board Member of the Corangamite Catchment Management Authority, retiring in 2009.

From 2010 until 2019, Dr Rodden represented Corangamite on the Victorian Landcare Council and then the newly formed Landcare Victoria. She is Victoria's current nominee on the Board of the National Landcare Network.

Dr Rodden was awarded a doctorate for her research into trace element nutrition of sheep and holds an Honours Degree in Agricultural Science, a Diploma of Education, and a Master Tree Grower Certificate. She has recently been inducted as a member of the prestigious US based Academy of Community Engagement Scholarship.

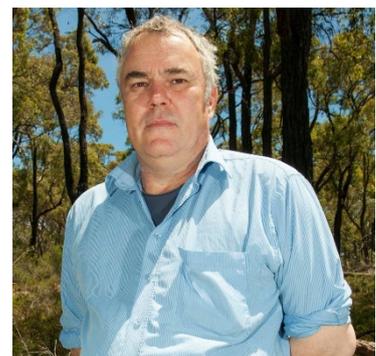


Mr Matthew Ruchel, Executive Director of Victorian National Parks Association

Mr Matthew Ruchel has been the Executive Director of Victorian National Parks Association (VNPA) since 2007 and has a strong background in environmental policy.

Mr Ruchel has worked in the non-government environmental policy areas at state, national and international level for more than 30 years, including roles with the Australian Conservation Foundation, Hume City Council and Greenpeace.

Mr Ruchel has held senior positions in leading international and national conservation organisations and in local government. He brings strategic planning skills to his role at VNPA combined with his experience in coordinating staff and campaigns, as well as liaising with government and industry at all levels, and a range of interest groups.



Ms Jane Lovell, Chief Executive Officer of Victorian Farmers Federation

Ms Jane Lovell grew up in country Victoria in Maryborough after originally moving from England at an early age.

Ms Lovell has always had a link to the country and agriculture, and has a significant background in agriculture chemicals, horticulture, sustainable grazing, commodity exports, federal politics agriculture portfolio, and most recently the seafood industry as Chief Executive officer at Seafood Industry Australia.

Ms Lovell began as the Chief Executive Officer of Victorian Farmers Federation in February 2021.



Ms Amelia Young, National Campaign Manager for Wilderness Society Australia

Ms Amelia Young is a social and environmental justice campaigner with high levels of experience in campaigns to protect Victoria's native forests from logging and wood chipping. Ms Young has also worked to restore environmental flows to Victoria's stressed rivers, including the Murray River.

Ms Young has experience in strategic campaign planning, development and implementation, as well as policy analysis and research. She is proficient in writing and delivering presentations to a vast range of audiences, including major donors, political figures, and community.

Ms Young is interested in and committed to developing winning campaigns that deliver better outcomes for people and places. She developed the Great Forest National Park, Emerald Link and Ethical Paper campaigns.



Ms Claire Dunn, Policy Manager, Environment and Regulatory Services at Municipal Association of Victoria

Ms Claire Dunn is a Policy Manager at the Municipal Association of Victoria (MAV), the peak body for Victoria's 79 local councils. In this role, Claire leads advocacy on a range of regulatory and environmental policy matters, including waste management and resource recovery, environmental protection, and climate change. Claire has a proven track record of achieving desired outcomes, including regulatory and legislative change, through negotiation and advocacy.

Ms Dunn has developed strong policy expertise from a variety of roles in federal government, both in Australia and internationally, as well as industry experience.

Ms Dunn holds a Bachelor of Arts and Masters of Public Policy and Management from the University of Melbourne and completed the Cranlana Centre for Ethical Leadership Executive Colloquium.



Mr Jonathan La Nauze, Chief Executive Officer for Environment Victoria

Mr Jonathan La Nauze was appointed as Chief Executive Officer in January 2019. He has over 18 years of experience in the environment movement and is a respected leader with a track record of securing big wins for our environment and building a stronger movement. Jonathan is also an Executive Director of the Climate Action Network Australia.

Mr La Nauze grew up in the foothills of the Great Dividing Range near Albury in regional New South Wales. He studied a Bachelor of Arts at University of Melbourne, and has a Graduate Certificate of Business, Philanthropy and Non-profit Studies at the Queensland Institute of Technology.

Mr La Nauze spent 11 years at Friends of the Earth where he led the River Red Gum Campaign and negotiated alliances between environment groups and Traditional Owners. He also led highly successful campaigns for the Australian Conservation Foundation for five years as Healthy Ecosystems Program Manager including the creation of the historic Murray-Darling Basin Plan.



Ms Sharyon Peart, Deputy Chair of Vic Catchments

Ms Sharyon Peart moved from Melbourne to the Mallee in 2005, where she lived on a large property in Nangiloc. Ms Peart's background in corporate business, sales, marketing, and team management gave inspiration to the small business she currently owns and operates. Ms Peart has been the sole director since she created the company in 2005, specialising in retail consultation, and managing women's health and wellbeing.

Ms Peart served on the Mildura Rural City Council as a Councillor for nine years and gained much experience as a portfolio councillor for art and education, later community services and wellbeing, and governance and finance.

Ms Peart is committed to strengthening partnerships between community and government in the sustainable management of resources across our region. Ms Peart is a member of the La Trobe University's Mildura Regional Advisory Board; a Director of Lower Murray Water; and a member of the Victorian Agricultural Advisory Council.



Dr Angie Bone, Deputy Chief Health Officer (Environment)

Dr Angie Bone is the Deputy Chief Health Officer (Environment) at the Department of Health and Human Services. The Deputy Chief Health Officer (Environment) provides expert clinical and scientific advice and leadership on environmental public health issues. She supports the Chief Health Officer and staff within the Health Protection Branch.

Dr Bone has extensive experience and clinical expertise in public health. She is a medical doctor with experience in health protection related to environmental hazards and infectious diseases in the UK and several other countries.

Dr Bone has a keen interest in the social and environmental determinants of health, particularly climate change extreme weather events, housing and urban planning, and infectious diseases.



Mr Chris Chesterfield, Independent Water Sector Expert

Mr Chris Chesterfield is nationally recognised for his leadership in waterway and urban water management, and for his contribution to establishing Melbourne as a world leader in water sensitive urban design.

Mr Chesterfield's previous roles include General Manager of the Waterways Group at Melbourne Water, where he was instrumental in building and leading the Waterways Group business, providing waterway management and developer services to a region of five million people.

Mr Chesterfield has chaired several Ministerial advisory committees related to urban and water planning that have led to significant planning and legislative reforms and was recently appointed by the Minister for Water to chair the Birrarung Council, which brings together Traditional Owners and community to act as the 'voice' for the Yarra River.

Mr Chesterfield continues to contribute to the management of Victoria's water resources as a Commissioner and Chairperson of the Victorian Environmental Water Holder, an independent statutory body responsible for holding and managing the State's environmental water entitlements.



Dr Rohan Henry, Independent Indigenous Engagement Advisor

Dr Rohan Henry currently works as Manager, Land and Waters at Bunurong Land Council Aboriginal Corporation. Over the past 20 years, Dr Henry has worked in water and environmental impact assessment areas; working in both government and consulting. For the past five years, Dr Henry has worked within a Traditional Owner Corporation focusing on government engagement on water and broader Traditional Owner policy and project areas.

