

# ANNUAL REPORT

2014-15

Commissioner for Environmental Sustainability



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#### **Abbreviations**

OCES	Office of the Commissioner for Environmental Sustainability
DELWP	Department of Environment, Land, Water & Planning
DEPI	Department of Environment and Primary Industries
EMS	Environmental Management Systems
EPA	Environmental Protection Authority
FRD	Financial Reporting Direction
FTE	Full Time Equivalent
IPAA	Institute of Public Administration Australia
SoE	State of the Environment Report
VAGO	Victorian Auditor General's Office
VCMC	Victorian Catchment Management Council
VCC	Victorian Coastal Council

## Accountable Officer's declaration

In accordance with the *Financial Management Act (FMA) 1994*, I present the Annual Report for the Commissioner for Environmental Sustainability for the year ending 30 June 2015.

A handwritten signature in black ink, appearing to read 'G Sparkes', written in a cursive style.

Dr Gillian Sparkes  
Commissioner for Environmental Sustainability  
6 October 2015

## **Report of operations**

The report of operations provides an overview of the Office of the Commissioner for Environmental Sustainability and details the key projects and achievements for 2014-15.

The office's performance against output targets is reported in this section.

## **Mission**

The Office of the Commissioner for Environmental Sustainability reports on the state of Victoria's environment to help government, business and the community take practical action.

## Commissioner's report

On 1 July 2014 I was honoured to be appointed as Victoria's third Commissioner for Environmental Sustainability. Two key functions of the role are to produce a State of the Environment (SoE) Report at intervals of no more than five years, and to audit the implementation of the Victorian Public Sector's Environmental Management Systems (EMS).

### State of the Environment reporting reform

Since the *Commissioner for Environmental Sustainability Act 2003* (CES Act) was introduced there have been two previous Commissioners and two five-yearly SoEs.

From a public value perspective, it was timely that 2014-15 be focused on reviewing how we report and on understanding how we can put good reports to good use.

It was also clear that reporting on the state of the environment should become a process of government: not done for its own sake but to fulfil a need for more up to date information that can move over time to management effectiveness reporting. If we are to understand the impact of our investments and policy decisions on the environment we need to move toward a system that shows how effective or otherwise our decisions have been.

During the first two quarters of 2014-15, the Office of the Commissioner for Environmental Sustainability (OCES) undertook a benchmarking review to look at the opportunities for state of the environment reporting practices to evolve and improve, to ensure they continue to support the government and policy makers with environmental and/or natural resource management responsibilities in Victoria.

A targeted consultation process was undertaken with community, business and government groups to determine the most effective approach to SoE reporting from an end-user perspective.

This benchmarking review looked at Victorian, Australian and international reporting practices and also involved engagement with 22 key decision makers within the Victorian environment portfolio.

Upon completion of the benchmarking review, a series of findings and recommendations were developed during the third quarter of 2014-15.

From there a strategy for SoE reporting as a process of government has been developed. This strategy will form the basis, including outlining the underpinning principles and objectives, for the development of the 2018 SoE reporting framework.

The Minister for Environment, Climate Change and Water, Hon Lisa Neville MP, was briefed on the reform strategy in April, 2015.

Work commenced on developing a clear, agreed set of condition and extent indicators that will enable accurate monitoring of the environment – and, for the first time, will include socio-economic indicators. The indicators now in development, and to be applied across reports, will ensure the quality of data is improved so the public and stakeholder focus can shift from questioning the data and science to having well-informed community conversations about solutions.

The new indicators will also make a number of different statutory environmental reports comparable.

The shared objective across the portfolio is to see a more integrated approach to monitoring and reporting.

A key achievement this year has been gaining portfolio support for OCES to collaborate with Department of Environment, Land, Water and Planning (DELWP) deliver and issue the new State of the Bays Report, due in 2016, as the first aligned report of the 2018 SoE.

The reform will see updates issued over time through the inclusion of environmental reports, like State of the Bays, as part of the suite of environmental reporting in Victoria.

By aligning other reports we can create comparability between them and coordination and order out of what is currently a disconnected set of environmental reports.

State of the Bays is a crucial first step towards this more holistic approach to reporting.

The next report to be aligned with the SoE will be the Victorian Catchment Management Council's (VCMC) Catchment Condition and Management Report, due in 2017.

A Victorian Auditor General's Office (VAGO) report, *Effectiveness of Catchment Management Authorities*, released in September 2014, provided further impetus for reform. It found that "statewide catchment conditions are poorly understood because of inconsistent assessment methods and a number of deficiencies in the adequacy and quality of data collected<sup>2</sup>". Working together, adopting agreed indicators, I feel confident this and more can be addressed.

In addition to improving data collection and integrity to drive monitoring and reporting, we have also commenced work on the digital delivery of future SoE reports using existing government platforms. A digital format, available online and easy to access, will bring the reports into the 21st century.

Making digital data available will also help create new reports that are more practical, useful and relevant.

Over time these changes will also allow us to harness the rich contributions of citizen scientists.

These reforms will position Victoria as a leader in environmental reporting that is contemporary in presentation, current in relation to content and a crucial driver of informed decision making, responsive to the needs of the environment.

I am pleased to be able to contribute to this step change in Victoria's SoE reporting and thank our many portfolio partners and stakeholders for their shared enthusiasm for change based on co-creation and coordination.

### **Strategic Audit Report and Global Reporting Initiative**

On 14 April 2015 the *Strategic Audit Report: Implementation of environmental management systems in Victorian Government 2013-14* was tabled in the Victorian Parliament by the Hon Lisa Neville MP, Minister for Environment, Climate Change and Water.

Sustainability reporting can provide significant insights into organisational efforts in respect of environmental best practice in both the public sector and private enterprise.

In the 2013-14 strategic audit report, key observations were made about the results of the audit and trend data, along with commentary on the utility of the current FRD 24C.

The results of the strategic audit showed that while trending toward improvement across a number of areas over the five year period to 30 June 2014, performance had plateaued and in some areas begun to decline over the preceding 12 months.

The data for energy and greenhouse emissions indicated an increase in energy use by reporting organisations, and showed 69 per cent of annual greenhouse emissions were linked to office building energy use. In response to this, the report notes that there is a real opportunity to influence and improve environmental outcomes through better, more sustainable energy procurement choices.

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<sup>2</sup> <http://www.audit.vic.gov.au/publications/20140917-Effectiveness-CMA/20140917-Effectiveness-CMA.html>

In this strategic audit report, I commenced my advocacy for a shift to a new global reporting framework. The report provides a comparative discussion of the use of the existing FRD 24C framework and the merits of a shift to the “common language” of the Global Reporting Initiative (GRI).

GRI is now the most widely referenced sustainability framework, with 78 per cent of reporting companies worldwide including GRI guidelines in their corporate responsibility reporting.

While recognising the utility of FRD 24C, GRI requires the identification of the true material aspects, highlighting the importance of materiality, leading to better reporting of an entity’s true sustainability impacts.

Following this, I commenced a process of engagement with departmental secretaries on the implementation of a GRI reporting trial within the Victorian Government which, if supported by agencies, will be progressed through consultation in the 2015-16 year.

### **The office and its operations**

Following the approval of the OCES office budget by the Secretary of DELWP in May, 2014, work commenced on recruiting two staff members to help deliver the office functions. The full complement of OCES staff will be three VPS employees..

Our efficient operation is a direct function of our co-creation model, showing that through deep engagement OCES, working in particular with DELWP, can achieve real wins for the community while also delivering demonstrable public value.

2014-15 has been a year of significant progress toward a new way of reporting on the environment in Victoria. I look forward to our next steps, in particular the delivery of a State of the Bays Report that meets the needs of the community as well as our policy makers.

I am pleased to present the Annual Report for the Commissioner for Environmental Sustainability for the year 2014-15.

**Dr Gillian Sparkes**  
**Commissioner for Environmental Sustainability**

## **Manner of establishment and responsible Ministers**

Established by the Victorian Government in November 2003 under the *Commissioner for Environmental Sustainability Act 2003* (CES Act), the Commissioner provides an independent voice that audits and reports on environmental sustainability and the state of Victoria's natural environment.

The Hon Ryan Smith MP, Minister for Environment and Climate Change was the responsible minister for the period from 1 July 2014 to 3 December 2014.

The Hon Lisa Neville MP, Minister for Environment, Climate Change and Water was the responsible minister for the period 4 December 2015 to 30 June 2015.

## **Objectives, functions, powers & duties**

The legislative objectives of the Commissioner under the 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 Commissioner's major functions under the 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.
- 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 upon referral from the Minister.

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

# Performance Reporting

## Performance against output measures

This section is structured around the key activities of the office and the statutory requirements of the Commissioner.

- State of the Environment Reporting.
- Audit of the implementation of environmental management systems (EMS) by government agencies.

## Output summary

The 2014 to June 2015 work plan for OCES was delivered in two phases.

### Phase 1:

#### New Commissioner start-up, statutory reporting obligations and SoE review:

##### July to December 2014

1. Office set up including development of Service Level Agreement<sup>3</sup> with the department to provide corporate services support to the office and negate the need for OCES to employ a full-time, VPS 6, office manager to provide executive assistant support to the Commissioner and oversee statutory compliance obligations : **July - September 2014**.
2. Prepare annual report for 2013-14 for previous Commissioner: **August 2014**.
3. Website refresh : **December 2014**.
4. State of the Environment Reporting review: **August to December 2014**.
5. Develop the annual strategic audit report of the implementation of government Environmental Management Systems (EMS) as required by the CES Act: **September 2014 – January 2015**.
6. Initial briefing with Minister to confirm in principle support for development of the framework for the next five yearly, SoE report : **December 2014**.

