



**Commissioner  
*for* Environmental  
Sustainability  
Victoria**



# **Annual Report 2017–18**



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## Contents

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<b>Traditional Owners</b> .....	<b>4</b>
<b>REPORT OF OPERATIONS</b> .....	<b>5</b>
Abbreviations .....	5
Responsible Body Declaration (Standing Direction 5.2.3).....	7
Financial Management Compliance Attestation (Standing Directions 5.1.4 & 5.2.1(a)).....	7
Year in review.....	8
Performance report: Overview .....	12
Performance report: Financial (FRD 22H) .....	19
<b>COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY- Financial Statements (SD 5.2.1(B))</b> .....	<b>31</b>
<b>Independent Auditor's report: VAGO</b> .....	<b>63</b>
<b>Disclosure index</b> .....	<b>65</b>

## **TRADITIONAL OWNERS**

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

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

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

## REPORT OF OPERATIONS

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### Abbreviations

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
CES Act	Commissioner for Environmental Sustainability Act 2003
CEC	Clean Energy Council
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
EFN	Environmental Farmers Network
EIANZ	Environmental Institute of Australia and New Zealand
EM-COP	Emergency Management-Collaborative Operating Platform
EMS	Environmental Management Systems
EO	Executive Officer
EPA	Environment Protection Authority
EV	Environment Victoria
FMA	Financial Management Act
FOI	Freedom of Information
FRD	Financial Reporting Directive
FTE	Full-Time Equivalent
IBAC	Independent Broad-based Anticorruption Commission
ICT	Information and Communications Technology
LSL	Long Service Leave
MW	Melbourne Water
NCP	National Competition Policy
NGO	Non Government Organisation
OCES	Office of the Commissioner for Environmental Sustainability
OH&S	Occupational Health and Safety
PAA	Public Administration Act 2004
PCB	Project Control Board
PV	Parks Victoria
RAC	Risk and Audit Committee
SDGs	Sustainable Development Goals
SEEA	System for Environmental Economic Accounts
SoE	State of the Environment
SoF	State of the Forests
SotBs	State of the Bay
SoY	State of the Yarra and its Parklands report
SV	Sustainability Victoria
TAG	Technical Advisory Committee
UN	United Nations
VAGO	Victorian Auditor General's Office
VCC	Victorian Catchment Council
VCMC	Victorian Catchment Management Council
VFF	Victorian Farmers Federation
VLC	Victorian Land Care
VNPA	Victorian National Parks Association
VPSC	Victorian Public Service Commission
WSV	Wilderness Society Victoria



**Responsible Body Declaration (Standing Direction 5.2.3)**

I am pleased to present the Office of the Commissioner for Environmental Sustainability's Annual Report for the year ending 30 June 2018.



Dr Gillian Sparkes  
Commissioner for Environmental Sustainability

DATE: 16 October 2018

**Financial Management Compliance Attestation (Standing Directions 5.1.4 & 5.2.1(a))**

I, Dr Gillian Sparkes, on behalf of the responsible Body, certify that the Office of the Commissioner for Environmental Sustainability has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act* 1994 and Instructions.



Dr Gillian Sparkes  
Commissioner for Environmental Sustainability

DATE: 16 October 2018

## Year in review

The *Commissioner for Environmental Sustainability Act 2003* (CES Act), through which I am appointed, contains Victoria's definition of ecologically sustainable development and includes amongst the objectives of the Commissioner: "enhancing knowledge and understanding of issues relating to sustainable development, while also encouraging sound environmental practices". The Act contains many enabling features but for ease, the role of the Commissioner can be summarised as being to provide independent science, reports and advice on the state of the natural environment to inform environmental policy and practice.

*“enhancing knowledge and understanding of issues relating to sustainable development, while also encouraging sound environmental practices”*

In December 2015, the State and Benefit Framework (the Framework) for the 2018 Victorian State of the Environment (SoE) report was tabled in the Victorian Parliament. It is a significant guiding document that sets out how the major undertaking in the five-yearly reporting cycle of my Office, the SoE 2018 report, will be approached. This Framework unlike those for the 2008 and 2013 SoE reports, describes an ambitious reform agenda aimed at improving the impact and public value of SoE reporting, during and after, the reporting cycle. Reforms such as:

- Getting better *information* – not just the information we can get but shifting to getting the information that we need for better understanding the environment;
- *Aligning* local “state of” reports with each other and international frameworks;
- Using *digital* platforms to enable citizens to better participate in the understanding of that information; and
- Demonstrating the application of *environmental economic accounting* as a tool to quantify environmental benefit.

In December 2016, the first report delivered under the Framework, Victoria's inaugural State of the Bays (SotBs) report, was released and resulted in a win for the environment through budget allocations in 2017. Examples of projects underway and funding linked to the findings of the SotBs report are:

- *Victorian Coastal Monitoring Program* – \$4.7M over four years for coastal erosion assessments by monitoring entire sediment compartment budgets in relation to changes in ocean climate. Further \$2M allocated to undertake a coastal hazard assessment of Port Phillip Bay initiated in 2017-18.
- Port Phillip Bay Environmental Management Plan implementation – ~\$500K to implement the EMP allocated in 2017-18, including *Marine Knowledge Framework* and standardised Litter Monitoring Protocol.
- *Marine Environment Targeted Actions* – \$1.8M in 2017-18, including \$700K for shellfish reef restoration in Port Phillip Bay

The focus of my Office continues to be delivering influential reports and commentary, building on the learning and successes of the SotBs reporting process, again this year through initiatives such as:

- continuing to lead and advocate across government for the reforms outlined in the Framework including application of the United Nations (UN) Sustainable Development Goals (SDGs) for state-level, environmental reporting in Victoria.
- continuing to advocate for more investment in developing digital platforms for environmental monitoring and analytics capabilities, including advocating across government and enlisting the support of the Emergency Management Commissioner, to undertake a business case to develop Victoria's collaborative operating platform (EM-COP) for this purpose.
- delivering an update to the State of the Bays report (SotBs) to include important, scientific material that became available shortly after the SotBs report was released in December 2016.
- preparing the major, five-yearly SoE 2018 report including for the first time, development of an interim SoE report (released in July 2018), aimed at improving the transparency, consultation and ultimately, quality of the final SoE 2018 report.
- preparing the inaugural State of the Yarra and its Parklands (SoY) report.
- for the first time at the request of DELWP, preparing the 2018 State of the Forests (SoF) report.
- delivering a targeted social media and communications strategy including speeches and articles, to promote and share the work and ideas of myself and my Office.
- consulting with scientific and policy experts, data providers and other stakeholders to progress.
- establishing environmental and socio-economic indicators for the SoE 2018 and other reports.
- supply of indicator data, analyses and interpretation.
- identification of environmental-economic accounts applications across the spectrum of reports.
- review of draft report content.
- information and advice on environmental assessment, management policies, perceived current and future risks to the environment and Victorian communities.
- development of case studies.
- commencement of an interpretative website design for all three new reports (SoE, SoY and SoF).