Dr Henry is involved as an advisory member for several organisations, including Council Member for the Victorian Catchment Management Council, member of the Rock Lobster Fishery Resource Assessment Group, member of the Point Nepean National Park Management Advisory Committee, and past Consultative Committee member of the Central Regional Sustainable Water Strategy Review and the Water for Victoria, Water for Country – Project Control Group.



Ms Kathryn Arndt, Chief Executive Officer, Victorian Local Governance Association

With over twenty years of diverse leadership experience including as a CEO, senior executive, and a non-executive director across a number of sectors, Ms Kathryn Arndt has an understanding of high standards of governance, accountability and performance whilst managing strategic risks and delivering outcomes within budget constraints.

Ms Arndt is the CEO of the Victorian Local Governance Association (VLGA). The VLGA is a high profile independent (NGO) governance organisation supporting councils and councillors in effective local governance. As a peak body, the VLGA supports the local government sector through leadership, advocacy, and professional development.

Ms Arndt currently sits on the boards of Diabetes Victoria and is Company Secretary of the Royal Melbourne Tennis Club. Ms Arndt was a Member of the inaugural Victorian Ministerial Council on Women's Equality which concluded its term in mid-2020. In her capacity as CEO of the VLGA, Ms Arndt is a member of the Local Government Victorian Project Control Board overseeing the implementation of the Local Government Act 2020, the state government's COVID-19 Local Government Roundtable, the COVID Response CEO Stakeholder Group, and Minister for Local Government and the Minister for Women Women's Roundtable for Local Government.

Ms Arndt has a track record in leading teams and delivering success working at a senior and high-profile level in the Victorian local government sector; with a demonstrable ability to quickly grasp the issues facing a sector with multiple stakeholders and the legislated responsibility to provide oversight and governance to, and the delivery of, critical services on behalf of state and federal government to Victorian communities.



Technical Advisory Groups

The CES has established three other stakeholder forums to ensure a collaborative and consultative yet independent approach to report delivery which incorporates whole of system environmental reporting for Victoria in line with the pursuit of attaining ecologically sustainable development. CES strives for authentic engagement with partners and stakeholders and seeks to incorporate principles of co-creation and co-design with the aim of achieving collective impact.

These forums perform an important role in building trust, enabling regular scientific debate, and deep consultation and engagement with critical stakeholders, scientists, and other contributors.

Table 6: CES Technical Advisory Group Meetings

CES Technical Advisory Groups	Number of meetings in the 2020-21 FY
CES Marine and Coastal Specialist Stakeholders	3
CES Environmental Water Specialist Stakeholders	0
CES Non-Government Stakeholders	2

Organisational structure (FRD 22I)

The following organisation structure represents the situation at the end of the financial year. Employment levels in the office increased from 9.8 FTE to 11.8 FTE.

CES Organisational Structure 2020-21

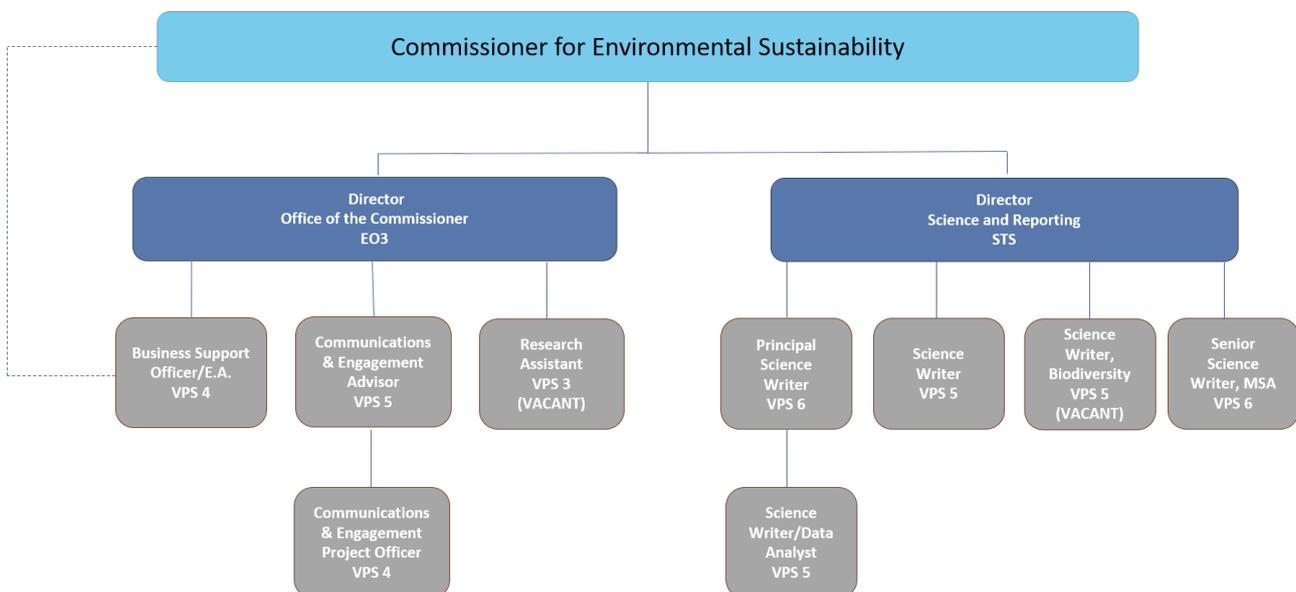


Figure 2. CES organisational structure as of 30 June 2021.

Risk and Audit Committee membership and roles (FRD 22I)

The Risk and Audit Committee (the Committee) consists of the following members:

- Peter Lewinsky, Chairman (independent member appointed October 2016)
- Linda McNeill (independent member appointed January 2021)
- Mark Peters (independent member appointed March 2015)
- Rachel Thomson (independent member appointed July 2019).

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The main purpose of the Committee is to provide independent assurance to CES that the risk and control environment is operating efficiently. The Committee also has an advisory function, and its responsibilities relate to the CES, with recognition that CES applies frameworks and policies of DELWP and has an SLA with DELWP for the provision of fundamental corporate services.

The Committee also ensures that CES is compliant with the requirements under the DELWP Portfolio Financial Management Compliance Framework (PFMCF). Meetings with the Committee must be held at least twice per financial year, with a separate meeting to consider CES' annual PFMCF attestation and financial statements.

Occupational health and safety (FRD 22I)

CES is committed to ensuring that all employees, contractors, and visitors are provided with the use of facilities, equipment, education, and training to minimise and prevent workplace injury and illness. CES demonstrates its commitment to occupational health and safety (OH&S) through its OH&S Policy and associated safe system of work which aligns with DELWP's OH&S policy.

CES staff have access to a range of programs provided by DELWP. These services include training and development programs, OH&S courses, counselling services through the Employee Assistance Program and wellbeing programs. The use of a common framework for managing specific workplace hazards is a critical part of the office's strategy for managing health and safety.

No incidents were reported in the 2020-21 period, nor in the previous financial year.

During the 2020-21 year, CES continued several initiatives to improve the health and safety of staff including ergonomic assessments where required, as well as the completion of home-based work safety checklists, and the provision of other pieces of information relating to setting up appropriate and safe workplaces in the home due to the ongoing remote working situation as a result of COVID-19 government restrictions.

Impact of coronavirus (COVID-19)

Throughout 2020 and 2021, the Victorian government announced a mandate and imposed several lockdown restrictions on the Victorian community in response to the public health concerns from coronavirus. This has had a significant impact on the operating and economic environment for CES, and several policies and directions were introduced to assist. These included negotiating with suppliers, establishing remote working environments for employees, and moving engagement events online.