### Phase 2:

#### SoE Report: Implement Recommendations of Phase 1 following Minister's approval:

##### January to July 2015

1. Scope and plan work program for 2015 based on outcomes of initial Ministerial briefing.
2. Finalise annual strategic audit report of the implementation of government EMS and submit to Minister: **31 January 2015**.
3. Nominal SoE reporting work program:
  - a. Develop concepts and early recommendations on SoE reporting: **end January 2015**.
  - b. Develop draft SoE reporting and OCES stakeholder engagement strategy: **end March 2015**.
  - c. Report back on review to environment portfolio participants: **end March 2015**.
  - d. Commence briefing Minister on reporting framework: **April 2015**.
  - e. Commence developing 2018 SoE reporting framework and other reporting elements: **from April 2015**.
  - f. Commence developing key engagement forums and stakeholder consultation program for draft framework: **from April 2015**.
4. Table annual strategic audit report of the implementation of government EMS systems: **April 2015**.

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<sup>3</sup> The Commissioner has developed an agreement with the department for them to provide corporate services support to the office; this will negate the need for OCES to employ a full-time, VPS 6, office manager to provide executive assistant support to the Commissioner and oversee statutory compliance obligations.

The table below provides progress status updates against the key deliverables.

There were no major changes or factors affecting the performance of the office during 2014-15.

Priorities	Key Deliverables	Performance/Status
Strategic audit program	<ul style="list-style-type: none"> <li>• Finalise annual strategic audit report of the implementation of government EMS and submit to Minister by 31 January 2015.</li> <li>• Table annual strategic audit report of the implementation of government EMS systems, April 2015.</li> </ul>	<ul style="list-style-type: none"> <li>• The strategic audit report was completed and submitted to the Minister by 31 January 2015 in accordance with the legislative requirement.</li> <li>• The Minister tabled the report in the Victorian Parliament on 14 April in accordance with the legislative requirement.</li> <li>• Commissioner commenced discussion via letter to Secretaries on shift from FRD 24 C to Global Reporting Initiative following on from commentary in Strategic Audit Report.</li> <li>• Agencies invited to participate in GRI trial – to commence in subsequent year.</li> </ul>
Review of SoE	<ul style="list-style-type: none"> <li>• Undertake SoE reporting review.</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmarking review undertaken during the first two quarters.</li> <li>• Broad consultation with community, business and government groups to determine the most effective approach from end-user perspective.</li> <li>• Review involved four key projects:               <ul style="list-style-type: none"> <li>• Project 1: Review of Victorian reporting practices (Consultant: Aither)</li> <li>• Project 2: Review of Australian reporting practices (internal resources)</li> <li>• Project 3: Review of international reporting practices (Consultant: Deloitte)</li> <li>• Project 4: Engagement with 22 key decision makers within the Victorian environment portfolio. (Consultant: Now for Future)</li> </ul> </li> </ul>
SoE reporting reform work program & development of 2018 SoE	<ul style="list-style-type: none"> <li>• SoE reporting reform work program:               <ul style="list-style-type: none"> <li>• Develop concepts and early recommendations on SoE reporting by end January 2015.</li> <li>• Develop draft SoE reporting and OCES stakeholder engagement strategy by end March 2015.</li> <li>• Report back on review to environment portfolio participants by end March 2015.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Reform proposal developed and Minister briefed on concepts in December 2015.</li> <li>• Concepts developed and comprehensive high-level stakeholder briefings undertaken with government and political leaders, environment portfolio leaders, key industry bodies, leading tertiary sustainability institutes and others through first half 2015.</li> <li>• Verbal Ministerial briefing in April prior to written brief setting out key reporting changes.</li> <li>• Work commenced on SoE reporting</li> </ul>

	<ul style="list-style-type: none"> <li>• Commence briefing Minister on reporting framework by April 2015.</li> <li>• Commence developing 2018 SoE reporting framework and other reporting elements from April 2015.</li> </ul>	<p>framework in April.</p> <ul style="list-style-type: none"> <li>• SoE Project Control Board and Technical Advisory Group for SoE established and first meetings held.</li> <li>• Reference Group nominated and indicative list approved by Minister, however group did not meet during 2014-15.</li> <li>• Previous Commissioner's Reference Group formally thanked and closed out.</li> <li>• Signed MoU with South Australian EPA on 14 April.</li> </ul>
Communications & Engagement	<ul style="list-style-type: none"> <li>• Commence developing key engagement forums and stakeholder consultation program for draft framework from April 2015.</li> <li>• Refresh of OCES website.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant high level stakeholder engagement by Commissioner as above.</li> <li>• High level stakeholders identified and incorporated into consultation on SoE outside terms of the Reference Group – these include MAV, VECCI, AiGroup and VicWater.</li> <li>• Manager Government Relations &amp; Communications appointed.</li> <li>• OCES website redeveloped.</li> <li>• Website maintained with additional content added at intervals and corporate LinkedIn page also updated.</li> </ul>
Corporate obligations	<ul style="list-style-type: none"> <li>• Office set up including development of Service Level Agreement to provide executive assistant support to the Commissioner and oversee statutory compliance obligations.</li> <li>• Submit 2013-14 Annual Report by August 2014.</li> <li>• Develop and submit draft business plan and budget for 2015-16.</li> <li>• Maintain Audit Committee.</li> <li>• Provide a safe and enabling workplace.</li> <li>• Ensure staff access to professional development and training opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Office established with one VPS 6 ongoing – Manager Science &amp; Research and two part time contractors with second VPS 6 recruited May 2015. Contractors ceased March 2014.</li> <li>• 2013-14 Annual Report submitted to Minister August 2014.</li> <li>• Draft budget approved by Secretary in May .</li> <li>• Draft budget and business plan submitted to Minister 2 June.</li> <li>• Risk and Audit Committee held two meetings.</li> <li>• Staff provided with a safe and enabling workplace consistent with DEWLP OH&amp;S policy.</li> <li>• Staff were provided access to professional development and training opportunities including attendance at environmental reporting forums and workshops. One-on-one training provided on use of corporate website by web provider.</li> </ul>

## Initiatives and key achievements

The 2014-15 initiatives and key achievements were:

- Comprehensive review of SoE Reporting
- IPAA Public Sector Week – OCES sponsored session on digital disruption and the environment
- Appointment of an indicative Reference Group and other governance bodies
- Submission of the Strategic Audit report including advocacy for shift to GRI reporting

## State of the Environment reporting reform

A key function of the Commissioner is to prepare a periodical report on the state of the environment of Victoria.

### Background

This report must be prepared in accordance with a framework for environmental reporting that the Commissioner develops and is approved by the Minister who is responsible for the environment portfolio. The Minister must cause a copy of the framework to be laid before each House of Parliament within 10 sitting days after the framework has been approved. These requirements are set out in Section 17 of the CES Act. The CES Act also requires that the report on the state of the environment of Victoria is prepared at intervals not exceeding five years.

The most recent SoE report for Victoria was tabled in November 2013. The Victorian Government response was tabled on 26 May 2015.

### Benchmarking reform

During the first two quarters of 2014-15, the Commissioner for Environmental Sustainability undertook a benchmarking review to enquire into the opportunities for state of the environment reporting practices to evolve and improve, to ensure they continue to support the government and policy makers with environmental and/or natural resource management responsibilities in Victoria.

This benchmarking review involved four key projects:

Project 1: Review of Victorian reporting practices

Project 2: Review of Australian reporting practices

Project 3: Review of international reporting practices

Project 4: Engagement with 22 key, decision makers within the Victorian environment portfolio

A broad consultation process was undertaken with community, business and government groups to determine the most effective approach to SoE reporting from an end-user perspective.

The 22 key decision makers consulted during Project 4 included:

- DEPI/DELWP: Secretary, relevant Deputy Secretaries, Executive Directors and Directors
- Victorian Catchment Management Council (VCMC) leaders
- Environment Protection Authority (EPA) leaders
- Sustainability Victoria leaders
- Two experts formerly with DEPI and VCMC

### Progressing support for reform

Upon completion of these four projects, a series of findings and recommendations were developed during the third quarter of 2014-15.

From there a strategy for the role of the office, and within that for SoE reporting, has been developed. This strategy will form the basis, including outlining the underpinning principles and objectives, for the development of the 2018 SoE reporting framework.

A key outcome of the reform is that the first State of the Bays Report will be issued by OCES in 2016 in close collaboration with DELWP.

Significant stakeholder engagement was undertaken by the Commissioner throughout 2014-15 to outline the reform approach, with briefings provided for:

- Portfolio leadership group as per Project 4: Engagement (above)
- Hon Gavin Jennings, Special Minister of State, and advisers
- Chief-of-Staff to the Minister for Energy & Resources
- EPA Science and Engineering Advisory Committee
- Department of Economic Development, Jobs, Transport & Resources (DEDJTR)
- Australian Industry Group (AiGroup)
- VECCI
- Municipal Association of Victoria (MAV)
- Victorian Coastal Council
- Catchment Management Authorities' CEO & Chairs Forum
- Catchment Management Forum
- Environment Victoria (EV)
- Victorian National Parks Association (VNPA)
- Trust for Nature
- Birdlife Australia
- City of Melbourne Resilience Project Officer

### **Designing reform and a new way of co-creating**

In keeping with the Commissioner's reform model, the State of the Bays Report will form the first aligned report and a prototype of the 2018 SoE, including the use of co-creation and a shift to digital reporting. It is a significant first step in the Commissioner's major reform of reporting which recasts reporting as a process of government, rather than merely an output.

The design principles for the reform are:

- A better evidence base for environmental decision making – including a State set of condition and extent indicators to integrate and improve environmental reporting on the state and trend of our natural capital.
- Transparency and accountability – enabling a shift to management effectiveness reporting at the State level and reporting as a process of government.
- Citizen participation – improving accessibility of, and contribution to, information through a shift to digital reporting.

Development of the draft 2018 SoE reporting framework commenced in the third quarter of 2014-15.

The strategy informs the work plan to deliver the 2018 SoE report in a collaborative manner. Key stakeholder representatives or groups will be directly involved (by invitation onto the Commissioner's Reference Group, Project Control Board or Technical Advisory Group) to provide stakeholder, strategic and technical advice.