Since 2014, the Commissioner for Environmental Sustainability has been assigned six independent reporting functions. This is the first assignment of additional reporting functions to the Commissioner since the role was established in 2003. Environmental reporting by the Commissioner now extends beyond the Victorian State of the Environment report to:

- State of the Bays report – election commitment, issued in 2016 and to be replaced with State of the Marine and Coastal Environment report per the *Marine and Coastal Act 2018*
- State of the Yarra and its Parklands report – *Yarra Protection Act 2017*, underway
- State of the Forests report – *Sustainable Forests (Timber) Act 2004*, underway
- Reporting on the benefits of environmental water – Water for Victoria Action 3.6
- Biodiversity targets – Protecting Victoria's Environment: Biodiversity 2037

The new reporting functions resourced and underway this year include:

- Inaugural State of the Yarra and its Parklands (SoY) report
- 2018 State of the Forests report
- Water Plan (Action 3.6) – scoping commenced

## **Applying international reporting frameworks**

The need to develop socio-economic indicators to understand not just the state of our environment but the benefits, both economic and social, we derive from our environment is intrinsic to the State and Benefit Framework. My Office, in partnership with the Monash Sustainable Development Institute, continued a project to develop a methodology to apply relevant UN Sustainable Development Goals (SDG) to the SoE 2018 report. This work is leading-edge, taking SDGs from their global perspective and applying them in a Victorian context. As a part of the project, a workshop with approximately 140 leaders from all walks of life – business, industry, government, community and NGOs – gathered to prioritise prospective socio-economic indicators using live polling. The data derived from the workshop informed which of the indicators should be taken forward into SoE reporting. A paper detailing the methodology applied, has been accepted by the UN's International Conference on Sustainable Development 2018 in New York in September.

My Office continued its collaboration with DELWP again this year to encourage and develop environment economic accounts under the UN's System of Environmental Economic Accounting (SEEA). The outcomes of this collaboration will be included in the SoE 2018.

Again, this year I fulfilled my statutory requirement to prepare and table a Strategic Audit of the Implementation of Environmental Management Systems (EMS) by mandated Victorian Government agencies. Informed by an out of date Financial Reporting Directive (FRD) 24C, my audit was again restricted to a portion (office-based emissions) of the overall environmental impact of government. As with previous audit reports during my term as Commissioner, I again took the opportunity this year to recommend a review of the FRD 24C to more accurately and usefully capture the impact of the operations of government.

## **Connecting with our stakeholders**

Working with our stakeholders on our reports and delivery of the Framework, is a priority for me as Commissioner and for my team. We understand that authentic engagement and participation with our stakeholders in developing our reports is fundamental to delivering accurate and scientifically rigorous reports, and to ensuring our work is both useful and used. Connecting with and listening to a large and diverse stakeholder group has continued to be an emphasis for my team and a high priority for me as Commissioner.

The "Commissioner's Environmental Reporting Reference Group" (the Reference Group) has been invaluable in contributing insights and expertise throughout the year. I am particularly grateful for the ongoing, generous and enthusiastic involvement of Reference Group members.

In addition to the Reference Group, my Office has continued with structured, formal and informal input from across government including through the Environmental Reporting Project Control Board, the Technical Advisory Group and frequent stakeholder meetings.

The Office advises government including DELWP and EPA, on the environment and is advocating for increased investment in environmental monitoring, community participation in environmental science and for government to better apply environmental economic accounting, data analytics and citizen science to protecting the environment.

We provide science and thought leadership to stakeholders across government in our endeavour to advance ecologically sustainable development in Victoria. With that objective, I have continued to work hard this year to integrate the ideas, insights and findings of our work into decision-making forums across government through my honorary appointments to complementary roles in the water, economic and emergency management sectors of the Victorian government.

It is an honour to meet and share stories with fellow Victorians. This year my staff and I have formally participated in many events. Including regional forums and visits, workshops and seminars with government and NGO/environmental organisations, keynote speeches and presentations made at a broad range of environment and leadership seminars or conferences. My office has also maintained an active social media presence through channels including Facebook, Instagram and LinkedIn in addition to our website [www.ces.vic.gov.au](http://www.ces.vic.gov.au).

Through implementing the reforms outlined in the Framework and supported by the assignment of six new reporting functions to the Commissioner, my role and the work of my Office is I would assert, after 15 years since being established, producing more public value than ever before. Embedding our reforms this year to ensure that in addition to our scientific reports, our legacy is that the role and value of the Commissioner for Environmental Sustainability and the team in my Office, is appropriately funded, has adequate management structures and is operating efficiently and effectively and critically, that our work is understood, respected and used to inform environmental policy and practice, particularly across government, in Victoria.

At the close of FY 2017-18, I'm pleased to report that preparation of the SoE 2018 is well underway along with two major new reports (SoY, SoF). These new assignments have brought momentum and excitement to the Office and given opportunities to three more talented science writers to join our team. Further confirming for me that the approach outlined in the Framework is on the right track and paying dividends for Victoria's environment and community. Investment in independent, scientific reporting on Victoria's environment by my Office has never been greater and the emphasis on the need to get the science that we need for environmental policy and practice in Victoria has never been more acute. By the end of 2018 and the close of this SoE reporting cycle, an important legacy of the State and Benefit Framework, in addition to the reports and websites themselves, will be that Victoria will have, for the first time, baseline science – data and analysis – across a range of environmental assets, never before available. This new information is critical for evidence-based, environmental policy and decision making into the next decade.