In addition, the management team have:

- continually monitored developments and liaise with DELWP to understand –
 - challenges impacting operations
 - economic, regulatory, and operational responses from government
 - impacts on the CES control environment
- modified our planned financial audit timing and approach, in response to working remotely
- maintained daily team meetings and frequent engagement and wellbeing checks with staff throughout.

Incident management

Incidents arising are addressed in the first instance by CES management with assistance from staff. More complex or serious incidents are managed by DELWP under DELWP's policies and procedures as a service function described in the SLA between DELWP and CES.

Employment and conduct principles (FRD 22I)

The CES team are employees of DELWP. CES is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably based on key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Through DELWP, CES introduced policies and practises that are consistent with the Victorian Public Service Commissioner's (VPSC) employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

Workforce data (FRD 22I & FRD 29B)

CES has introduced policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. CES has advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts, and how to deal with misconduct.

Comparative workforce data

The following table discloses the head count and full-time staff equivalent (FTE) of all active public service employees of CES, employed in the last full pay period in June of the current reporting period (2021), and in the last full pay period in June of the previous reporting period (2020). Employees have been correctly classified in workforce data collections.

Staffing increased from 7.6 to 9.8 in the reporting period. This was due to the creation of a Communications and Engagement Project Officer role and the addition of the Senior Science Writer MSA. Note: The Senior Science Writer MSA is funded on a cost recovery basis via the MSA Trust.

The total headcount as of June 2021 was 10 staff with two positions vacant. These figures include the Commissioner.

Table 7: Details of employment levels in June 2021

Workforce data	Ongoing employees		Fixed term employees		Headcount total
	Full time	Part time	Full time	Part time	
As at June 2021 Male	2	1	1		4
Female			6		6

Table 8: Workforce data over time (FTE)

Classification	2020- 21	2019- 20	2018- 19	2017 -18	2016 -17	2015 -16	2014 -15
Statutory appointed Officer (Commissioner)	1	1	1	1	1	1	1
Executive Officer	1	1	0	0	0	0	0
Senior Technical Specialist	1	1	1	0	0	0	0
Administrative Staff	1	1	0.8	0.8	0.8	0	0
Senior Managers and operational staff	5.8	3.6	4.6	5.8	3	3	2
Total FTE	9.8	7.6	7.4	7.6	4.8	4	3
Male	3.8	4.6	4.6	2.8	1	1	1
Female	6	3	2.8	4.8	3.8	3	2

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Table 9 discloses the annualised total salary for senior employees of the CES, categorised by classification. The salary amount is reported as the full-time annualised salary.

Table 9: Annualised total salary, by \$20,000 bands, for executive and other senior non-executive staff

Income band (salary)	Executive Officer	Senior Technical Specialist	VPS	Other (Statutory Officer)
< \$160,000			5.8	
\$160,000 – \$179,999			1	
\$180,000 – \$199,999	1	1		
\$200,000 – \$219,999				
\$220,000 – \$239,999				
\$240,000 – \$259,999				
\$260,000 – \$279,999				
\$280,000 – \$299,999				1
\$300,000 – \$319,999				
\$320,000 – \$339,999				
\$340,000 – \$359,999				
\$360,000 – \$379,999				
\$380,000 – \$399,999				
\$400,000 – \$419,999				
\$420,000 – \$439,999				
\$440,000 – \$459,999				
\$460,000 – \$479,999				
\$480,000 – \$499,999				
Total	1	1	6.8	1

Note: The salaries reported above are for the full financial year, at a 1-FTE rate, and excludes superannuation.

Workforce Inclusion Policy (FRD 22I)

The CES adopts and applies the frameworks and policies of DELWP and operates under an SLA with DELWP for the provision of corporate services. CES values support for the implementation of a One-DELWP approach. Our commitment to serve Victorians is underpinned by a culture built on the values of teamwork, wellbeing and safety, ownership and service excellence.

As members of the Victorian Public Service, the CES team work by the Victorian Public Service Values and Code of Conduct, which set the expectations for how we behave as public servants. We are committed to building an inclusive workplace that utilises the full potential of all employees, embraces differences, and uses diversity of thought as a catalyst for innovation and improved service delivery.

Our approach supports:

- building a positive culture
- ensuring we have the right people with the right skills
- developing accountable, collaborative and inclusive leaders
- designing an agile and adaptable organisation
- building a productive and flexible workforce.

Executive Officer data (FRD 15E)

An Executive Officer (EO) is defined as a person employed as an Executive under Part 3 of the *Public Administration Act 2004* (PA Act). For a public body, an EO is defined as an executive under Part 3 of the PA Act or a person to whom the Victorian Government's *Executive Remuneration Policy* applies. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

The definition of an EO does not include a statutory office holder or an Accountable Officer. The Commissioner is a statutory office holder and CES has one EO, in the role of Director, Office of the Commissioner.

The following tables disclose the EOs of CES for 30 June 2021:

- Table 10 discloses the number of EOs for CES, broken down by gender
- Table 11 provides a reconciliation of executive numbers presented between the report of operations and Note 8.4 'Executive remuneration' in the financial statements
- Tables 10 and 11 also disclose the variations, denoted by 'var', between the current and previous reporting periods.

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the 2020-21 financial year. Note 8.4 in the financial statements lists the actual number of EOs and the total remuneration paid to EOs over the course of the reporting period. The financial statements Note 8.4 does not include the Accountable Officer, nor does it distinguish between executive levels.

Table 10: Total number of EOs for CES, broken down into gender

Class	<i>All</i>		<i>Women</i>		<i>Men</i>		<i>Self-described</i>	
	No.	Var.	No.	Var.	No.	Var.	No.	Var.
EO-1	0	0	0	0	0	0	n	n
EO-2	0	0	0	0	0	0	n	n
EO-3	1	0	0	0	1	0	n	n
Total	1	0	0	0	1	0	n	n

Table 11: Reconciliation of executive numbers

		<i>2021</i>	<i>2020</i>	<i>2019</i>
	Executives (financial statement Note 8.4)	1	1	0
	Accountable Officer (Commissioner)	1	1	1
<i>Less</i>	Separations	(0)	(0)	(0)
	Total executive numbers at 30 June 2021	2	2	1

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Other disclosures

Local Jobs First – Victorian Industry Participation Policy (FRD 25D and Local Jobs First Act 2003)

In 2020-21, CES did not have any procurement activity meeting the criteria of \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

Advertising expenditure (FRD 22I)

In 2020-21, there were no CES government advertising campaigns with total media spend of \$100,000 or greater (exclusive of GST).

Consultancy expenditure (FRD 22I)

Details of consultancies valued at \$10,000 or greater

In 2020-21, there were seven consultancies where the potential total fee payable to the consultant was \$10,000 or greater - refer Table 12 below. The total expenditure incurred during 2020-21 in relation to these consultancies was \$210,941.75. Details of individual consultancies are outlined below.