## **IPAA Public Sector Week: Digital disruption and the environment**

Digital disruption is a rapidly growing force changing the way businesses and governments interact with their customers and each other. Digital engagement is changing the way citizens are interacting with government and driving new ways of talking about, and managing, the environment.

In response to these challenges and opportunities, the Commissioner co-sponsored an Institute of Public Administration Australia (IPAA) Public Sector Week session to provide thought leadership on how digital disruption can be – and already is being – used for the benefit of the environment.

The event was held at Deakin Edge, Federation Square, on 24 May.

Keynote speaker David Bartlett - former Tasmanian Premier, Minister for Innovation, CIO and digital innovator - presented his unique perspective on innovation and the future of government service delivery.

Other speakers included Victorian Government digital land capability mapping expert Bruce Thompson and South East Water's Charlie Littlefair, a leader in showing how digital can change the way we manage our water resources.

An interactive session, facilitated by co-sponsor Nous Group's Tim Orton, followed.

Approximately 60 attended the session with significant positive feedback following the event.

## **Commissioner's Reference Group and other governance bodies**

The Commissioner's Reference Group provides advice and support to the Commissioner (see section 9 (2) (b) of the CES Act). The Reference Group is comprised of non-government members, identified and invited by the Commissioner and approved by the Minister.

An indicative list of Reference Group members was approved by the Minister on 29 April 2015 and invitations to participate sent in May. No meeting of the current Commissioner's Reference Group was held in 2014-15.

The former Commissioner's Reference Group was closed out and formally thanked by the current Commissioner by letter sent in April.

A Project Control Board to provide high level advice on the next SoE Report and State of the Bays report met for the first time on 4 June at which meeting a Technical Advisory Group was agreed. The latter met for the first time on 1 July 2015, outside this reporting period.

The Project Control Board includes senior level representation from:

- DELWP
- EPA
- VCMC (Victorian Catchment Management Council)

The Technical Advisory Group includes representation from:

- DELWP
- EPA
- Parks Victoria
- Victorian Coastal Council (VCC)
- VCMC
- Department of Economic Development, Jobs, Transport & Resources (DEDJTR)

## **Audit of implementation of environmental management systems**

On 14 April 2015 the *Strategic Audit Report: Implementation of environmental management systems in Victorian Government 2013-14* was tabled in the Victorian Parliament by The Hon Lisa Neville MP, Minister for Environment, Climate Change and Water. The strategic audit was submitted to the Minister on 29 January 2015, in accordance with the CES Act.

Sustainability reporting can provide significant insights into organisational efforts in respect of environmental best practice in both the public sector and private enterprise.

In the 2013-2014 strategic audit report, the Commissioner provides a comparative discussion of the use of the existing FRD 24C framework and the merits of a shift to the "common language" of the Global Reporting Initiative (GRI).

GRI is now the most widely referenced sustainability framework, with 78 per cent of reporting companies worldwide including GRI guidelines in their corporate responsibility reporting.

While recognising the utility of FRD 24C, the Commissioner notes that GRI requires the identification of the true material aspects, highlighting the importance of materiality, leading to better reporting of an entity's true sustainability impacts.

The Commissioner commenced a process of engagement with central agencies on the implementation of a GRI reporting trial within the Victorian Government which will be progressed through consultation in the 2015-16 year.

The role of the Commissioner's strategic audit function is to provide a high-level, independent assessment each year of the Victorian Government's departments and agencies performance in reducing environmental impacts and increasing the resource efficiency of its operations through its environmental management systems.

The Environmental Management Systems (EMS) Strategic Audit considers trends in environmental management, including international best practice. It also provides information about how departments and agencies are implementing sustainable, resource efficient practices.

Environmental performance data is reported by these departments and agencies in annual reports, as required by the Department of Treasury and Finance's Financial Reporting Direction 24C.

EMS data is reviewed annually by the Commissioner to provide a strategic analysis and public report on the way in which Victorian Government departments and agencies are addressing their resource use and other environmental issues.

In the 2013-14 strategic audit report, key observations were made about the results of the audit and trend data, along with commentary on the utility of the current FRD 24C.

The results of the strategic audit showed that while trending toward improvement across a number of areas over the five year period to 30 June 2014, performance had plateaued and in some areas begun to decline over the preceding 12 months.

The data for energy and greenhouse emissions indicated an increase in energy use by reporting organisations, and showed 69 per cent of annual greenhouse emissions were linked to office building energy use. In response to this, the report notes that there is a real opportunity to influence and improve environmental outcomes through better, more sustainable energy procurement choices.

## Financial performance

This section outlines the nature of the office's operations and its principal financial activities. In this section:

- Statements of financial management requirements
  - DELWP Service Level Agreement
- Five-year financial summary
- Budget background

### Statements of financial management requirements

The office's administration in areas of financial management and account management, industrial relations, human resources and administrative procedures are provided by DELWP.

The office is supported by DELWP to provide business systems and administrative support which includes the office's accommodation, information technology services, financial and human resources support.

The OCES has a Service Level Agreement with DELWP that enables corporate support including accommodation, business support services and information technology to be provided.

As per the Service Level Agreement, DELWP provides business systems and administrative support. Other resources provided through the Corporate Services Agreement with DELWP include information technology access and services, Human Resources, Risk and Audit Committee and related support and Financial Services support.

This support is in addition to the existing collaboration between OCES and DELWP to integrate and share data and information to deliver environmental reporting.

The Commissioner has adopted the DELWP financial systems, controls, procedures and policies.

## Five-year financial summary

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011
<b>Total income from transactions</b>	1,585,984	987,474	1,873,658	1,844,989	1,875,006
<b>Total expenses from transactions</b>	1,258,585	952,185	1,875,767	2,205,941	1,875,006
Non-financial assets	22,093	0	0	0	0
Financial assets	136,884	49,322	28,307	36,565	430,403
<b>Total assets</b>	158,977	49,322	28,307	36,565	430,403
Payables	11,434	230,048	138,873	20,914	58,278
Provisions	133,284	152,183	257,415	376,929	379,315
Borrowings	22,311	0	0	0	0
<b>Total liabilities</b>	167,029	382,231	396,288	397,843	437,593

## Current Year Financial Review

The additional funding of \$336,335 for 2014-15 was allocated by DELWP to the Commissioner to cover the retained losses as accrued by the previous Commissioner, and used to offset the amounts owing to the department. The comprehensive result which includes this additional funding has reduced the accumulated deficit to \$11,080. While the intent of the additional grant was to completely offset the retained deficit, the current year result was impacted by a number of non-recurring transactions.

## Budget background

The Commissioner's budget is currently administered by the DELWP Land, Fire and Environment Group, in accordance with section 15 (3) (b) of the Act and is approved each year by the Minister.

DELWP made a decision on the allocation of funding for the Commissioner in May 2015. As a result, DELWP agreed to allocate \$540,000 to the Commissioner in 2015-16 and \$460,000 in 2016-17, therefore returning the Commissioner to its original annual funding of \$1,132,000 for the two financial years. In addition, for 2014-15 only, DELWP increased the annual allocation for the Commissioner by \$336,335, with the intent of this additional funding to offset the retained deficit.

## 2014-15 OCES budget

The OCES is funded by accrual-based parliamentary appropriations for the provision of outputs through DELWP. The July 2014 to June 2015 budget estimate is \$1,175,826 (see Table 1).

**Table 1: Budget July 2014 - June 2015**

Budgeted Expenditure	2014-15 Budget
Employee Related Expenses	\$ 692,267
Professional Services	\$ 270,997
Contractor - Labour	\$ 198,678
	<b>\$ 1,175,826</b>

## Significant changes in financial position

The additional funding of \$336,335 for 2014-15 was allocated by DELWP to the Commissioner to cover the retained losses as accrued by the previous Commissioner, and used to offset the amounts owing to the department. The comprehensive result which includes this additional funding has reduced the accumulated deficit to \$11,080. While the intent of the additional grant was to completely offset the retained deficit, the current year result was impacted by a number of non-recurring transactions.

The draft 2015-16 expenditure budget for the Commissioner, which was approved by the Minister on 4 June 2015, includes a high level allocation of costs against the agreed funding by DELWP of \$1,132,000. Included within that budget is an amount of \$180,000 for discretionary project expenditure by the Commissioner. Ten per cent of this discretionary expenditure will be withheld to offset the remaining \$11,080 accumulated deficit and to cover any other contingency. This will see the Commissioner generate sufficient surplus to return to a positive net asset position in 2015-16.

## Significant changes or factors affecting performance

There were no significant changes or factors which affected our performance during the reporting period.

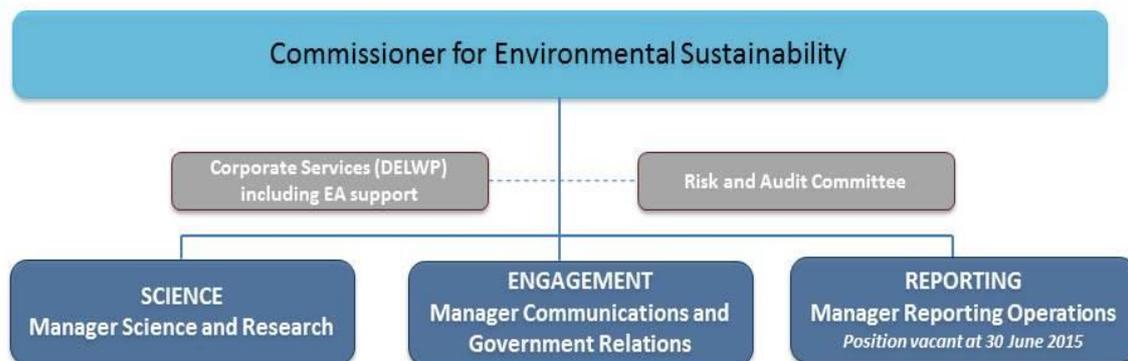
## Subsequent events which will affect operations in future years

There were no events occurring after balance date which may significantly affect the Commissioner for Environmental Sustainability's operations in subsequent reporting periods.