I look forward to a busy year ahead as we finalise and release the Victorian State of the Environment 2018, State of the Yarra and Its Parklands, State of the Forests 2018 and Strategic Audit of the Implementation of EMS reports. It has been a privilege to serve as Victoria's Commissioner for Environmental Sustainability since 2014 and an honour to meet and work with so many committed and talented people again this year. Thanks to everyone involved and interested in our work. As a small team we are indebted to so many people – from scientists, authors, reviewers, community members and administrators to readers and listeners. I am confident that our work is “enhancing knowledge and understanding of issues relating to sustainable development, while also encouraging sound environmental practice” in Victoria as per our Act.

I am pleased to present the 2017-18 Annual Report for my Office.



**Dr Gillian Sparkes**

**Victorian Commissioner for Environmental Sustainability**

## Performance report: Overview

### Funding

OCES is funded via DELWP. Following consultation with DELWP, the OCES 2017-19 (2 year) Business Plan and the projected budget was approved by the Minister for Energy, Environment and Climate Change, The Hon Lily D'Ambrosio MP, on 1 July 2017, in accordance with s.15 of the CES Act.

### Annual reporting requirements from the CES Act

In describing the annual reporting requirements of the Commissioner, the CES Act, s.16 notes:

“The Commissioner must include:

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

### Our mission

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

### Nature and range of services provided (FRD 22H)

The Commissioner's major functions under s.8 of the CES Act are to:

- prepare a report on the state of the environment of Victoria;
- conduct annual strategic audits of, and prepare reports on, the implementation of environmental management systems by agencies and public authorities;
- 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; and
- 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.

The key stakeholders are the Ministers of relevant portfolios, Victorian government policy makers, Victorian government environmental managers, environmental interest groups and the general public.

### Manner of establishment, objectives and functions of the Commissioner for Environmental Sustainability (FRD 22H & FRD 8D)

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 environment.

The Hon Lily D’Ambrosio MP, the Minister for Energy, Environment and Climate Change was the responsible Minister for the period 1 July 2017 to 30 June 2018 with the following acting appointments during the year: The Hon Lisa Neville MP acted as Minister for Energy, Environment and Climate Change during the period 24 to 30 September 2017, and The Hon Richard Wynne MP acted as Minister for Energy, Environment and Climate Change during the period 3 to 5 April 2018.

The legislative objectives of the Commissioner under the s.7 of the CES Act are to:

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

### **Key projects and achievements for the year (FRD 22H)**

During this reporting cycle, the Commissioner has sought to progress the objectives of s.7 of the CES Act. The objectives of the Commissioner set out in this section include “encouraging decision making that facilitates ecologically sustainable development” and “encourage sound environmental practices and procedures to be adopted by the Victorian Government”. These sections of the CES Act, in addition to the tabled framework, are considered the basis for the Commissioner’s advocacy for more contemporary environmental reporting.

The tabled framework titled “Framework for the Victorian 2018 State of the Environment Report: State and Benefit” provides a comprehensive description of the path OCES is taking to deliver the 2018 Victorian SoE. Importantly the Framework promotes the use of internationally recognised monitoring and reporting inputs including the United Nations Sustainable Development Goals (SDGs) and the System of Environmental Economic Accounts (SEEA).

The initiatives and key achievements for OCES in 2017-18 were:

- prepared and issued an update to the first baseline SotBs report incorporating scientific material that became available after the release of the first SotBs report in December 2015
- recruited and planned for delivering the first State of the Yarra and its Parklands report (SoY), a report referred to CES through the *Yarra Protection Act 2017*
- recruited and prepared for delivering the State of the Forests report at the request of DELWP
- entered into full delivery mode for the 2018 SoE report through development of detailed plans, skills procurement and preparation of an Interim SoE report due for release in July 2018
- improved the effectiveness of OCES by
  - attendance at regional forums and regional visits
  - participation in workshops and seminars with government and environmental organisations
  - delivering keynote speeches at a broad range of environment and leadership events including Environmental Institute of Australia and New Zealand (EIANZ) annual conference in New Zealand
  - increasing awareness of OCES functions and reports through the website <http://www.ces.vic.gov.au/> and social media

- identifying key stakeholders to facilitate complementary communication regarding OCES and its relevance within the public domain
- progressed a project with the Monash Sustainable Development Institute to develop a rigorous method to apply relevant SDGs to the 2018 SoE
- conducted a workshop with over 100 participants to examine and poll opinions of the relevance of 29 SDG targets that could be considered for future SoE reporting
- prepared a paper for presentation and the United Nations International Conference for Sustainable Development
- commenced preliminary work to understand environmental watering outcome monitoring and reporting
- coordinated, prepared and tabled the annual Strategic Audit Report on the implementation of EMS by mandated Victoria Government agencies.

### **Performance reporting: non-financial (FRD 22H)**

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

The statutory requirements of OCES are;

- State of Environment (SoE) reporting, including delivery of a framework,
- auditing of the implementation of environmental management systems (EMS) by mandated government agencies,
- 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 local government as a basis for ecologically sustainable development.

From the 2017-19 (2 year) Business Plan, the key environmental reporting deliverables for 2017-18 were:

- progressing delivery of the 2018 SoE report as set out in the framework
- preparing the Strategic Audit Report of implementation of EMS by Victorian Government agencies and public authorities, as reported through FRD 24C, by 31 January 2018
- advancing ecologically sustainable development principles and practices by:
  - developing socio-economic indicators, aligned with the UN's SDGs, for use in the 2018 SoE report;
  - considering, and collaborating with DELWP, on the use of the UN's SEEA in reporting, and the development of a strategy to incorporate SEEA accounts into the 2018 SoE; and
  - confirming (through DELWP) the climate adaptation indicators to be used in the 2018 SoE report to ensure they align with Victoria's Climate Change Adaptation Plan.

After successful delivery of the SotBs, additional functions have been requested of or directed to OCES. Notably these include providing the SoY report, legislated in the *Yarra Protection Act 2017* and the SoF report requested by DELWP. The Victorian Water Plan 2017 contained action item 3.6 requiring the Commissioner to report on Environmental Watering. Preliminary work on understanding the background and context of this work commenced during the year.

**Output summary (FRD 8D)**

As required under s.16 of the CES Act, this section sets out a summary of all activities completed, commenced or conducted during 2017-18. It reports on OCES delivery against the initiatives set out in the CES Act, in the Business Plan and budget, approved as required under s.15 of the CES Act by the responsible portfolio Minister on 1 July 2017. OCES objectives, indicators and linked outputs are tabulated below, showing the outputs against the statutory requirements and the Business Plan.