Table 12: Outline of consultancies (purchase order value) of over \$10,000 in 2020-21 financial year

Consultant	Purpose	Project start date	Project end date	Total approved project fee	Expenditure 2020-21	Future expenditure 2021-22 (estimate)
Emily Ross Bespoke	Strategic communications	01/07/2020	30/06/2022	35,000.00	22,204.00	25,000.00
Acquia Inc.	IT System Provision	28/09/2020	27/09/2021	11,550.00	10,500.00	0.00
Icon Agency	New Digital partner – for the SoE 2023 reporting cycle: complete website redevelopment and design and associated services, including hosting	12/02/2021	30/06/2022	125,620.00	59,800.00	54,400.00
FrontierSI	Stocktake and capability analysis of spatial information for State of the Marine and Coastal report. Included as chapter in SMCE report.	10/03/2021	31/08/2021	20,000.00	18,181.00	0.00
Alex Warder	Concept, design, and artwork for communication materials	01/07/2020	30/06/2021	23,000.00	16,325.00	25,000.00
Chris Smyth Consulting	Science writing services for State of the Environment Biodiversity Update 2021 Report	01/07/2020	30/06/2021	59,000.00	54,470.00	55,000.00

David Griggs	ESD/SDG interlinkages assessment	01/07/2020	21/08/2020	14,000.00	14,000.00	0.00
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Note: Total approved project fee refers to total approved purchase order spend for the 2020-21 period.

Details of consultancies under \$10,000

In 2020-21 there were two consultancies engaged during the year where the total fees payable (purchase order value) to the individual consultant was less than \$10,000. The total expenditure incurred during 2020-21 in relation to these consultancies was \$3,606.50.

Information and communications technology (ICT) expenditure (FRD 22I)

For the 2020-21 reporting period, CES had a total ICT expenditure of less than \$100,000 for business-as-usual operation. There were no project ICT expenses. The total ICT expenditure for the 2020-21 reporting period was \$81,382.

Disclosure of major contracts (FRD 12B)

CES did not enter any contracts greater than \$10 million in value during the reporting period.

Freedom of information (FRD 22I)

The *Freedom of Information Act 1982* (FOI Act) allows the public a right of access to documents held by CES. For the 12 months ending 30 June 2021, CES received no direct applications.

Making a request:

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in section 17 of the FOI Act. In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible which document is being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of CES should be addressed to:

FOI & Privacy Unit
 Department of Environment, Land, Water and Planning
 PO Box 500
 East Melbourne VIC 8002
foi.unit@delwp.vic.gov.au

An application fee of \$30.10 is applicable and additional charges may also apply once access and processing costs are assessed.

If an applicant is not satisfied with a decision, under section 49A of the FOI Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter. In order for the applicant's request for review to be valid, it must:

- be made within 28 days of receiving the refusal

REPORT OF OPERATIONS

- be in writing
- identify the relevant agency or Minister, and
- identify the decision the applicant would like reviewed.

Further information regarding the operation and scope of freedom of information requests can be obtained from the FOI Act, [regulations made under the FOI Act](#), and the [OVIC website](#).

Compliance with the *Building Act 1993* (FRD 221 & Building Act)

CES does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Competitive Neutrality Policy (FRD 22I)

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of services.

CES does not offer the provision of services for a fee and therefore the Victorian Government's Competition Neutrality Policy does not apply.

Compliance with the *Public Interest Disclosures Act 2012* (FRD 22I & Public Interest Disclosures Act)

The *Public Interest Disclosures Act 2012* (PID Act) enables people to make a disclosure about corrupt or improper conduct by a public officer or a public body.

CES is a public body for the purposes of the PID Act.

What is a public interest disclosure?

A public interest disclosure is a complaint of corrupt or improper conduct or detrimental action by a public officer or a public body.

'Improper or corrupt conduct' involves substantial mismanagement of public resources, risk to public health or safety or the environment, or corruption.

'Detrimental action' is action taken against a person in reprisal for making a public interest disclosure.

How do I make a public interest disclosure?

You can make a public interest disclosure about CES or its officers or employees by contacting the Independent Broad-Based Anti-Corruption Commission (IBAC), see details below.

CES is not able to receive public interest disclosures.

CES follows DELWP's policies and procedures in relation to the protection of persons from detrimental action in reprisal for making a public interest disclosure about CES, its officers, or employees.

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne VIC 3001

Mail: IBAC, GPO Box 24234, Melbourne VIC 3001

Website: www.ibac.vic.gov.au

Phone: 1300 735 135

Compliance with other legislation

Commissioner for Environmental Sustainability Act 2003

The Commissioner's role and the strategic and operational activities of the office are established under the CES Act available online at www.ces.vic.gov.au.

The objectives of CES as defined under section 7 of the CES Act are to:

- report on matters relating to the condition of the natural environment of Victoria
- encourage decision making that facilitates ecologically sustainable development
- enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment
- encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.

The CES work program approved in the five-year business plan 2019-2024, delivers against the objectives and functions of the CES Act.

CES complies with all statutory environmental reporting outputs and has also met the request from the Minister to produce a first State of the Bays report which was issued in December 2016. The next mandated output is the SMCE report which is due in 2021.

CES is also compliant with the following relevant legislation:

- *Freedom of Information Act 1982*
- *Public Interest Disclosures Act 2012*
- *Financial Management Act 1994*
- *Local Jobs First Act 2003*
- *Public Administration Act 2004*
- *Copyright Act 1968.*

Office-based Environmental Impacts (FRD 24D)

CES operates under an SLA with DELWP and, as such, its environmental management system data is captured within aggregated data in the DELWP Annual Report.

Additional departmental information available upon request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by CES and are available on request, subject to the provisions of the FOI Act:

- a) a statement of declarations of pecuniary interests for all relevant officers
- b) details of publications produced by the entity about itself, and how these can be obtained
- c) details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- d) details of all consultancies and contractors including:
 - (i) consultants/contractors engaged
 - (ii) services provided; and expenditure committed to for each engagement.

The information is available on request from:

Commissioner for Environmental Sustainability
Email: info.ces@ces.vic.gov.au

The following financial statements comply with the Model Financial Report as applied to CES.

Portfolio Financial Management Compliance Attestation Statement

I, Dr Gillian Sparkes, on behalf of the Responsible Body, certify that the Commissioner for Environmental Sustainability has been granted an exemption from the Standing Directions 2018 under the *Financial Management Act 1994* and Instructions. The exemption has been granted by the Assistant Treasurer on the basis that the Commissioner for Environmental Sustainability complies with the Department of Environment, Land, Water and Planning's Portfolio Financial Management Compliance Framework.



Dr Gillian Sparkes AM

Commissioner for Environmental Sustainability

DATE: 29 October 2021

COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY FINANCIAL STATEMENTS

COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY

These annual financial statements represent the audited general purpose financial statements of the Commissioner for Environmental Sustainability (CES) for the period 1 July 2020 to 30 June 2021. The purpose of the report is to provide users with information about the CES's stewardship of resources entrusted to it.