# Governance and organisational structure

Office of the Commissioner for Environmental Sustainability workplace structure as at 30 June 2015:

## Organisational Structure



### Risk and Audit Committee

The OCES Risk and Audit Committee met twice during 2014-15. Members of the committee are Mr John Rundell (Independent Chair), Ms Suzanne Evans (Independent Member), Mr Mark Peters (Independent Member), Ms Helen Thornton (Independent Member).

### Occupational health and safety

OCES 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.

OCES 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.

OCES staff have access to a range of programs provided by the DELWP. These services include training and development programs, occupational health and safety courses, counselling services through the Employee Assistance Program and well-being 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.

OCES OH&S indicators for the year were to have no WorkCover claims and to have office assessments done annually.

Nil hazards, incidents, lost time standard claims or WorkCover claims were made in the 2014-2015 reporting period. Office assessments were completed quarterly by the OH&S floor representatives.

## **Public administration values and employment principles**

The office is committed to ensuring that business decisions are linked to ethical values, respect for staff, as well as meeting its legal requirements.

The office complies with the Code of Conduct for Victorian Public Service, departmental policies and procedures as well as providing a range of services to support staff and to maintain the office so that it is a fair and safe place to work.

### **Human Rights**

The Victorian Charter of Human Rights and Responsibilities is a law under the *Public Administration Act 2004* (PA Act), which protects the human rights of all people in Victoria. The charter contains 20 rights that reflect four basic principles – freedom, respect, equality and dignity. The office acts compatibly with the charter and gives proper consideration to human rights when making decisions.

DELWP departmental orientation and learning and development course – Working at DELWP - incorporates human rights in the training course content. As part of the induction process for DELWP, this course is mandatory for all new staff.

### **Equal employment opportunity**

The office is committed to the principles of merit and equity in human resource management. All appointments conducted during the reporting period were based on competitive selection processes. Staff members receive appropriate training and experience to enhance their skills in a number of ways relevant and meaningful to the Commissioner's activities and responsibilities.

The Commissioner's staff are employed under the PA Act. The PA Act specifies a number of employment and conduct principles that must be observed by public sector organisations and their employees.

Public sector values (section 7, PA Act)

- Responsiveness
- Integrity
- Impartiality
- Accountability
- Respect
- Leadership
- Human rights.

Public sector employment principles (section 8, PA Act)

- Public entities are required to have in place employment processes that will ensure that:
- employment decisions are based on merit;
- public sector employees are treated fairly and reasonably;
- equal employment opportunity is provided;
- human rights as set out in the Charter of Human Rights and Responsibilities are upheld; and
- public sector employees have a reasonable avenue of redress against unfair or unreasonable treatment.

Codes of conduct and standards issued by the Victorian Public Sector Commission (VPSC) include:

- the Code of Conduct for Victorian Public Sector Employees.
- the Conflict of Interest Policy Framework and the Gifts Benefits and Hospitality Policy Framework.

For further information, please refer to the VPSC's website ([www.vpsc.vic.gov.au](http://www.vpsc.vic.gov.au)).

## Diversity

The office aims to reduce inequality and disadvantage, share prosperity and build stronger more inclusive communities, with opportunities for all, through State of the Environment reporting.

## Learning and development

Staff members receive appropriate training and experience to enhance their skills in a number of ways relevant and meaningful to the Commissioner's activities and responsibilities. A range of training and development was undertaken in the workplace by staff in 2014-2015.

## Performance management

Office staff participated in DELWP's performance management and progression system. The performance management system aims to align OCES objectives with employee performance, building and enhancing capability through the planning, management and reward of employee performance.

## Industrial relations

The office staff are employed under the Victorian Public Service Workplace Determination 2012. The office adheres to DELWP human resources policies, its operations are consistent with industrial relations requirements and obligations and this ensures that they are applied to all staff in a fair and equitable manner. In this reporting period there was no lost time due to accidents or industrial disputes.

## Workforce data

The office undertook a benchmarking review of the core statutory function of SoE reporting ahead of developing the next SoE reporting framework, the findings and strategy for which were presented to the Minister in the second half of 2014-15.

Additional skills and capabilities to support the Commissioner to undertake this review, were procured through consultancies and/or professional services.

In response to the review, the Commissioner recruited two staff members in the second half of 2014-15 based on the skills required to deliver the review findings.

### Workforce data as at 30 June 2015

Workforce data		Ongoing employees		Fixed term employees	Total
		Full time	Part time		
June 2015	Male	1	0	0	1
	Female	2	0	0	2

### Workforce data breakdown over time

Workforce data over time FTE	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Executive Officer (Commissioner)	1	1	1	1	1	1
Director	0	1	1	1	1	0
Executive Support	0	0	0	0	1	3
Program and operational staff	2	2	3.8	9	9	4
Male	1	2	3.8	6	5	2
Female	2	2	5	5	7	6
<b>Total</b>	<b>3</b>	<b>4</b>	<b>5.8</b>	<b>11</b>	<b>12</b>	<b>8</b>

## Executive officer disclosures

**Table 1: Number of EOs classified into 'ongoing' and 'special projects'**

Class	All		Ongoing		Special projects	
	No.	Var.	No.	Var.	No.	Var.
EO-1	0	0	0	0	0	0
EO-2	1	0	1	0	0	0
EO-3	0	0	0	0	0	0
Total	1	0	1	0	0	0

**Table 2: Breakdown of EOs into gender for 'ongoing' and 'special projects'**

Class	Ongoing					Special projects				
	Male		Female		Vacancies	Male		Female		Vacancies
	No.	Var.	No.	Var.	No.	No.	Var.	No.	Var.	No.
EO-1	0	0	0	0	0	0	0	0	0	0
EO-2	0	0	1	0	0	0	0	0	0	0
EO-3	0	0	0	0	0	0	0	0	0	0
Total	0	0	1	0	0	0	0	0	0	0

**Table 3: Reconciliation of executive numbers**

		2015
	Executives with total remuneration over \$100,000 (Financial Statement Note 41(a))	1
<i>Add</i>	Vacancies (Table 2)	0
	Executives employed with total remuneration below \$100,000	0
	Accountable Officer (Secretary)	0
<i>Less</i>	Separations	0
	Total executive numbers at 30 June	1

## Other disclosures

### Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy (VIPP). VIPP applies to tenders over \$3m in metropolitan Melbourne and \$1m in regional Victoria.

The office did not enter into any contracts to which VIPP applies.

## Consultancy expenditure

### Details of consultancies (valued at \$10 000 or greater)

In 2014-15, there were six consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure during 2014-15 in relation to these consultancies is \$169,090.91 (excluding GST). Details of individual consultancies are outlined below.

<b>Consultant</b>	<b>Purpose of Consultancy</b>	<b>Start date</b>	<b>End date</b>	<b>Total approved project fee (excl. GST)</b>	<b>Expenditure 2014-15 (excl. GST)</b>	<b>Future expenditure (excl. gst)</b>
Aither	Review of SoE reporting: Victoria	2 Sept 2014	7 Nov 2014	\$18,181.82	\$18,181.82	Nil
Deloitte	Review of SoE reporting: international	1 Oct 2014	21 Nov 2014	\$69,000	\$69,000	Nil
Now for Future	Review of SoE reporting: stakeholder engagement	24 Sept 2014	14 Nov 2014	\$20,909.09	\$20,909.09	Nil
Point Advisory	Strategic audit: specialist consultant.	26 Nov 2014	28 Feb 2015	\$16,000	\$16,000	Nil
BehaviourWorks / Monash University	Strategic advice: socio-economic	2 April 2015	30 Jun 2016	\$20,000	\$20,000	Nil
Point Advisory	SoE framework: technical support	2 June 2015	31 Oct 2015	\$25,000	\$25,000	Nil

### Details of consultancies under \$10,000

In 2014-15, there were two consultancies engaged during the year, where the total fees payable to the individual consultancies were less than \$10,000. The total expenditure incurred during 2014-15 in relation to these consultancies was \$13,000 (excl. GST).

<b>Consultant</b>	<b>Purpose of Consultancy</b>	<b>Start date</b>	<b>End date</b>	<b>Total approved project fee (excl. GST)</b>	<b>Expenditures 2014-15 (excl. GST)</b>	<b>Future expenditure (excl. gst)</b>
Aither	Review of SoE reporting: technical advice	13 Nov 2014	18 Nov 2014	\$7,500	\$7,500	Nil
Now for Future	Review of SoE reporting: feedback to key stakeholders	19 March 2015	26 March 2015	\$5,500	\$5,500	Nil

## Major contracts

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

## National Competition Policy

Competitive neutrality seeks to enable fair competition between government and private sector businesses. Any advantages or disadvantages that government businesses may experience simply as a result of government ownership should be neutralised. The office continues to implement and apply this principle in its business undertakings.

## Overseas travel

No overseas travel occurred during the reporting period.

## Declaration of private interests

Declaration of Private Interest statements have been completed by all relevant staff.

## Advertising expenditure

Nil

## Compliance with the Protected Disclosures Act 2012

The *Protected Disclosures Act 2012* (PD Act) was part of a package of integrity reforms introduced by the Victorian Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC). The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

### What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. The office is a "public body" for the purposes of the PD Act.

### What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

### How do I make a 'Protected Disclosure'?

You can make a protected disclosure about the office, officers or employees by contacting IBAC on the contact details provided below.

Please note that the office is not able to receive protected disclosures.

### How can I access the office's procedures for the protection of persons from detrimental action?

The office has adopted DELWP's established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure of the office or its employees. You can access these procedures at [www.DELWP.vic.gov.au](http://www.DELWP.vic.gov.au).

## Contact

### Independent Broad-Based Anti-Corruption Commission Victoria

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

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000

Internet: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

Phone: 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

## Freedom of Information

The *Freedom of Information Act 1982* allows public access to documents held by government entities.