**OCES objectives, indicators and linked outputs for 2017-18**

<i>OCES objectives</i>	<i>Indicators</i>	<i>Outputs</i>
1. Report on matters relating to the condition of the natural environment of Victoria.	Demonstrate progress toward the 2018 SoE reporting consistent with the framework and the project plan.	Issue an update to the SotBs Report, containing new scientific information.  Move to delivery phase for the SoE through comprehensive planning, skills recruitment and commencement of data acquisition.  Commit to and prepare a discretionary Interim SoE report that will be released in July 2018.
2. Encourage decision-making that facilitates ecologically sustainable development.	Demonstrate 2018 SoE reporting is consistent with the framework and the project plan.	Collaborate with DELWP and advocated for wide adoption of the use of the UN's System of Environmental Economic Accounts in reporting. Develop a strategy to show how to incorporate SEEA into SoE reporting.
	Report on environmental watering outcomes as per Water Plan action item 3.6.	Commence preparatory work on reporting on environmental watering outcomes in future SoE reports.

<p>3. Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.</p>	<p>Provide opportunity for increased engagement leading to knowledge and understanding in the general community.</p>	<p>Continue the SDGs project to be undertaken with OCES by the Monash Sustainable Development Institute and conduct a workshop with approximately 140 participants to poll views on SDG targets for use in SoE reporting.</p> <p>Prepare a paper for the United Nations International Conference on Sustainable Development 2018.</p> <p>Participate in regional forums and visits, workshops and seminars with government and NGOs, speeches and presentations at environment and leadership seminars.</p> <p>Maintain an active social media presence and OCES website <a href="http://www.ces.vic.gov.au">www.ces.vic.gov.au</a>.</p> <p>Produce and disseminated audio visual support for SotBs and participated in the data democracy video (with the Centre for eResearch and digital innovation (CeRDI)).</p> <p>Commence preparation of audio visual material for the SoY report.</p>
<p>4. Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.</p>	<p>Coordination, development and tabling of the Strategic Audit Report on the EMS of mandated Victorian Government agencies.</p> <p>Stakeholder engagement.</p>	<p>Provide the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24C.</p> <p>Continue to work closely with state government all levels to inform OCES reporting and to better frame future OCES recommendations.</p> <p>Continue with formalised engagement processes. These include meetings of the Project Control Board (PCB) which consists of executive directors of relevant government departments, meetings of the Commissioner's Reference Group which consists of representatives of non-governmental environmental stakeholders and meetings of the Technical Advisory Group (TAG) which consists of experts in environmental fields both in and outside of government.</p>

## Reporting progress towards achieving departmental objectives in the report of operations (FRD 22H)

### Progress against objectives

<i>OCES objectives</i>	<i>Outputs</i>	<i>Progress</i>
1. Report on matters relating to the condition of the natural environment of Victoria.	Issue an update to the SotBs Report, containing new scientific information.	Completed, issued February 2018.
	Move to delivery phase for the SoE through comprehensive planning, skills recruitment and commencement of data acquisition.	Complete.
	Commit to and prepare a discretionary Interim SoE report that will be released in July 2018.	Preparation at 95% completion at year end and due for release in July 2018
2. Encourage decision-making that facilitates ecologically sustainable development.	Collaborate with DELWP and advocated for wide adoption of the use of the SEEA Accounts in reporting.	Example accounts were included in the SotBs report and collaboration to expand the application into SoE continued.
	Developed a strategy to show how to incorporate SEEA into SoE reporting.	In collaboration with CES, DELWP has committed to developing a set of representative accounts for inclusion in future SoE reports.
	Commence preparatory work on reporting on environmental watering outcomes in future SoE reports.	Work has commenced with background interviews and issuing a request for quote for developing a framework for evaluation and reporting.
3. Enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.	Continue the SDGs project undertaken with OCES by the Monash Sustainable Development Institute and conduct a workshop with over 100 participants to poll views on SDG targets for use in SoE reporting.	Ongoing. Workshop completed February 2017. Paper written and accepted for UN International Conference on Sustainable Development
	Participate in regional forums and visits, workshops and seminars with government and NGOs, speeches and presentations at environment and leadership seminars.	Ongoing. Over 30 engagements completed in the year.
	Maintain an active social media presence and OCES website <a href="http://www.ces.vic.gov.au">www.ces.vic.gov.au</a> .	Ongoing
	Produce and disseminate audio visual support for SotBs and participated in the data democracy video (with the Centre for eResearch and digital innovation (CeRDI)).	Complete
	Commence preparation of audio visual material for the SoY report.	Commenced

<p>4. Encourage sound environmental practices and procedures to be adopted by the Government of Victoria and local government as a basis for ecologically sustainable development.</p>	<p>Provide the Minister with the Strategic Audit Report on EMS implementation in mandated Victorian Government agencies that includes advocating a reform of FRD 24C.</p>	<p>Complete. The report is annual and the next year's report will be released in the first quarter of 2019.</p>
	<p>Continue to work closely with state government all levels to inform OCES reporting and to better frame future OCES recommendations.</p>	<p>Ongoing</p>
	<p>Continue with formalised engagement processes. These include meetings of the Project Control Board (PCB) which consists of executive directors of relevant government departments, meetings of the Commissioner's Reference Group which consists of representatives of non-governmental environmental stakeholders and meetings of the Technical Advisory Group (TAG) which consists of experts in environmental fields both in and outside of government.</p>	<p>Ongoing.</p>

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## Performance report: Financial (FRD 22H)

### Budget portfolio outcomes (8D)

OCES is funded via grants paid out of the Municipal Industrial Land Fill Levy Trust administered by DELWP.

The OCES operating budget is administered by DELWP's Environment and Climate Change division and approval of the budget and Business Plan is in accordance with section 15 (3) (b) of the Act and is approved each year by the Minister.

The July 2017 to June 2018 OCES budget was \$1,447,000. In addition, the trust fund carried forward \$277,804 from the previous year.