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COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Revenue and income from transactions			
Government grants	2.1	1,947,000	1,447,000
Total revenue and income from transactions		1,947,000	1,447,000
Expenses from transactions			
Employee expenses	3.1	(1,609,500)	(1,191,966)
Supplies and services	3.2	(324,210)	(271,024)
Depreciation	4.1.1	(8,682)	(9,588)
Interest expense	6.2	(548)	(1,146)
Total expenses from transactions		(1,942,940)	(1,473,724)
Net result from transactions (net operating balance)		4,060	(26,724)
Other economic flows included in net result			
Net gains/(losses) arising from revaluation of long service liability		35,520	(9,016)
Total other economic flows included in net result		35,520	(9,016)
Comprehensive result		39,580	(35,740)

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021	2020
		\$	\$
Assets			
Financial assets			
Cash and deposits	6.4	-	44,883
Receivables	5.1	796,205	530,860
Total financial assets		796,205	575,543
Non-Financial assets			
Property, plant, and equipment	4.1	62,760	31,408
Total non-financial assets		62,760	31,406
Total assets		858,965	606,949
Liabilities			
Payables	5.2	3,444	33,147
Employee benefits provisions	3.1.1	554,763	343,953
Borrowings	6.1	62,886	31,557
Total liabilities		621,093	408,657
Net assets		237,872	198,292
Equity			
Accumulated surplus		234,446	194,866
Contributions by owners		3,426	3,426
Net worth		237,872	198,292

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Accumulated surplus/(deficit) \$	Contribution by owners \$	Total \$
Balance as at 1 July 2019	230,610	3,426	234,036
Comprehensive result	(35,740)	-	(35,740)
Balance as at 30 June 2020	194,866	3,426	198,292
Comprehensive result	30,580	-	30,580
Balance as at 30 June 2021	234,446	3,426	237,872

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts			
Receipt from government		1,679,376	1,393,557
GST received from ATO ^(a)		2,280	-
Total receipts		1,681,656	1,393,557
Payments			
Payments to suppliers and employees		(1,717,078)	(1,416,891)
GST paid to ATO ^(a)		-	(1,479)
Interest paid		(548)	(1,146)
Total payments		(1,717,626)	(1,419,516)
Net cash flows from/(used in) operating activities	8.4.1(b)	(35,970)	(25,959)
Cash flows from investing activities			
Net cash flows from/(used in) investing activities		-	-
Cash flows from financing activities			
Repayment of principal portion of lease liabilities ^(b)		(8,713)	(9,500)
Net cash flows from/(used in) financing activities		(8,713)	(9,500)
Net decrease in cash and cash equivalents		(44,683)	(35,459)
Cash and cash equivalents at the beginning of the financial year		44,683	80,142
Cash and cash equivalents at the end of the financial year	8.4.1(a)	-	44,683

The accompanying notes form part of these financial statements.

Note:

- a) GST received or paid from the Australian Taxation Office is presented on a net basis.
- b) CES has recognised cash payments for the principal portion of lease payments as financing activities, cash payments for the interest portion as operating activities consistent with the presentation of interest payments as operating activities.

1. ABOUT THIS REPORT

The Commissioner of Environmental Sustainability is a statutory office and government agency of the State of Victoria, established pursuant to an order made by the Premier under the *Commissioner for Environmental Sustainability Act 2003*.

Its address is: The Commissioner for Environmental Sustainability

Level 36, 2 Lonsdale Street

Melbourne, VIC, 3000

A description of the nature of its operations and its principal activities is included in the 'Report of operations', which does not form part of these financial statements.

Basis of preparation

These financial statements:

- cover the statutory office of the Commissioner of Environmental Sustainability as an individual reporting entity
- are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis
- have been prepared by applying the accrual basis of accounting, whereby assets, liabilities, equity, income, and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are contributions to or distributions by owners have also been designated as contributions by owners.

Judgements, estimates, and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements 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. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period the estimate is revised and in future periods affected by the revision. Judgements and assumptions have been made by management in applying AAS have a significant effect on the financial statements and estimates. These relate to:

- Determining whether the performance obligations are sufficiently specific to determine whether the arrangement is within the scope of AASB 15 or AASB 1058; refer note 2.1.
- For leases, determining whether the arrangement is in substance short-term arrangement; refer note 6.3
- the fair value of property, plant, and equipment; refer note 4.1
- the estimated useful lives over which non-financial assets are depreciated; refer note 4.1
- superannuation expense; refer note 3.1.2 and
- future salary movements and future discount rates. Refer 3.1.1

Compliance information

These general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

Where appropriate, those AASBs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

In 2020 and 2021, restrictions and other measures were put in place by the Victorian government to slow the spread of COVID-19. CES continued to be well placed to work remotely, and as such the closure of our offices had minimal effect on activities. The financial impact has also been minimal as CES's funding is predominantly through grants and management does not currently consider COVID-19 to have a material effect on any judgements or assumptions applied in the preparation of these financial statements.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction	Structure
<p>The Commissioner's role is to:</p> <ul style="list-style-type: none"> • report on the condition of Victoria's natural environment. • encourage decision making that facilitates ecologically sustainable development. • enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment. • encourage Victorian and local governments to adopt sound environmental practices and procedures. <p>Income from transactions is the primary method the CES generates funds. To enable the CES to fulfill its objective and provide outputs, it receives income from grants provided by the Department of Environmental, Land, Water and Planning (DELWP).</p> <p><i>Significant judgement: Government grants</i></p> <p>The CES has made judgement on the recognition of grant revenue as income of not-for-profit entities where they do not contain sufficiently specific performance obligations.</p>	<p>2.1 Summary of income that funds the delivery of services</p>

2.1 Summary of income that funds the delivery of services:

	2021	2020
	\$	\$
Government grants		
Grants from DELWP	1,947,000	1,447,000
Total government grants	1,947,000	1,447,000
Total income from transactions	1,947,000	1,447,000

CES has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058 *Income of Not-for-Profit Entities*. As CES does not receive any that are enforceable and with sufficiently specific performance obligations, AASB 15 *Revenue from contracts with customers* does not apply.

Grants from DELWP are generally without any sufficiently specific performance obligations and are recognised as income when CES has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, CES has recorded any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

Following consultation with DELWP, the CES 2019-24 five-year Business Plan was approved by the Minister on 3 December 2019 in accordance with section 15 of the CES Act. Additional funding of \$500,000 per annum (i.e., from \$1.447m to \$1.947m) was approved by the Minister with the 2019-24 CES Business Plan. This additional funding was not available in 2019-20 but is secured from 2020 onwards i.e., to 2024.

3. THE COST OF DELIVERING SERVICES

Introduction	Structure
This note provides an account of the expenses incurred by the CES. In note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.	3.1 Employee expenses 3.1.1 Employee benefits in the balance sheet 3.1.2 Superannuation contributions 3.2 Supplies and services 3.2.1 Audit fees

3.1 Employee expenses in the comprehensive operating statement

	2021	2020
	\$	\$
Employee expenses		
Salaries and wages	(1,215,974)	(922,323)
Defined contribution superannuation expense	(118,478)	(93,226)
Annual and long service leave	(211,908)	(124,752)
Other on-costs (fringe benefits tax, payroll tax and Workcover levy)	(63,140)	(51,685)
Total employee expenses	(1,609,500)	(1,191,966)

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and Workcover premiums.

3.1.1 Employee benefits in the balance sheet

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

	2021	2020
	\$	\$
Current provisions		
Employee benefits⁽ⁱ⁾ - annual leave		
Unconditional and expected to be wholly settled within 12 months ⁽ⁱ⁾	175,411	102,039
Unconditional and expected to be wholly settled after 12 months ⁽ⁱⁱ⁾	3,860	2,366
Employee benefits^{(i)/(iii)} - long service leave		
Unconditional and expected to be wholly settled within 12 months ⁽ⁱ⁾	30,397	13,510
Unconditional and expected to be wholly settled after 12 months ⁽ⁱⁱ⁾	238,053	115,489
Provisions for on-costs ⁽ⁱⁱⁱ⁾		
Unconditional and expected to be wholly settled within 12 months ⁽ⁱ⁾	32,178	18,373
Unconditional and expected to be wholly after 12 months ⁽ⁱⁱ⁾	38,986	19,351
Total current provisions for employee benefits	518,885	271,128
Non-current provisions		
Employee benefits ^{(i)/(ii)}	30,896	62,548
Provisions for on-costs ⁽ⁱⁱⁱ⁾	4,982	10,277
Total non-current provisions for employee benefits	35,878	72,821
Total provisions for employee benefits	554,763	343,953

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs. The amounts disclosed are nominal amounts.