The office has determined that its authorised officer is the Department of Environment, Land, Water and Planning's Freedom of Information Manager.

Freedom of Information Manager  
Legal Services Branch  
Corporate Services Division  
Department of Environment, Land, Water and Planning  
Level 17, 8 Nicholson Street  
East Melbourne, Victoria 3002  
Ph: (03) 9637 9730.

An application fee of \$27.20 applies.

The office did not receive any FOI requests in this reporting period. Information relevant to Financial Reporting Direction 22F of the *Financial Management Act 1994* (FM Act) is held at the office and is available on request, subject to the *Freedom of Information Act 1982*.

## Building Act 1993

The office does not own or control its building facilities and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

## Financial Management Act 1994

The Standing Ministerial Directions (the Directions) are given pursuant to section 8 of the *Financial Management Act 1994* and regulation 16 of the Financial Management Regulations 2004. They have legislative force and must be complied with. The office is compliant with the *Financial Management Act 1994*.

## Office-based environmental impacts

OCES now operates under a service level agreement with DELWP and, as such, its environmental management system data is captured by the DELWP annual report.

The office is staffed by three people only, using very limited space within shared tenancies leased by DELWP. The office has operated from two different tenancies this year.

Given the office staffing represents only three people out of the DELWP workforce of approximately 3000, extrapolating statistical data held by DELWP would be invalid due to its small scale.

OCES occupied 58 m<sup>2</sup> at 1 Spring Street until early February when it relocated to a 61 m<sup>2</sup> space at 2 Lonsdale Street.

## Other available information

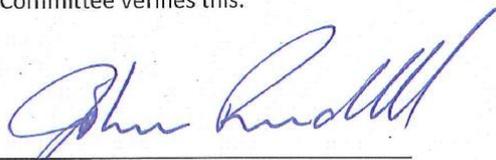
Information relevant to Financial Reporting Direction 22F of the FM Act is held by the OCES and is available on request from the OCES by emailing [info.ces@ces.vic.gov.au](mailto:info.ces@ces.vic.gov.au), subject to the *Freedom of Information Act 1982*.

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by the entity;
- details of any major external reviews carried out on the entity;
- details of major research and development activities undertaken by the entity;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors including consultants/contractors engaged; services provided; and expenditure committed to for each engagement.

## Risk statement

### Risk Management Framework and Processes Attestation Statement

I, the Commissioner for Environmental Sustainability, certify that the Office of the Commissioner for Environmental Sustainability has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Office of the Commissioner for Environmental Sustainability Audit Committee verifies this.



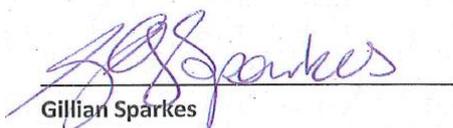
Date: 21/8/2015

Verified by

**John Rundell**

Chair, Risk and Audit Committee

Office of the Commissioner for Environmental Sustainability



Date: 21/08/2015

**Gillian Sparkes**

Commissioner for Environmental Sustainability

# Financial Statements 30 June 2015

This financial report covers the Commissioner for Environmental Sustainability as an individual entity and is presented in the Australian currency.

The Commissioner for Environmental Sustainability is an independent, statutory office of the State of Victoria. Its principal address is:

Commissioner for Environmental Sustainability  
Level 36, 2 Lonsdale Street  
Melbourne VIC 3000

A description of the nature of the Commissioner's operations and its principal activities is included in the Report of Operations.

The financial report was authorised for issue by the Commissioner Dr Gillian Sparkes on 6 October 2015.

For queries in relation to our financial reporting please call (03) 9948 2846 or visit our website [www.ces.vic.gov.au](http://www.ces.vic.gov.au).

## Comprehensive operating statement for the financial year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Income from transactions</b>			
Grants	1(f), 2(a)	1,585,984	952,185
Fair value of services received free of charge or for nominal consideration	1(f), 2(b)	0	35,289
<b>Total income from transactions</b>		<b>1,585,984</b>	<b>987,474</b>
<b>Expenses from transactions</b>			
Employee expenses	1(g), 3(a)	(618,531)	(610,954)
Depreciation	1(g), 3(b)	(4,786)	0
Interest expense	1(g), 3(c)	(1,045)	0
Supplies and services	1(g), 3(d)	(634,611)	(341,169)
Other operating expenses	1(g), 3(e)	( 10)	(62)
<b>Total expenses from transactions</b>		<b>(1,258,983)</b>	<b>(952,185)</b>
<b>Net result from transactions (net operating balance)</b>		<b>327,001</b>	<b>35,289</b>
<b>Other economic flows included in net results</b>			
Other losses from other economic flows	1(h), 4	(2,144)	(217)
<b>Comprehensive result</b>		<b>324,857</b>	<b>35,072</b>

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

## Balance sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	1(j), 14, 15	132,163	0
Receivables	1(j), 5, 14	4,721	49,322
<b>Total financial assets</b>		<b>136,884</b>	49,322
<b>Non-Financial assets</b>			
Property, plant and equipment	1(k), 6	22,093	0
<b>Total non-financial assets</b>		<b>22,093</b>	0
<b>Total assets</b>		<b>158,977</b>	49,322
<b>Liabilities</b>			
Payables	1(l), 7, 14	11,434	230,048
Provisions	1(l), 8	133,284	152,183
Borrowings	1(l), 9	22,311	0
<b>Total liabilities</b>		<b>167,029</b>	382,231
<b>Net assets</b>		<b>(8,052)</b>	(332,909)
<b>Equity</b>			
Accumulated deficit		(11,478)	(336,335)
Contributions by owners	1(n)	3,426	3,426
<b>Net worth</b>		<b>(8,052)</b>	(332,909)

Commitments for expenditure	1(o), 12
Contingent assets and contingent liabilities	1(p), 13

The balance sheet should be read in conjunction with the notes to the financial statements.

## Statement of changes in equity for the financial year ended 30 June 2015

	Accumulated surplus/(deficit) \$	Contribution by owners \$	Total \$
<b>Balance at 1 July 2013</b>	<b>(371,407)</b>	<b>3,426</b>	<b>(367,981)</b>
Comprehensive result	35,072	0	35,072
<b>Balance as at 30 June 2014</b>	<b>(336,335)</b>	<b>3,426</b>	<b>(332,909)</b>
<b>Net result for the year</b>			
Comprehensive result	<b>324,857</b>	<b>0</b>	<b>324,857</b>
<b>Balance as at 30 June 2015</b>	<b>(11,478)</b>	<b>3,426</b>	<b>(8,052)</b>

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

## Cash flow statement for the financial year ended 30 June 2015

	Notes	2015 \$	2014 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipt from government		1,451,758	931,170
<b>Total receipts</b>		<b>1,451,758</b>	<b>931,170</b>
<b>Payments</b>			
Payments to suppliers and employees		(1,313,982)	(931,170)
Interest payments		(1,045)	0
<b>Total payments</b>		<b>(1,315,027)</b>	<b>(931,170)</b>
<b>Net cash flows from operating activities</b>	15	<b>136,731</b>	<b>0</b>
<b>Cash flows used in financing activities</b>			
Repayments of finance leases		22,311	0
<b>Net cash flows used in financing activities</b>		<b>22,311</b>	<b>0</b>
<b>Cash flows used in investing activities</b>			
Purchases of non-financial assets		(26,879)	0
<b>Net cash flows used in investing activities</b>		<b>(26,879)</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>		<b>132,163</b>	<b>0</b>
Cash and cash equivalents at the beginning of the financial year		0	0
<b>Cash and cash equivalents at the end of the financial year</b>		<b>132,163</b>	<b>0</b>

Cash movements disclosed in the cash flow statement are those cash transactions completed by the Department of Environment Land, Water and Planning on behalf of the Commissioner for Environmental Sustainability.

The cash flow statement should be read in conjunction with the notes to the financial statements.

# Notes to the financial statements for the year ended 30 June 2015

## Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Commissioner for Environmental Sustainability for the year ended 30 June 2015. The purpose of the report is to provide users with information about the Commissioner's stewardship of resources entrusted to her.

### (a) Statement of compliance

These general purpose financial statements have been prepared on a going concern basis and in accordance with *the Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures 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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 19. *Glossary of terms and style conventions*.

These annual financial statements were authorised for issue by the Commissioner for Environmental Sustainability on 6 October 2015.

### (b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements 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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The 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 in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, plant and equipment (refer Note 1 (k))
- the estimated useful lives over which non-financial assets are depreciated
- superannuation expense (refer to Note 1(g)); and
- future salary movements and future discount rates (refer to Note 1(l)).

Consistent with AASB 13 *Fair Value Measurement*, the Commissioner determines the policies and procedures for both recurring fair value measurements such as financial instruments and for non-recurring fair value measurements in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

Generally, all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## **Note 1. Summary of significant accounting policies (continued)**

For the purpose of fair value disclosures, the Commissioner has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

These financial statements are presented in Australian dollars, and prepared in accordance with historical cost convention.

### **(c) Reporting entity**

The financial statements cover the Commissioner for Environmental Sustainability as an individual reporting entity.

The Commissioner is a 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 principal address is:

Commissioner for Environmental Sustainability  
Level 36, 2 Lonsdale Street  
Melbourne, VIC 3000

### **Objectives and funding**

The Commissioner's statutory objectives 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, and
- Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and by local governments as a basis for ecologically sustainable development.

The Commissioner is funded by accrual based grants provided by the Department of Environment Land, Water and Planning.

### **(d) Scope and presentation of financial statements**

#### **Comprehensive operating statement**

The comprehensive operating statement comprises three components, being 'net result from transactions (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

'Other economic flows' are changes arising from market remeasurements. They include:

- the revaluation of the present value of long service leave liability due to changes in bond interest rates
- transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or derecognition or reclassification.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Refer to Note 19. *Glossary of terms and style conventions* for the definition of 'net result from transactions', 'other economic flows included in net result' and 'other economic flows other comprehensive income'.