### Budget July 2017-June 2018

Budgeted Expenditure	2017-18 Budget \$	2017-18 Actual \$
Employee expenses	1,400,000	1,043,627
All other expenses	547,000	375,092
<b>Total</b>	<b>1,847,000</b>	<b>1,418,719</b>

Variance in actual employee cost against budget is predominantly due to delayed recruitment and purchased leave taken during the financial year.

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

### Departmental five-year financial summary (FRD 22H)

	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
<b>Total income from transactions</b>	1,637,000	1,450,000	1,114,608	1,585,984	987,474	1,873,658
<b>Total expenses from transactions</b>	1,418,719	1,211,760	944,200	1,258,983	952,185	1,875,767
Non-financial assets	27,348	37,737	17,306	22,093	0	0
Financial assets	925,236	632,698	336,082	136,884	49,322	28,307
<b>Total assets</b>	<b>952,584</b>	<b>670,435</b>	<b>353,388</b>	<b>158,977</b>	<b>49,322</b>	<b>28,307</b>
Payables	21,692	19,497	12,309	11,434	230,048	138,873
Provisions	288,729	217,257	162,627	133,284	152,183	257,415
Interest bearing liabilities	23,139	29,181	17,528	22,311	0	0
<b>Total liabilities</b>	<b>333,560</b>	<b>265,935</b>	<b>192,464</b>	<b>382,231</b>	<b>396,288</b>	<b>397,843</b>

### Departmental current year financial review

OCES delivers its major report (the State of the Environment report) every five years and Commissioners are also appointed for a five-year period. The timing of the SoE report and new demands such as the first State of the Bays report, delivered in December 2016, the State of the Yarra and its Parklands and the State of the Forests due early 2019, are the strongest influences on year to year expenditure. The office staffing expands and contracts during this five-yearly

cycle to meet the work program demands. Reports, and therefore costs, are not evenly distributed across each year.

There were no major changes to the office that affected performance.

### **Subsequent events (FRD 22H)**

There were no subsequent events to report.

### **Organisational structure and corporate governance arrangements (FRD 22H)**

Dr Gillian Sparkes was the Commissioner for the full period.

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

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

Prior to this, Dr Sparkes gained three decades of experience working in industries that are at the interface of the environment and the community, including occupations in manufacturing and industrial services, waste management and water industries.

### **The Commissioner's governance bodies (FRD 22H)**

There were three governance bodies active in 2017-18.

The **Reference Group** provides advice and support to the Commissioner (see s.9 (2) (b) of the CES Act). The Reference Group is comprised of leading members of stakeholder and advocacy groups and organisations, identified and invited by the Commissioner and approved by the Minister. The Reference Group includes representatives from:

- Municipal Association of Victoria (MAV)
- Trust for Nature
- Victorian Catchment Management Council (VCMC)
- Victorian Coastal Council (VCC)
- Victorian Farmers Federation (VFF)
- Environmental Farmers Network (EFN)
- Victorian Landcare Council (VLC)
- Victorian National Parks Association (VNPA)
- Wilderness Society Victoria (WSV)
- Environment Victoria (EV)
- Independent water industry expertise
- Clean Energy Council (CEC)

The **Project Control Board** (PCB), a high-level decision-making body supporting the Commissioner in delivering the 2018 SoE Report and SotBs Report, is chaired by the Commissioner and includes senior level representation from:

- DELWP (Department of Environment Land, Water and Planning: Biodiversity, Climate Change, Catchments, Waterways Cities and Towns, Policy and Planning divisions).
- EPA (Environment Protection Authority)
- VCMC (Victorian Catchment Management Council)

A **Technical Advisory Group** (TAG) has also been established and includes representation from:

- DELWP
- EPA
- Parks Victoria (PV)
- VCC
- VCMC
- DEDJTR (Department of Economic Development, Jobs, Transport and Resources)
- Melbourne Water (MW)
- Sustainability Victoria (SV)

The Composition of the Technical Advisory Group varies as the work topics dictate.

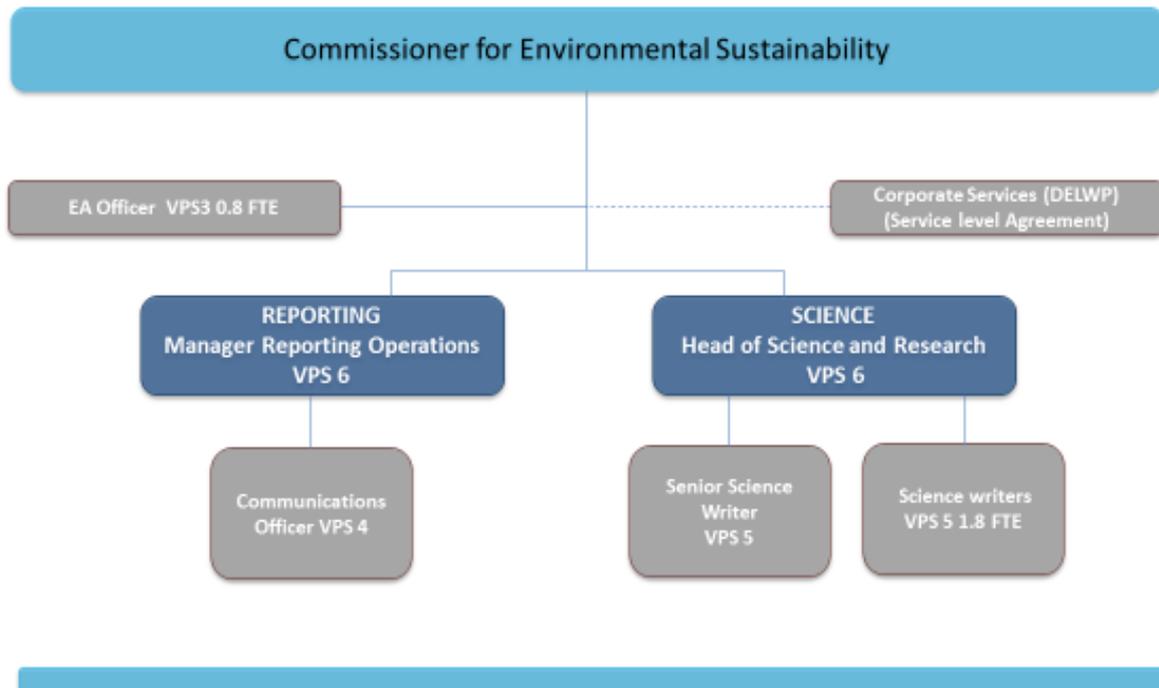
**OCES governance bodies meetings**

<b><i>OCES Governance Body</i></b>	<b><i>Number of meetings 2017-2018 Financial year</i></b>
Reference Group	5
Project Control Board	4
Technical Advisory Group	5

**Organisation structure (FRD 22H)**

The following organisation structure represents the situation at the end of the financial year. The office increased to 7.6 from 4.8 FTE as the preparation of the SoE report commenced.