(I) The amounts disclosed are discounted to present values.

(II) The department has adopted the assumptions from the Department of Treasury and Finance 2008 Long Service Leave Model to split Long Service Leave provision between "settle within 12 months" and "settle after 12 months" for the current financial year.

Reconciliation of movement in on-cost provisions

	2021 \$
Opening balance	48,001
Reduction provisions recognised	-
Additional arising from payments/other sacrifices of future economic benefits	53,539
Reductions resulting from re-measurement or settlement without cost	(31,017)
Unwind of discount and effect of changes in the discount rate	5,623
Closing balance	76,146
Current	71,164
Non-current	4,982
Total	76,146

Wages and salaries, annual leave, and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave, accumulating sick leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the CES does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the CES expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the CES does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed as a current liability, even where the CES does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the CES expects to wholly settle within 12 months; or
- present value – if the CES does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

3.1.2 Superannuation contributions

The name, details and amounts expended in relation to the major employee superannuation funds and contributions made by the CES are as follows:

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2021 \$	2020 \$	2021 \$	2020 \$
Defined contribution plans:				
Victorian Superannuation Fund – Vic Super Scheme	51,035	26,378	-	649
Various other	67,443	66,101	-	1,627
Total	118,478	92,479	-	2,276

Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the CES.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period. CES does not contribute to a defined benefits plan.

3.2 Supplies and services

	2021 \$	2020 \$
Supplies and services		
Community awareness and publicity	(9,770)	-
Contract and professional services	(141,885)	(148,557)
General expenses	(66,156)	(53,069)
IT expenses	(81,382)	(17,850)
Motor vehicle expenses	(3,867)	(5,522)
Office and accommodation expenses	(7,064)	(21,414)
Payments for shared services	(4,668)	(5,241)
Postage and telephone	(7,449)	(5,391)
Travel and subsistence	(1,969)	(13,980)
Total supplies and services	(324,210)	(271,024)

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction	Structure
The CES controls assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the CES to be utilised for delivery of those outputs.	<p>4.1 Property, plant, and equipment</p> <p>4.1.1 Depreciation and amortisation</p> <p>4.1.2 Movements in carrying amounts of property, plant, and equipment</p>

4.1 Total property, plant, and equipment

	2021 \$	2020 \$
Property, plant, and equipment		
Motor vehicles (i)	83,427	43,387
Accumulated depreciation motor vehicles	(20,667)	(11,981)
Total motor vehicle	62,760	31,406
Total property, plant, and equipment	62,760	31,406

(i) The motor vehicles above are a right-of-use asset which was treated as a finance lease in 2019

Initial recognition

Items of property, plant, and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Subsequent measurement

Property, plant, and equipment (PPE) are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined regarding the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Right of use (leased) asset – initial recognition

A right-of-use asset and the corresponding lease liability are recognised at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right of use (leased) asset – subsequent measurement

Right-of-use assets are subsequently measured at fair value less accumulated depreciation and impairment. Refer to note for the determination of fair value. Depreciation is on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as PPE.

Impairment of property, plant, and equipment

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined

under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.1.1 Depreciation and amortisation

	2021 \$	2020 \$
Depreciation		
Right-of-use Asset - Motor vehicle	(8,682)	(9,588)
Total depreciation	(8,682)	(9,588)

All motor vehicles and plant and equipment that have finite useful lives are depreciated.

Depreciation is generally 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:

<i>Asset</i>	<i>Useful life</i>
Right-of-use - Motor vehicle	Term of lease (1 to 3 years)

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the CES obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

4.1.2 Movements in carrying amounts of property, plant, and equipment

	2021 \$	2020 \$
Movements in carrying amounts		
Opening balance	31,402	40,994
Additions	40,040	-
Disposals	-	-
Depreciation expense (refer to note 4.1.1)	(8,682)	(9,588)
Closing balance	62,760	31,406

The CES capitalises expenditures on individual items of \$5,000 (2020: \$5,000) or more and records these as non-financial assets.

5 OTHER ASSETS AND LIABILITIES

Introduction	Structure
This note sets out those assets and liabilities that arose from the CES's operations.	5.1 Receivables 5.2 Payables 5.2.1 Maturity analysis of contractual payables

5.1 Receivables

	2021 \$	2020 \$
Current receivables		
Statutory		
Amounts owing from Department of Environment, Land, Water and Planning	796,205	528,580
GST input tax credit recoverable	-	2,280
Total statutory receivables	796,205	530,860
Total current receivables	796,205	530,860
Total receivables	796,205	530,860

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The CES applies AASB 9 for initial measurement of the statutory receivables and as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Refer to note 7.2.1 for credit risk and impairment of statutory receivables.

5.2 Payables

	2021 \$	2020 \$
Current payables		
Contractual		
Accrued expenses	3,444	33,008
Trade Creditors	-	139
Total contractual payables	3,444	33,147
Total current payables	3,444	33,147
Total payables	3,444	33,147

Contractual payables are classified as financial instruments and measured at amortised cost. This includes trade creditors and other accrued expenses. Trade creditors represents liabilities for goods and services provided to the CES prior to the end of the financial year that are unpaid and arise when the CES becomes obliged to make future payments in respect of the purchase of those goods and services.

5.2.1 Maturity analysis of contractual payables

The following table discloses the contractual maturity analysis for the entity's contractual payables.

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2021							
Payables ⁽ⁱ⁾							
Accrued expenses	3,444	3,444	3,444	-	-	-	-
Total	3,444	3,444	3,444	-	-	-	-
2020							
Payables ⁽ⁱ⁾							
Accrued expenses	33,008	33,008	33,008	-	-	-	-
Trade Creditors	139	139	139	-	-	-	-
Total	33,147	33,147	33,147	-	-	-	-

(i) The value of payables disclosed excludes statutory payables (i.e., taxes payable).

6 HOW WE FINANCED OUR OPERATIONS

Introduction	Structure
This note provides information on the sources of finance utilised by the CES during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities.	6.1 Borrowings
This note also includes disclosures of balances that are financial instruments (such as borrowings and cash balances).	6.1.1 Maturity analysis of borrowings
	6.2 Interest expense
	6.3 Leases
	6.4 Cash flow information
	6.5 Commitments for expenditure

6.1 Borrowings

	2021 \$	2020 \$
Current borrowings		
Lease liabilities ^(a)	31,826	31,557
Total current borrowings	31,826	31,557
Non-current borrowings		
Lease liabilities	31,060	-
Total non-current borrowings	31,060	-
Total borrowings	62,886	31,557

Notes:

(a) Secured by the assets leased. Lease's liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

'Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through leases and other interest bearing arrangements.

Borrowings are classified as financial instruments. The CES determines the classification of its interest bearing liabilities at initial recognition.

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The CES recognises interest bearing liability costs immediately as an expense, even where they are directly attributable to the acquisition, construction, or production of a qualifying asset.

During the current and prior year, there were no defaults and breaches of any of the loans.

6.1.1 Maturity analysis of borrowings

The following table discloses the contractual maturity analysis for the entity's contractual interest-bearing liabilities.