#### **Balance sheet**

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

#### **Cash flow statement**

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

## **Note 1. Summary of significant accounting policies (continued)**

### **Statement of changes in equity**

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

### **(e) Changes in accounting policies**

The following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

#### **AASB 10 Consolidated Financial Statements**

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

- The investor has power over the investee;
- The investor has exposure, or rights to variable returns from its involvement with the investee; and
- The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Commissioner has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group. The Commissioner has concluded that there are no additional entities that the department controls.

#### **AASB 11 Joint Arrangements**

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Commissioner has no joint arrangements.

#### **AASB 12 Disclosure of Interests in Other Entities**

AASB 12 prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Commissioner has no interests in other entities.

### **(f) Income from transactions**

#### **Government grants**

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which the Commissioner for Environmental Sustainability gains control over the assets.

#### **Fair value of services received free of charge or for nominal consideration**

Contributions of resources received free of charge or for nominal consideration are recognised at their fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and services would have been purchased if not received as a donation.

### **(g) Expenses from transactions**

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

#### **Employee expenses**

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, leave entitlements, redundancy payment and Workcover premiums.

Refer to the section in Note 1(l) *Liabilities* regarding employee benefits.

## Note 1. Summary of significant accounting policies (continued)

### Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

### Depreciation

All items of property, 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.

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

The following estimated useful lives for the different asset classes are used in the calculation of depreciation:

Asset class	Useful life
Plant and equipment	3 to 42 years
Finance leased motor vehicle assets	Term of lease (1 to 15 years)

### Interest expense

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest expense is recognised in the period in which it is incurred. Refer to Note 19. *Glossary of terms and style conventions* for an explanation of interest expense items.

### Supplies and services

Supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. Refer to Note 3(d) for the types of expenditure.

### Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. Refer to Note 3(e) for the types of expenditure.

### **(h) Other economic flows included in net result**

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

### Impairment of non-financial assets

Assets are assessed annually for indications of impairment, except for: non-financial physical assets held for sale (refer Note 1(k) *Non-financial assets*).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Refer to Note 1(k) *Non-financial assets* in relation to the recognition and measurement of non-financial assets.

## **Note 1. Summary of significant accounting policies (continued)**

### Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from

- the revaluation of the present value of long service leave liability due to changes in bond interest rates
- transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or de-recognition or reclassification.

### **(i) Financial instruments**

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 entity's activities, certain financial assets and financial liabilities arise under statute rather than contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued by the Treasurer on behalf of the entity are financial instruments because, although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

### Categories of non-derivative financial instruments

#### Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(j)), term deposits with maturity date less than three months, trade receivables, but not statutory receivables.

#### Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to 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 difference interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Commissioner's contractual payables and deposits held at fair value through profit and loss.

### **(j) Financial assets**

#### Cash and deposits

Cash and deposits, including cash equivalents, comprise of 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 significant risk of changes in value.

#### Receivables

Receivables consist predominantly of debtors in relation to goods and services and GST input tax credits recoverable. Receivables that are contractual are classified as financial instruments. Taxes and other statutory receivables are not classified as financial instruments.

A provision for doubtful receivables is made when there is objective evidence that the debts will not be collected, and bad debts are written off when identified.

## **Note 1. Summary of significant accounting policies (continued)**

### **(k) Non-financial assets**

#### Property, plant and equipment

All non-financial physical assets 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. The fair value of plant and equipment, is normally determined by reference to the asset's depreciated cost. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 6. *Property, plant and equipment*.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(h) *Impairment of non-financial assets*.

The Commissioner capitalises expenditures on individual items of \$5,000 (2014: \$5,000) or more, and records these as non-financial assets. Aggregate expenditure on items that will, when completed, result in non-financial assets that provide future economic benefits is recognised as construction in progress.

#### Prepayments

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

### **(l) Liabilities**

#### Payables

Payables consist predominantly of creditors, amounts owing to the Victorian Government and other sundry liabilities.

Payables represent liabilities for goods and services provided to the entity at the end of the financial year, and arise when the entity becomes obliged to make future payments in respect of the purchase of those goods and services.

Payables are initially measured at fair value, being the cost of the goods and services, and then subsequently measured at amortised cost.

#### Borrowings

All interest bearing liabilities are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The Commissioner classifies its interest bearing liabilities as financial liabilities at amortised cost.

#### Provisions

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting period date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

#### Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

##### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave are all recognised in the provision for employee benefits, as 'current liabilities', because the Commissioner does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

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

## **Note 1. Summary of significant accounting policies (continued)**

### *(ii) Long service leave*

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the entity 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:

- discounted value – the entity expects to wholly settle within 12 months; and
- present value – if the entity does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional 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 (refer to Note 1(h) *Other economic flows included in net result*).

### *(iii) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The entity recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### *Employee benefits on-costs*

Provisions for on-costs such as payroll tax, workers compensation and superannuation are recognised separately from provision for employee benefits.

## **(m) Leases**

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. The commencement of the lease term is deemed to be the date the asset is commissioned. All other leases are classified as operating leases.

### Finance leases

#### *Commissioner as lessee*

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the Commissioner will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

## **Note 1. Summary of significant accounting policies (continued)**

### **(n) Equity**

#### Contributions by owners

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

### **(o) Commitments**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 12. *Commitments for expenditure*) at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditure cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

### **(p) Contingent assets and contingent liabilities**

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 13) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

### **(q) Accounting for the goods and services tax (GST)**

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

### **(r) Events after reporting date**

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the entity and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting and before the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

### **(s) Comparative amounts**

Where the presentation or classification of items in the financial statements changes, the comparative amounts are also reclassified unless it is impractical to do so. The nature, amount and reason for the reclassification is also disclosed. If the reclassification affects an item on the balance sheet, a third statement of financial position is also presented.

## Note 1. Summary of significant accounting policies (continued)

### (t) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of all these new standards and advises the Commissioner of their applicability and early adoption where applicable.

As at 30 June 2015, the following applicable AASs have been issued by the AASB but are not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operating date as follows:

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on or after	Impact on financial statements
AASB 9 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.  While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017  (Exposure Draft 263 – potential deferral to 1 January 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 January 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 &amp; AASB 138]</i>	Amends AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> to: <ul style="list-style-type: none"> <li>establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;</li> <li>prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.</li> </ul>	1 January 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.

## **Note 1. Summary of significant accounting policies (continued)**

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on the Commissioner.

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

## Note 2. Income from transactions

	2015	2014
	\$	\$
<b>(a) Grants</b>		
Specific purpose grants	1,585,984	952,185
<b>Total grants</b>	<b>1,585,984</b>	<b>952,185</b>
<b>(b) Fair value of services received free of charge or for nominal consideration:</b>		
Services (including rent, office equipment and IT services)	0	35,289
<b>Total fair value of services received free of charge or for nominal consideration</b>	<b>0</b>	<b>35,289</b>

## Note 3. Expenses from transactions

	2015	2014
	\$	\$
<b>(a) Employee expenses</b>		
Salary and wages	(462,320)	(456,627)
Superannuation	(20,014)	(30,445)
Termination benefits	(32,209)	0
Annual and long service leave	(68,591)	(78,885)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(35,397)	(44,997)
<b>Total employee expenses</b>	<b>(618,531)</b>	<b>(610,954)</b>
<b>(b) Depreciation</b>		
Motor vehicle finance lease assets	(4,786)	0
<b>Total depreciation</b>	<b>(4,786)</b>	<b>0</b>
<b>(c) Interest expense</b>		
Interest on finance leases	(1,045)	0
<b>Total interest expense</b>	<b>(1,045)</b>	<b>0</b>
<b>(d) Supplies and services</b>		
Community awareness and publicity	(2,000)	(211)
Contract and professional services	(463,954)	(199,507)
General expenses	(55,592)	(34,837)
IT expenses	(12,764)	(247)
Motor vehicle expenses	431	0
Office and accommodation	(70,227)	(82,309)
Office expenses	(5,904)	(5,764)
Payments for shared services	( 898)	(7,870)
Postage and telephone	(10,654)	(6,434)
Travel and subsistence	(13,049)	(3,990)
<b>Total supplies and services</b>	<b>(634,611)</b>	<b>(341,169)</b>
<b>(e) Other operating expenses</b>		
Cost of goods sold/distributed	( 10)	(62)
Ex-gratia payments	0	0
<b>Total other operating expenses</b>	<b>( 10)</b>	<b>(62)</b>

#### Note 4. Other economic flows included in net result

	2015 \$	2014 \$
<b>Other losses arising from revaluation of employee benefits</b>		
Net loss arising from revaluation of employee benefits <sup>(i)</sup>	(2,144)	(217)
<b>Total other losses from other economic flows</b>	<b>(2,144)</b>	<b>(217)</b>

Notes:

(i) Revaluation loss due to change in bond rates

#### Note 5. Receivables

	2015 \$	2014 \$
<b>Current receivables</b>		
<b>Contractual</b>		
Trade receivables <sup>(i)</sup>	4,721	49,322
	4,721	49,322
<b>Total current receivables</b>	<b>4,721</b>	<b>49,322</b>
<b>Total receivables</b>	<b>4,721</b>	<b>49,322</b>

Notes:

(i) The 2013-14 amount relates to an invoice issued to the former Department of Transport, Planning and Local infrastructure for accommodation made to the Commissioner from the period 1 July 2013 to 24 January 2014. A credit note was raised in 2014-15 to settle the amount.

#### (a) Ageing analysis of contractual financial assets

Refer to Table 14.2 in Note 14 for the ageing analysis of contractual financial assets.