**Organisational Structure 17-18 Financial Year**



**Risk and Audit Committee membership and roles (SD 3.2.1 & FRD 22H)**

The Risk and Audit Committee consists of the following members

- Peter Lewinsky, Chairman (independent member appointed October 2016)
- Helen Thornton (independent member appointed March 2015);
- Mark Peters (independent member appointed March 2015)

The main responsibilities of the Risk and Audit Committee (RAC) are described in the following extract from the RAC Charter

The primary function of the Risk and Audit Committee (Committee) is to provide independent assurance to the Commissioner for Environmental Sustainability (Commissioner) that the Office of the Commissioner for Environmental Sustainability’s risk and control environment is operating effectively and efficiently

It acts as an advisory Committee. Its responsibilities relate to the Office of the Commissioner for Environmental Sustainability (OCES), however, it does recognise that OCES applies frameworks and policies of the Department of Environment, Land, Water and Planning (DELWP) and has a service level agreement with the department for the provision of corporate services. Within OCES the internal audit function is delivered primarily through the internal audit program of DELWP.

The Committee is appointed in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

### **Occupational health and safety (FRD 22H)**

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 DELWP. These services include training and development programs, OH&S 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.

No incidents were reported in the 2017-18 period. One incident was reported in the 2016-17 period involving a trip and minor abrasions on the pavement with no lost time associated with the incident.

An external audit of the office environment was completed in addition to assessments made by the OH&S floor representative.

During the 2017-18 financial year, OCES continued several initiatives to improve the health and safety of staff including the OH&S standing agenda item at staff meetings, ergonomic assessment and safety audits to identify and address workplace risks.

### **Incident management**

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

### **Employment and conduct principles (FRD 22H)**

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

Through DELWP, OCES introduced policies and practices that are consistent with the Victorian public sector employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues.

**Workforce data (FRD 22H & FRD 29B)**

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

**Comparative workforce data**

The following table discloses the head count and full-time staff equivalent (FTE) of all active public service employees of OCES, employed in the last full pay period in June of the current reporting period, and in the last full pay period in June (2018) of the previous reporting period (2017). Employees have been correctly classified in workforce data collections.

Additional appointments to meet work demand increased the FTE from 4.8 to 7.6 in the reporting period. These figures include the Commissioner.

**Details of employment levels in June 2017**

<b>Workforce data</b>	<b>Ongoing employees</b>		<b>Fixed term employees</b>	<b>Total</b>
	<b>Full time</b>	<b>Part time</b>		
June 2018 Male	1	0	1.8	2.8
Female	1	0	*4.8	5.8

*\*Includes the Commissioner*

<b>Workforce data over time</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
<b>FTE</b>								
Statutory appointed Officer (the Commissioner)	1	1	1	1	1	1	1	1
Director	0	0	0	0	1	1	1	1
Administrative Staff	0.8	0.8	0	0	0	0	0	1
Senior Managers and operational staff	5.8	3	3	2	2	3.8	9	9
<b>Total</b>	<b>7.6</b>	<b>4.8</b>	<b>3.4</b>	<b>3</b>	<b>4</b>	<b>8.8</b>	<b>11</b>	<b>12</b>
Male	2.8	1	1	1	2	3.8	6	5
Female	4.8	3.8	2.4	2	2	5	5	7

The following table discloses the annualised total salary for senior employees of the Department, categorised by classification. The salary amount is reported as the full-time annualised salary.

**Annualised total salary, by \$20 000 bands, for executives and other senior non-executive staff**

<b>Income band (salary)</b>	<b>Executives</b>	<b>VPS</b>	<b>Other (Statutory Officer)</b>
< \$160 000	0	6.6	
\$160 000 – \$179 999			
\$180 000 – \$199 999			
\$200 000 – \$219 999			
\$220 000 – \$239 999			
\$240 000 – \$259 999			
\$260 000 – \$279 999			1
\$280 000 – \$299 999			
\$300 000 – \$319 999			
\$320 000 – \$339 999			
\$340 000 – \$359 999			
\$360 000 – \$379 999			
\$380 000 – \$399 999			
\$400 000 – \$419 999			
\$420 000 – \$439 999			
\$440 000 – \$459 999			
\$460 000 – \$479 999			
\$480 000 – \$499 999			
<b>Total</b>	0	6.6	1

*Notes:*

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

**Executive officer data (FRD 15E)**

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

The Commissioner is a statutory office holder and OCES has no EOs.

**Other disclosures**

**Jobs First- Victorian Industry Participation Policy (FRD 25C)**

In 2017-18, OCES did not have any procurement activity meeting the criteria of \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

**Advertising expenditure (FRD 22H)**

In 2017-18, there were no OCES government advertising campaigns with total media spend of \$100 000 or greater (exclusive of GST).

**Consultancy expenditure (FRD 22H)**

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

In 2017-18, there were eight consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies is \$134,305.97 (excluding GST). Details of individual consultancies are outlined below.

**Consultancies over \$10,000**

<b>Consultant</b>	<i>Purpose of consultancy</i>	<i>Total approved project fee (excl. GST)</i>	<i>Expenditure 2017-18 (excl. GST)</i>	<i>Future expenditure (excl. GST)</i>
<b>Acquia Inc</b>	Web hosting	34,000	10,349.00	0
<b>Emily Ross Bespoke</b>	Strategic communication	49000	22,482.00	Balance of contract
<b>Monash University</b>	Monash Sustainable Development Institute Services	31000	26,273.00	Balance of contract
<b>Parallel Office</b>	Reporting products design	35,000	12,987.00	Balance of contract
<b>Point Advisory</b>	Report writing	38,076	14,835.00	Balance of contract
<b>Remedy Den</b>	Short term Resource	45,000	14,322.70	0
<b>The Keyline Group</b>	Sustainable Development Goals specialist input	22,150	13,727.27	0
<b>Weave Web</b>	Maintenance and new work Commissioner's Web site	134,000	19,330.00	Balance of contract

**Details of consultancies under \$10 000**

In 2017-18, there were 11 consultancies engaged during the year where the total fees payable to the individual consultancies was less than \$10 000. The total expenditure incurred during 2017-18 in relation to these consultancies was \$25,657.26 (excl. GST).