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
2021							
Borrowings							
Lease liabilities	62,886	62,886	1,321	2,642	27,863	31,060	-
Total	62,886	62,886	1,321	2,642	27,863	31,060	-
2020							
Borrowings							
Lease liabilities	31,557	31,557	802	1,604	29,151	-	-
Total	31,557	31,557	802	1,604	29,151	-	-

The Motor Vehicle lease from 2020, which was extended to end in FY2021, was extended to October 2021.

6.2 Interest expense

	2021 \$	2020 \$
Interest expense		
Interest on leases	(548)	(1,146)
Total interest expense	(548)	(1,146)

'Interest expense' includes costs incurred in connection with the borrowing of funds and includes interest component of lease repayments. Interest expense is recognised in the period in which it is incurred.

6.3 Leases

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period, in exchange for consideration. Motor vehicles are leased through the VicFleet lease facility. The lease term is the period over which the vehicle is to be leased. Generally, vehicles must be retained for three years or 80,000 kms, whichever occurs first. On disposal of the vehicle any profit or loss on sale is borne by the CES.

Right-of-use asset acquired by lessees (Under AASB 16 – Leases from 1 July 2019)

Initial measurement

The Department recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less
- any lease incentive received.

Subsequent measurement

The department depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as PPE. The right-of-use assets are also subject to revaluation as required by FRD 103H.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

6.3.1 Right-of-use Assets

Right-of-use assets are presented in Note 4.1.

6.3.2 Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

	2021	2020
		\$
Interest expense on lease liabilities	(548)	(1,146)
Total amount recognised in the comprehensive operating statement	(548)	(1,146)

6.3.2 Amounts recognised in the Cashflow Statement

The following amounts are recognised in the Cashflow Statement relating to leases:

	2021	2020
		\$
Total amount recognised in the cashflow statement	(8,713)	(9,500)

6.4 Cash flow information and balances

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

While the cash balance at 30 June 2021 was nil, CES had committed funding of \$1,947,000 for 2020-21, with \$486,750 of the receivable from DELWP received post year end on 29 July 2021. Refer to note 8.6 for the Economic Dependency note.

6.4.1 Reconciliation of net result for the period to cash flow from operating activities

	2021	2020
	\$	\$
(a) Reconciliation of cash and cash equivalents		
Funds held in trust – cash	-	44,683
Total Funds overdrawn disclosed in the balance sheet	-	44,683
Balance per cash flow statement	-	44,683
(b) Reconciliation of net result for the period		
Comprehensive result	39,580	(35,740)
Non-cash movements		
Depreciation	8,682	9,588
Net gain/(loss) on non-financial assets (i)	-	-
Movements in assets and liabilities		
(Increase)/Decrease in receivables	(265,344)	(54,924)
Increase/(Decrease) in payables	(29,702)	(922)
Increase/(Decrease) in provisions	210,814	56,039
Net cash flows from operating activities	(35,970)	(25,959)

6.5 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

In 2020-21, there was 1 commitment for expenditure with Icon Agency for \$54,400 (2020: Nil).

7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction	Structure
<p>The CES is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This note sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied.</p>	<ul style="list-style-type: none"> 7.1 Financial instrument specific disclosures 7.2 Financial risk management objective and policies 7.3 Contingent assets and liabilities 7.4 Fair value determination

7.1 Financial instrument specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the CES's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines, and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met, and the assets are not designated as fair value through net result:

- the assets are held by the CES to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The CES recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

Categories of financial liabilities under AASB 9

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. After initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The CES recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the CES retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the CES has transferred its rights to receive cash flows from the asset and either:
 - (1) has transferred substantially all the risks and rewards of the asset; or
 - (2) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the CES has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the CES's continuing involvement in the asset.

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of financial instruments: After initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the CES' business model for managing its financial assets has changed such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

7.1.1 Financial Instruments: categorisation

	2021			2020		
	Financial assets at amortised cost \$	Contractual financial liabilities at amortised cost \$	Total \$	Contractual financial assets \$	Contractual financial liabilities at amortised cost \$	Total \$
Contractual financial assets						
Cash and deposits	-	-	-	44,683	-	44,683
Total contractual financial assets	-	-	-	44,683	-	44,683
Contractual financial liabilities						
Payables ⁽ⁱ⁾						
Trade creditors	-	-	-	-	139	139
Accrued expenses	-	3,444	3,444	-	33,008	33,008
Borrowings						
Lease liabilities	-	62,886	62,886	-	31,557	31,557
Total contractual financial liabilities	-	66,330	66,330	-	64,704	64,704

(i) The amount of receivables disclosed excludes statutory receivables (i.e., taxes receivable).
 (ii) The amount of payables disclosed exclude statutory payables (i.e., taxes payable).

7.2 Financial risk management objective and policies

The CES financial risk management program seeks to manage risks and the associated volatility of its financial performance. The main purpose in holding financial instruments is to prudentially manage the entity's financial risks in the government policy parameters.

The CES is exposed to the following risks:

- Credit risk
- Liquidity risk.
- Market risk

7.2.1 Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The CES's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the entity. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the CES's contractual financial assets is minimal because the main debtor is the Victorian Government.

Impairment of financial assets under AASB 9

At 30 June 2021, CES did not have trade receivables past due (2020: Nil). On this basis, CES determined no allowance for expected credit loss was required at the end of the financial year (2020: Nil).

Statutory receivables and debt investments at amortised cost

The CES' non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The statutory receivables are considered to have low credit risk, considering the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses. No loss allowance has been recognised.

7.2.2 Liquidity risk

Liquidity risk is the risk that the CES would be unable to meet its financial obligations as they fall due. The CES operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution.

The CES's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

7.2.3 Market risk

The CES's exposure to market risk is primarily through interest rate risk, with insignificant exposure to foreign currency and other price risks.

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The CES does not hold any interest bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CES has minimal exposure to cash flow interest rate risk through its term deposits.

The carrying amount of financial assets and financial liabilities that are exposed to interest rate risk are set out in the table below.

Interest rate exposure of financial instruments

	Weighted average interest rate	Interest rate exposure			
		Carrying amount \$	Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
2021					
Contractual financial assets					
Cash and deposits	0.00% ⁽¹⁾	-	-	-	-
Total		-	-	-	-
Contractual financial liabilities					
Payables: ⁽¹⁾					
Payables		3,444	-	-	3,444
Borrowings	2.19%	62,886	62,886	-	-
Total		66,330	62,886	-	3,444
2020					
Contractual financial assets					
Cash and deposits	0.00% ⁽¹⁾	44,683	-	-	44,683
Total		44,683	-	-	44,683
Contractual financial liabilities					
Payables ⁽¹⁾					
Payables		33,147	-	-	33,147
Borrowings	3.12%	31,557	31,557	-	-
Total		64,704	31,557	-	33,147

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- (i) The amount of payables disclosed excludes statutory payables (i.e., taxes payable).
 (ii) Weighted average is nil as the cash held in trust operates within the Department of Environment, Land, Water and Planning project trust account under s19 (2) of the Financial Management Act 1994 as a specific purpose operating account.

The CES's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Based on this historical data, the CES has no sensitivity to movements in market interest rates, as there are no financial instruments exposed to variable interest rates.

7.3 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

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

In 2020-21 there are no contingent assets or contingent liabilities (2020: Nil).

7.4 Fair value determination

Fair value determination of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- plant and equipment

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes.