#### Note 6. Property, plant and equipment

	2015 \$	2014 \$
<b>Plant and equipment</b>		
Motor vehicles under finance lease at fair value	26,879	0
Accumulated depreciation	(4,786)	0
<b>Total plant and equipment</b>	<b>22,093</b>	<b>0</b>
<b>Total property, plant and equipment</b>	<b>22,093</b>	<b>0</b>

**Table 6.1. Movements in carrying amounts of property plant and equipment**

	2015 \$
<b>Movements in carrying amounts</b>	
<b>Balance at 1 July 2014</b>	<b>0</b>
Additions	26,879
Depreciation expense (refer to Note 3(b))	(4,786)
<b>Balance at 30 June 2015</b>	<b>22,093</b>

## Note 6. Property, plant and equipment (continued)

Table 6.2. Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015 \$	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup>	Level 2 <sup>(i)</sup>	Level 3 <sup>(i)</sup>
		\$	\$	\$
<b>Plant and equipment at fair value</b>				
Motor vehicles under finance lease	22,093	0	22,093	0

Notes:

(i) Classified in accordance with the fair value hierarchy, refer to Note 1(b).

There have been no transfers between levels during the period.

### Motor vehicles under finance lease

Motor vehicles are valued using the market approach. Under this valuation method, the vehicles are compared to recent comparable sales. To the extent that motor vehicles under finance lease have an exit price prescribed by the lessor at the start of the lease term, these assets are classified as Level 2 under the market approach.

## Note 7. Payables

	2015 \$	2014 \$
<b>Current payables</b>		
<b>(a) Contractual</b>		
Trade creditors <sup>(i)</sup>	354	935
Other accrued expenses	10,819	50,063
Other creditors <sup>(ii)</sup>	0	177,932
	11,173	228,930
<b>(b) Statutory</b>		
Taxes payable	166	989
Other payables (includes superannuation)	95	129
	261	1,118
<b>Total current payables</b>	<b>11,434</b>	<b>230,048</b>
<b>Total payables</b>	<b>11,434</b>	<b>230,048</b>

Notes:

(i) The average credit period is 30 days. No interest is charged on the trade creditors or other payables for the first 30 days from the date of the invoice. Thereafter, interest may be charged at differing rates determined by the individual trade arrangements entered into.

(ii) The Department of Environment, Land, Water and Planning increased the grant funding to the Commissioner by \$336,335 for 2014-15, in which a proportion of this funding was used to offset the amounts owing to the department.

### (a) Maturity analysis of contractual payables

Refer to Table 14.3 in Note 14 for the maturity analysis of contractual payables.

### (b) Nature and extent of risk arising from contractual payables

Refer to Note 14 for the nature and extent of risks arising from contractual payables.

## Note 8. Provisions

	2015 \$	2014 \$
<b>Current provisions</b>		
<b>Employee benefits <sup>(i)</sup> - annual leave (Note 8(a))</b>		
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	44,439	50,221
Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	5,527	7,898
<b>Employee benefits <sup>(i)</sup> – long service leave (Note 8(a))</b>		
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	39,920	34,745
Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	0	34,498
	<b>89,886</b>	127,362
<b>Provisions for on-costs (Note 8(a))</b>		
Unconditional and expected to be settled within 12 months <sup>(ii)</sup>	13,760	16,559
Unconditional and expected to be settled after 12 months <sup>(iii)</sup>	901	8,262
	<b>14,661</b>	24,821
<b>Total current provisions</b>	<b>104,547</b>	152,183
<b>Non-current provisions (Note 8(a))</b>		
Employee benefits <sup>(i)(iii)</sup>	24,707	0
Provisions for on-costs <sup>(iii)</sup>	4,030	0
<b>Total non-current provisions</b>	<b>28,737</b>	0
<b>Total provisions</b>	<b>133,284</b>	152,183

Notes:

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

### (a) Employee benefits and related on-costs

	2015 \$	2014 \$
<b>Current employee benefits <sup>(i)</sup></b>		
Annual leave entitlements	49,966	58,119
Long service leave entitlements	39,920	69,234
	<b>89,886</b>	127,362
<b>Non-current employee benefits <sup>(i)</sup></b>		
Long service leave entitlements <sup>(iii)</sup>	24,707	0
	<b>24,707</b>	0
<b>Total employee benefits</b>	<b>114,593</b>	127,362
<b>On-costs</b>		
Current on-costs	14,661	24,821
Non-current on-costs <sup>(iii)</sup>	4,030	0
<b>Total on-costs</b>	<b>18,691</b>	24,821
<b>Total employee benefits and related on-costs</b>	<b>133,284</b>	152,183

Notes:

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

## Note 8. Provisions (continued)

### (b) Movement in provisions

	On-costs 2015 \$	Total 2015 \$
<b>Opening balance</b>	24,821	24,821
Additional provisions recognised	6,399	6,399
Reduction arising from payments/other sacrifices of future economic benefits	(12,180)	(12,180)
Unwind of discount and effect of changes in the discount rate	(350)	(350)
<b>Closing balance</b>	<b>18,691</b>	<b>18,690</b>
Current	14,661	14,661
Non-current	4,030	4,030
	<b>18,691</b>	<b>18,691</b>

## Note 9. Borrowings

	2015 \$	2014 \$
<b>Current borrowings</b>		
Motor vehicles under finance lease	4,783	0
<b>Total current borrowings</b>	<b>4,783</b>	<b>0</b>
<b>Non-current borrowings</b>		
Motor vehicles under finance leases	17,528	0
<b>Total non-current borrowings</b>	<b>17,528</b>	<b>0</b>
<b>Total borrowings</b>	<b>22,311</b>	<b>0</b>

## Note 10. Leases

	Minimum future lease payments 2015 \$	Present value of minimum future lease payments 2015 \$
Not longer than one year	5,713	4,783
Longer than one year but not longer than five years	18,233	17,528
<b>Minimum future lease payments</b>	<b>23,946</b>	<b>22,311</b>
Less future finance charges	(1,635)	0
<b>Present value of minimum lease payments</b>	<b>22,311</b>	<b>22,311</b>
<b>Included in the financial statements as:</b>		
Current finance lease liability (Note 9)		4,783
Non-current finance lease liability (Note 9)		17,528
<b>Total lease liabilities</b>		<b>22,311</b>

The finance leases disclosed above are exempt from GST.

### (a) Maturity analysis of finance lease liabilities

Please refer to Table 14.3 in Note 14. *Financial instruments* for the maturity analysis of finance lease liabilities.

### (b) Nature and extent of risk arising finance lease liabilities

Please refer to Note 14. *Financial instruments* for the nature and extent of risks arising from finance lease liabilities.

## Note 10. Leases (continued)

### Leasing arrangements – Motor vehicles

Finance leases relate to motor vehicles 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 60 000 kms, whichever occurs first. On disposal of the vehicle any profit or loss on sale is borne by the Commissioner. The weighted average interest rate implicit in the leases is 4.62% p.a.

## Note 11. Superannuation

### Government Employees' Superannuation Fund

Employees of the entity are entitled to receive superannuation benefits and the Commissioner contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

The entity does not recognise any defined benefit liability in respect of the plan because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State's defined benefit liabilities in its financial statements.

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

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

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2015 \$	2014 \$	2015 \$	2014 \$
<b>Defined benefit plan:</b>				
Emergency Services Superannuation Scheme	0	9,378	0	40
<b>Defined contribution plans:</b>				
Victorian Superannuation Fund – Vic Super Scheme	11,467	4,316	55	18
Various other	8,452	16,751	40	71
	<b>19,919</b>	<b>30,445</b>	<b>95</b>	<b>129</b>

The bases for contributions are determined by the various schemes.

All employees of the entity are entitled to varying levels of benefits on retirement, disability or death. Some superannuation plans provide defined benefits based on years of service and final average salary. The others are classified as contribution schemes. Contributions by the entity of a minimum of 9.50% of employee's wages and salaries are legally enforceable on the entity.

The amounts were measured as at 30 June of each year or in the case of employer contributions they relate to the years ended 30 June.

## Note 12. Commitments for expenditure

There are no commitments for expenditure (2014: Nil).

## Note 13. Contingent assets and contingent liabilities

There are no contingent assets or contingent liabilities (2014: Nil).

## Note 14. Financial instruments

### (a) Financial risk management objectives and policies

The entity's principal financial instruments comprise of:

- cash and deposits
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1. *Summary of significant accounting policies* to these financial statements.

The main purpose in holding financial instruments is to prudentially manage the entity's financial risks in the government policy parameters.

The carrying amounts of the entity's financial assets and financial liabilities by category are in Table 14.1.

**Table 14.1: Categorisation of financial instruments**

	2015			2014		
	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$	Contractual financial assets – loans and receivables \$	Contractual financial liabilities at amortised cost \$	Total \$
<b>Contractual financial assets</b>						
<b>Cash and deposits</b>	<b>132,163</b>	<b>0</b>	<b>132,163</b>	0	0	0
<b>Receivables<sup>(i)</sup></b>						
Trade receivables	4,721	0	4,721	49,322	0	49,322
<b>Total contractual financial assets</b>	<b>136,884</b>	<b>0</b>	<b>136,884</b>	49,322	0	49,322
<b>Contractual financial liabilities</b>						
<b>Payables<sup>(ii)</sup></b>						
Trade creditors	0	354	354	0	935	935
Accrued expenses	0	10,819	10,819	0	50,063	50,063
Other creditors	0	0	0	0	177,932	177,932
<b>Borrowings<sup>(iii)</sup></b>						
Finance lease liabilities	0	22,311	22,311	0	0	0
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>33,484</b>	<b>33,484</b>	0	228,930	228,930

Notes:

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5. *Receivables*.

(ii) The amount of payables disclosed excludes statutory payables (i.e. taxes payable) – Refer Note 7. *Payables*.

(iii) The amount of borrowings – Refer Note 9. *Borrowings*.

## Note 14. Financial instruments (continued)

### (b) Credit risk

Credit risk arises from the contractual financial assets of the entity's debtors. The entity'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 entity's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than Government, it is the entity's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements, where appropriate.

In addition, the entity does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest.

Provision of impairment for financial assets is recognised when there is objective evidence that the entity will not be able to collect a receivable.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### **Contractual financial assets that are either past due or impaired**

Currently the entity does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the contractual financial assets are impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

The following table discloses the aging only of contractual financial assets that are past due but not impaired:

**Table 14.2: Ageing analysis of contractual financial assets**

	Carrying amount \$	Not past due and not impaired \$	Past due but not impaired			
			Less than 1 Month \$	1 – 3 months \$	3 months – 1 year \$	1-5 years \$
<b>2015</b>						
<b>Cash and deposits</b>	<b>132,163</b>	<b>132,163</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Receivables <sup>(i)</sup></b>						
Trade receivables	4,721	4,721	0	0	0	0
<b>Total</b>	<b>136,884</b>	<b>136,884</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2014</b>						
<b>Cash and deposits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Receivables <sup>(i)</sup></b>						
Trade receivables	49,322	49,322	0	0	0	0
<b>Total</b>	<b>49,322</b>	<b>49,322</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes:

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5. *Receivables*.

## Note 14. Financial instruments (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the entity would be unable to meet its financial obligations as they fall due. The entity 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. Risk is managed through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

The entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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

**Table 14.3: Maturity analysis of contractual financial liabilities**

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
<b>2015</b>							
<b>Payables<sup>(i)</sup></b>							
Trade creditors	354	354	354	0	0	0	0
Accrued expenses	10,819	10,819	10,819	0	0	0	0
Other creditors	0	0	0	0	0	0	0
<b>Borrowings<sup>(ii)</sup></b>							
Finance lease liabilities	22,311	22,311	399	797	3,587	17,528	0
<b>Total</b>	<b>33,484</b>	<b>33,484</b>	<b>11,572</b>	<b>797</b>	<b>3,587</b>	<b>17,528</b>	<b>0</b>
<b>2014</b>							
<b>Payables<sup>(i)</sup></b>							
Trade creditors	935	935	935	0	0	0	0
Accrued expenses	50,063	50,063	50,063	0	0	0	0
Other creditors	177,932	177,932	177,932	0	0	0	0
<b>Borrowings<sup>(ii)</sup></b>							
Finance lease liabilities	0	0	0	0	0	0	0
<b>Total</b>	<b>228,930</b>	<b>228,930</b>	<b>228,930</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Notes:

(i) The amount of payables disclosed exclude statutory payables (i.e. taxes payable) – Refer Note 7. *Payables*.

(ii) The amount of borrowings – Refer Note 9. *Borrowings*.

### (d) Market risk

The entity's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks.

#### *Interest rate risk*

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 entity 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 entity has minimal exposure to cash flow interest rate risks 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:

## Note 14. Financial instruments (continued)

Table 14.4: Interest rate exposure of financial instruments

	Weighted average interest rate	Carrying amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2015</b>					
<b>Contractual financial assets</b>					
Cash and deposits	0.00% <sup>(iii)</sup>	132,163	0	0	132,163
<b>Receivables<sup>(i)</sup></b>					
Trade receivables		4,721	0	0	4,721
<b>Total</b>		<b>136,884</b>	<b>0</b>	<b>0</b>	<b>136,884</b>
<b>Contractual financial liabilities</b>					
<b>Payables:<sup>(ii)</sup></b>					
Trade creditors		354	0	0	354
Accrued expenses		10,819	0	0	10,819
Other creditors		0	0	0	0
<b>Borrowings</b>					
Finance lease liabilities	4.62%	22,311	22,311	0	0
<b>Total</b>		<b>33,484</b>	<b>22,311</b>	<b>0</b>	<b>11,173</b>
<b>2014</b>					
<b>Contractual financial assets</b>					
Cash and deposits	0.00% <sup>(iii)</sup>	0	0	0	0
<b>Receivables<sup>(i)</sup></b>					
Trade receivables		49,322	0	0	0
<b>Total</b>		<b>49,322</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Contractual financial liabilities</b>					
<b>Payables<sup>(ii)</sup></b>					
Trade creditors		935	0	0	935
Accrued expenses		50,063	0	0	50,063
Other creditors		177,932	0	0	177,932
<b>Borrowings</b>					
Finance lease liabilities	0.00%	0	0	0	0
<b>Total</b>		<b>228,930</b>	<b>0</b>	<b>0</b>	<b>228,930</b>

Notes:

- (i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable) – Refer Note 5 *Receivables*.
- (ii) The amount of payables disclosed exclude statutory payables (i.e. taxes payable) – Refer Note 7. *Payables*.
- (iii) 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.

### *Sensitivity disclosure analysis and assumptions*

The Commissioner'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 Commissioner has no sensitivity to movements in market interest rates, as there are no financial instruments exposed to variable interest rates.

## Note 14. Financial instruments (continued)

### (e) Fair value

The fair values and net fair values of financial instrument assets and financial liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Commissioner considers the carrying amount of financial assets and financial liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

## Note 15. Cash flow information

	2015 \$	2014 \$
<b>(a) Reconciliation of cash and cash equivalents</b>		
Funds held in trust – cash	132,163	0
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>132,163</b>	<b>0</b>
<b>Balance per cash flow statement</b>	<b>132,163</b>	<b>0</b>
<b>(b) Reconciliation of net result for the period</b>		
<b>Comprehensive result</b>	<b>324,857</b>	35,072
<b>Non-cash movements</b>		
Depreciation	4,786	0
<b>Movements in assets and liabilities</b>		
Decrease/ (Increase) in receivables	44,601	(21,015)
Increase/ (Decrease) in payables	(218,614)	91,175
Decrease in provisions	(18,899)	(105,232)
<b>Net cash flows from operating activities</b>	<b>136,731</b>	<b>0</b>

## Note 16. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

### (a) Names

The persons who held the positions of ministers and accountable officers for the Commissioner are as follows:

Minister for Environment, Climate Change and Water	The Hon. Lisa Neville MP	4 December 2014 to 30 June 2015
Minister for Environment and Climate Change	The Hon. Ryan Smith MP	1 July 2014 to 3 December 2014
Commissioner for Environmental Sustainability	Dr Gillian Sparkes	1 July 2014 to 30 June 2015

## Note 16. Responsible persons (continued)

### (b) Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Commissioner during the reporting period was in the range:

	2015	2014
	No.	No.
<b>Income band</b>		
\$180,000 – 189,999	0	1
\$250,000 – 259,999	1	0

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

The persons who held the position of Accountable Officer of the Commissioner was Dr Gillian Sparkes. Her salary band is disclosed above.

### (c) Other transactions

Other related party transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

## Note 17. Remuneration of auditors

	2015	2014
	\$	\$
<b>Victorian Auditor General's Office</b>		
Auditor or review of the financial statements	7,000	6,800
	<b>7,000</b>	<b>6,800</b>

## Note 18. Subsequent events

The Commissioner is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2015 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

## Note 19. Glossary of terms and style conventions

### *Commitments*

Commitments include those operating, capital and other outsourcing commitments arising from non cancellable contractual or statutory sources.

### *Comprehensive result*

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

### *Employee benefits expenses*

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefit superannuation plans, and defined contribution superannuation plan.

### *Financial asset*

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

## **Note 19. Glossary of terms and style conventions (continued)**

- (d) a contract that will or may be settled in the entity's own equity instruments and is:
- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

### ***Financial instrument***

A 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. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

### ***Financial liability***

A financial liability is any liability that is:

- (a) A contractual or statutory obligation:
- (i) To deliver cash or another financial asset to another entity; or
  - (ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) A contract that will or may be settled in the entity's own equity instruments and is:
- (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - (ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

### ***Financial statements***

A complete set of financial statements comprises:

- (a) A statement of financial position as at the end of the period;
- (b) A statement of profit or loss and other comprehensive income for the period;
- (c) A statement of changes in equity for the period;
- (d) A statement of cash flows for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) Comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 Presentation of Financial Statements; and
- (g) A statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement in accordance with paragraphs 41 of AASB 101.

### ***Grants and other transfers***

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

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

### ***Interest expense***

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short term and long term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non employee provisions due to the unwinding of discounts to reflect the passage of time.

### ***Net result***

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

## **Note 19. Glossary of terms and style conventions (continued)**

### ***Net result from transactions/net operating balance***

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

### ***Net worth***

Assets less liabilities, which is an economic measure of wealth

### ***Other economic flows included in net result***

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural asset; and depletion of natural assets (non-produced) from their use or removal.

### ***Other economic flows – other comprehensive income***

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows – other comprehensive income include:

- (a) Changes in physical asset revaluation surplus;
- (b) Share of net movement in revaluation surplus of associates and joint ventures ; and
- (c) Gains and losses remeasuring available-for-sale financial assets.

### ***Payables***

Includes short and long term trade debt and accounts payable, grants and interest payable.

### ***Receivables***

Includes amounts owing from government grants, short and long term trade credit and accounts receivable, accrued investment income and interest receivable.

### ***Supplies and services***

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the entity.

### ***Transactions***

Transactions are those economic flows that are considered to arise as a result 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 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

I further state that, in my 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 2015 and financial position of the entity at 30 June 2015.

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

I authorise the attached financial statements for issue on 6 October 2015.



Dr Gillian Sparkes

Commissioner for Environmental Sustainability

Melbourne  
6 October 2015

# Disclosure index

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

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# VAGO Independent Auditor's Report

**VAGO**

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## INDEPENDENT AUDITOR'S REPORT

### To the Commissioner, Commissioner for Environmental Sustainability

#### *The Financial Report*

The accompanying financial report for the year ended 30 June 2015 of the Commissioner for Environmental Sustainability which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's declaration and statutory certification has been audited.

#### *The Commissioner's Responsibility for the Financial Report*

The Commissioner of the Commissioner for Environmental Sustainability is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Commissioner determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

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

*Auditing in the Public Interest*

## Independent Auditor's Report (continued)

### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

### *Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Commissioner for Environmental Sustainability as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
14 October 2015



Dr Peter Frost  
Acting Auditor-General

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#### Disclaimer

This report may be of assistance to you and every effort has been made to ensure that the  
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