Fair value hierarchy

In determining fair values, several inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The CES determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The CES currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2023-24 reporting period. These financial instruments include cash and deposit, receivables, and payables.

7.4.1 Fair value determination: Non-financial physical assets

Fair value measurement hierarchy

	Fair value measurement at end of reporting period using:			
	Carrying amount as at 30 June 2021	Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱⁱ⁾	Level 3 ⁽ⁱⁱ⁾
	\$	\$	\$	\$
Plant and equipment at fair value				
Right-of-use Asset - Motor vehicles	62,760	-	62,760	-
Total	62,760	-	62,760	-

	Carrying amount as at 30 June 2020	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
	\$	\$	\$	\$
Plant and equipment at fair value				
Right-of-use Asset - Motor vehicles	31,402	-	31,402	-
Total	31,402	-	31,402	-

(i) Classified in accordance with the fair value hierarchy.

There have been no transfers between levels during the period.

Plant and equipment are held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2021 for all assets measured at fair value, the current use is considered the highest and best use.

Vehicles are valued using the current replacement cost method. The CES acquires new vehicles and at times disposes of them before the end of their economic life. Right-of-use assets are revalued according to FRD 103I Non-financial physical assets. The CES applies the revaluation model to right-of-use assets. After initial recognition the right-of-asset is carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

The fair value of right-of-use assets are linked to the lease payments. The CES assess the current lease payments under the lease contract to approximate current market rentals in comparison to equivalent properties that would be paid in the current market. The fair value of the leased assets is determined with reference to the amounts that will have to be paid to replace

7.4.2 Reconciliation of Level 3 fair value movements

There are no L3 Property, plant, and equipment and therefore no movements.

8 OTHER DISCLOSURES

<p>Introduction</p> <p>This note includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.</p>	<p>Structure</p> <p>8.1 Ex-gratia expenses 8.2 Audit Fees 8.3 Responsible persons 8.4 Executive remuneration 8.5 Related party disclosure 8.6 Economic Dependency 8.7 Subsequent events 8.8 Australian Accounting Standards issued that are not yet effective 8.9 Glossary</p>
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8.1 Ex-Gratia expenses

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g., a write-off) that is not made either to acquire goods, services, or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity.

	2021 \$	2020 \$
Ex-gratia expenses		
Compensation payments	-	-
Total ex-gratia expenses	-	-

8.2 Audit Fees

	2021 \$	2020 \$
Victorian Auditor General's Office		
Audit or review of the financial statements ⁽ⁱ⁾	15,000	8,580
Total	15,000	8,580

(i) Audit fees expense for the year is included in Contract and professional services in note 3.2 supplies and services.

The Victorian Auditor-General's Office is prohibited from providing non-audit services.

8.3 Responsible persons

The following table lists persons who held the positions of ministers and accountable officers of the CES:

Minister for Energy, Environment and Climate Change	The Hon. Lily D'Ambrosio MP	1 July 2020 to 30 June 2021
Commissioner for Environmental Sustainability	Dr Gillian Sparkes	1 July 2020 to 30 June 2021

The person who held the position of Accountable Officer of the CES was Gillian Sparkes.

Remuneration received or receivable by the Accountable Officer in connection with the management of the CES during the reporting period was in the range: \$290,000 – \$299,999 (2020: \$280,000 – \$289,999).

8.4 Executive remuneration

Remuneration comprises employee benefits (as defined in AASB 119 Employee Benefits) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave, or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	2021	2020
	\$	\$
Remuneration of executive officers		
Short-term employee benefits	181,616	50,832
Post-employment benefits	17,200	4,795
Other long-term benefits	4,794	3,085
Termination benefits	0	0
Total remuneration of executive officers ⁽ⁱⁱⁱ⁾	203,610	58,711
Total number of executives	1	1
Total annualised employee equivalent (AEE) ⁽ⁱⁱ⁾	1	1

Note

- (i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the department under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (Note 8.4).
- (ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.
- (iii) Remuneration for staff who have acted in executive positions over two months have been included in the table above.

8.5 Related party disclosure

The CES is a wholly owned and controlled entity of the State of Victoria. Related parties of the CES include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures, and entities they have significant influence over)
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the CES are listed in note 8.3.

The remuneration breakdown of the CES's key management personnel is shown in the table below:

	2021 \$	2020 \$
Compensation of key management personnel		
Short term benefits	263,255	250,941
Post-employment benefits	26,390	23,553
Other long-term benefits	7,052	6,400
Total	296,697	280,894

Remuneration of the relevant minister is included in the Department of Parliamentary Services financial statements.

Significant transactions with government related entities

The CES receives operating funding received from the Department of Environment, Land, Water and Planning (see Note 2.1 Government grants). Refer to note 5.1 Receivables for amounts due from the Department of Environment, Land, Water and Planning for the year ending 30 June 2021.

All related party transactions have been entered on an arm's length basis.

8.6 Economic Dependency

CES is dependent on the Department of Environment, Land, Water and Planning (DELWP) via the Municipal and Industrial Landfill Levy for most of its income for funding its operations. At the date of this report, CES has no reason to believe this support will not continue.

8.7 Subsequent events

The CES is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2021 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

8.8 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied to these Financial Statements. CES is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

- **AASB 17 Insurance Contracts**

The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reinsurance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.

AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts* was issued in July 2020 with the intention to reduce the costs application and easing transition by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021.

This standard currently does not apply to the not-for-profit public sector entities.

The CES's assessment indicates that there will be no impact as CES does not issue insurance contracts.

- **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current**

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the Balance Sheet as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer

settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

AASB 2020-8 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* was issued in August 2020 and defers the effective date to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.

The CES is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- **AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021***

This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications (e.g., account for as variable lease payment instead). This standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

This standard is applicable to annual reporting periods beginning on 1 April 2021.

The CES is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2020-21 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*.
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures*.
- AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2*.
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*.
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*.

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates*.

8.9 Glossary

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains, and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Transactions are those economic flows that are considered to arise because of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g., assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Accountable officer's declaration and statutory certification

The attached financial statements for the Commissioner for Environmental Sustainability have been prepared in accordance with Standing Direction 5.2 of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and financial position of the entity as at the 30th of June 2021.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 28 October 2021.



Dr Gillian Sparkes
Commissioner for Environmental Sustainability
Melbourne
28 October 2021



Sam Claringbold
Chief Financial Officer
Melbourne
28 October 2021

INDEPENDENT AUDITOR'S REPORT: VAGO



Independent Auditor's Report

To the Commissioner for Environmental Sustainability

Opinion	<p>I have audited the financial report of the Commissioner for Environmental Sustainability (the statutory office) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • accountable officer's declaration and statutory certification. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the statutory office as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the statutory office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Commissioner of the statutory office's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Commissioner of the statutory office is responsible for the "other information" included in the statutory office's Annual Report for the year ended 30 June 2021. The other information in the Annual Report does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
Commissioner's responsibilities for the financial report	<p>The Commissioner of the statutory office is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the statutory office'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 it is inappropriate to do so.</p>

<p>Auditor's responsibilities for the audit of the financial report</p>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is 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 the 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 this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the statutory office's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner • conclude on the appropriateness of the Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the statutory office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the statutory office to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
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MELBOURNE
29 October 2021



Paul Martin
as delegate for the Auditor-General of Victoria

DISCLOSURE INDEX

The annual report of the Department is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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<i>Report of operations</i>		
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FRD 22I	Key initiatives and projects	15
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