**Information and communication technology (ICT) expenditure (FRD 22H)**

For the 2017-18 reporting period, OCES had a total ICT expenditure of less than \$100,000 for business as usual operation. There were no project ICT expenses.

**Disclosure of major contracts (FRD 12B)**

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

**Freedom of information (FRD 22H)**

The *Freedom of Information Act 1982* allows the public a right of access to documents held by OCES. For the 12 months ending 30 June 2017, the OCES received no applications.

*Making a request*

Access to documents may be obtained through written request to the Freedom of Information Manager, as detailed in s17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request are:

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

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

FOI Unit  
 Department of Environment, Land, Water and Planning  
 PO Box 500  
 East Melbourne VIC 3002  
 03 9637 8186  
 FOI.Unit@delwp.vic.gov.au

An application fee of \$28.40 is applicable and additional charges may also apply once access and processing costs are assessed.

**Compliance with the Building Act 1993 (FRD 22H)**

The OCES does not own or control any government buildings and consequently compliance with the building and maintenance provisions of the *Building Act 1993* is not applicable.

**Competitive Neutrality Policy Victoria**

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

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

OCES does not include provision of services for a fee and is therefore not subject to competitive advantage applicable under NCP.

### **Compliance with the Protected Disclosure Act 2012 (FRD 22H & PD Act)**

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

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters that have been disclosed to be investigated and with possible rectifying action to be taken.

Improper or corrupt conduct involves substantial:

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

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

OCES does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

OCES will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

### **Reporting procedures**

Disclosures of improper conduct or detrimental action by OCES or any of its employees may be made to any of the following Department personnel:

- the Commissioner for Environmental Sustainability;
- Secretary of DELWP;
- Protected Disclosure Coordinator or Protected Disclosure Officer DELWP;
- manager or supervisor of the disclosure; or
- manager or supervisor of the person who is the subject of the disclosure.

Alternatively, disclosures may also be made directly to the Independent Broad-based Anti-corruption Commission (IBAC):

Level 1, North Tower, 459 Collins Street

Melbourne, VIC 3000

Phone: 1300 735 135

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

Email: Please refer to the website for the secure email disclosure process, which also provides for anonymous disclosures.

### **Further information**

The Protected Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers, are available on the DELWP website.

### **Disclosures under the Protected Disclosure Act 2012**

There were no disclosures made in relation to OCES to IBAC.

### **Compliance with the Commissioner for Environmental Sustainability Act 2003**

The Commissioner's role and the strategic and operational activities of the office are established under the *Commissioner for Environmental Sustainability Act 2003* (the CES Act).

The objectives of the Commissioner as defined under s.7 of the CES Act are to:

- a) report on matters relating to the condition of the natural environment of Victoria;
- b) encourage decision making that facilitates ecologically sustainable development;
- c) enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment; and
- d) 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 functions of the Commissioner are to:

- a) Prepare the report on the State of the Environment of Victoria (*at intervals no greater than five years*);
- b) Conduct annual strategic audits of, and prepare reports on, the implementation of environmental management systems by agencies and public authorities;
- c) 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;
- d) Advise the Minister in relation to any matter relating to ecologically sustainable development referred to the Commissioner by the Minister under Section 10(2);
- e) Administer the Act.

The work program is set to deliver against the objectives and functions of the Act through environmental reporting. Firstly, against the condition and extent of Victoria's natural assets, and progressively against socio economic indicators. The Commissioner also has a strong advocacy role in progressing the principles of the Act across the Victorian Government and the community. The Commissioner may be requested by the Minister to undertake additional reports.

OCES is fully compliant with its reporting outputs and has also met the request from the Minister to produce a first State of the Bays report which was issued in December 2016. The next mandated output is the State of Environment report is due in November 2018.

### **Office based environmental impacts (FRD 24D)**

OCES operates under a Service Level Agreement with DELWP and, as such, its environmental management system data is captured within aggregated data in the DELWP Annual Report.

### **Additional departmental information available on request**

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by OCES and are available on request, subject to the provisions of the *Freedom of Information Act 1982*.

- a statement of declarations of pecuniary interests for all relevant officers;
- details of any major external reviews carried out on OCES;
- details on major research and development activities undertaken by OCES;
- details of publications produced by OCES about itself, and how these can be obtained;
- 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 OCES to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve occupational health and safety of employees;

## FINANCIAL STATEMENTS

- a general statement on industrial relations within OCES, and details of time lost through industrial accidents and disputes;
- a list of all major committees, the purpose of each committee, and the extent to which the purposes have been achieved;
- details of all consultancies and contractors including:
  - (i) consultants/contractors engaged;
  - (ii) services provided; and expenditure committed to for each engagement.

The information is available on request from:

Commissioner for Environmental Sustainability

Phone: (03) 99482844

Email: [info.ces@ces.vic.gov.au](mailto:info.ces@ces.vic.gov.au)

The following information is not relevant to OCES for the reasons set out below:

- a declaration of shares held by senior officers as no shares have been issued in OCES
- details of changes in prices, fees, charges, rates and levies charged as OCES does not charge fees for service.

The following financial statements comply with the Model Financial report as applied to the office of the Commissioner for Environmental Sustainability.

# COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY- FINANCIAL STATEMENTS (SD 5.2.1(B))

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## COMMISSIONER FOR ENVIRONMENTAL SUSTAINABILITY

Financial statements	Page
<b>Comprehensive operating statement</b>	2
<b>Balance sheet</b>	3
<b>Statement of changes in equity</b>	4
<b>Cash flow statement</b>	5
<b>Accountable officer's declaration and statutory certification</b>	30

Notes to the financial statements	Page
<b>1. About this report</b>	6
The basis on which the financial statements have been prepared and compliance with reporting regulations	
<b>2. Funding delivery of our services</b>	8
Revenue recognised in respect of income sources	
<b>3. The cost of delivering services</b>	9
Operating expenses, employee benefits provisions and related party disclosures for the Commissioner for Environmental Sustainability	
<b>4. Key assets available to support output delivery</b>	14
Property, plant and equipment, fair value determination and ageing analysis of cash	
<b>5. Other assets and liabilities</b>	19
Other key assets and liabilities	
<b>6. How we financed our operations</b>	21
Interest bearing liabilities, cash flow information, leases and assets pledged as security	
<b>7. Risks, contingencies and valuation judgements</b>	24
Financial risk management, contingent assets and liabilities as well as fair value determination	
<b>8. Other disclosures</b>	28

These annual financial statements represent the audited general purpose financial statements of the Commissioner for Environmental Sustainability for the period 1 July 2017 to 30 June 2018. The purpose of the report is to provide users with information about the Commissioner for Environmental Sustainability's stewardship of resources entrusted to it.

# FINANCIAL STATEMENTS

## COMPREHENSIVE OPERATING STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Income from transactions</b>			
Government grants	2.1	1,637,000	1,450,000
<b>Total income from transactions</b>		<b>1,637,000</b>	<b>1,450,000</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1	(1,043,627)	(837,530)
Supplies and services	3.2	(363,880)	(364,879)
Depreciation	4.3	(10,387)	(9,639)
Interest expense	6.2	(825)	288
<b>Total expenses from transactions</b>		<b>(1,418,719)</b>	<b>(1,211,760)</b>
<b>Net result from transactions (net operating balance)</b>		<b>218,281</b>	<b>238,240</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on non-financial assets	8.1.2	0	(1,999)
Net gains/(losses) arising from revaluation of employee benefits	8.1.2	(3,757)	7,335
<b>Total other economic flows included in net result</b>		<b>(3,757)</b>	<b>5,336</b>
<b>Comprehensive result</b>		<b>214,524</b>	<b>243,576</b>

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

# FINANCIAL STATEMENTS

## BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Assets</b>			
<b>Financial assets</b>			
Cash and deposits	4.4	454,791	277,804
Receivables	5.1	470,445	354,894
<b>Total financial assets</b>		<b>925,236</b>	<b>632,698</b>
<b>Non-Financial assets</b>			
Property, plant and equipment	4.1	27,348	37,737
<b>Total non-financial assets</b>		<b>27,348</b>	<b>37,737</b>
<b>Total assets</b>		<b>952,584</b>	<b>670,435</b>
<b>Liabilities</b>			
Payables	5.2	21,692	19,497
Employee benefits provisions	3.1.1	288,729	217,257
Interest bearing liabilities	6.1	23,139	29,181
<b>Total liabilities</b>		<b>333,560</b>	<b>265,935</b>
<b>Net assets</b>		<b>619,024</b>	<b>404,500</b>
<b>Equity</b>			
Accumulated surplus		615,598	401,074
Contributions by owners		3,426	3,426
<b>Net worth</b>		<b>619,024</b>	<b>404,500</b>
Commitments for expenditure	6.4		
Contingent assets and contingent liabilities	7.3		

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

## FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Accumulated surplus/(deficit) \$	Contribution by owners \$	Total \$
<b>Balance at 1 July 2016</b>	<b>157,498</b>	<b>3,426</b>	<b>160,924</b>
Comprehensive result	243,576	0	243,576
<b>Balance as at 30 June 2017</b>	<b>401,074</b>	<b>3,426</b>	<b>404,500</b>
Comprehensive result	214,524	0	214,524
<b>Balance as at 30 June 2018</b>	<b>615,598</b>	<b>3,426</b>	<b>619,024</b>

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

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipt from government		1,520,533	1,131,200
Interest received		0	288
GST received from ATO		916	0
<b>Total receipts</b>		<b>1,521,449</b>	<b>1,131,488</b>
<b>Payments</b>			
Payments to suppliers and employees		(1,337,595)	(1,133,255)
GST paid to ATO		0	(4,127)
Interest paid		(825)	0
<b>Total payments</b>		<b>(1,338,420)</b>	<b>(1,137,382)</b>
<b>Net cash flows from operating activities</b>	4.4(b)	<b>183,029</b>	<b>(5,894)</b>
<b>Cash flows (used in)/from investing activities</b>			
Purchases of non-financial assets		0	(26,915)
Sale of non-financial assets		0	12,000
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>(14,915)</b>
<b>Cash flows (used in)/from financing activities</b>			
Repayments of finance leases		(6,042)	(5,502)
<b>Net cash flows used in financing activities</b>		<b>(6,042)</b>	<b>(5,502)</b>
<b>Net increase in cash and cash equivalents</b>		<b>176,987</b>	<b>(26,311)</b>
Cash and cash equivalents at the beginning of the financial year		277,804	304,115
<b>Cash and cash equivalents at the end of the financial year</b>	4.4(a)	<b>454,791</b>	<b>277,804</b>

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

## 1. ABOUT THIS REPORT

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

Its address is: The Commissioner for Environmental Sustainability

Level 36, 2 Lonsdale Street

Melbourne, VIC, 3000

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

### Basis of preparation

This financial report was authorised for issue by the Commissioner – Dr Gillian Sparkes and the Chief Financial and Accounting Officer – Sam Claringbold on 18 September 2018.

These financial statements:

- are presented in Australian currency and prepared in accordance with historical cost convention. Amounts have been rounded to the nearest \$1 unless otherwise stated;
- have the accrual basis of accounting applied; assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid; and
- 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), ensuring that the substance of the underlying transactions or other events is reported.

Accounting policies are selected and applied in a manner ensuring the resulting financial information satisfies the concepts of relevance and reliability, ensuring that the substance of the underlying transactions or other events is reported.

Judgements, estimates and assumptions are required to determine the carrying values of assets and liabilities that are not clear. These estimates and assumptions are based on professional judgement derived from historical experience and various other factors. Actual results may differ from these estimates.

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

- the fair value of property, plant and equipment;
- the estimated useful lives over which non-financial assets are depreciated;
- superannuation expense; and
- future salary movements and future discount rates.

## FINANCIAL STATEMENTS

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

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

2. FUNDING DELIVERY OF OUR SERVICES

Introduction	Structure
<p>The Commissioner's role is to:</p> <ul style="list-style-type: none"> <li>• report on the condition of Victoria's natural environment.</li> <li>• encourage decision making that facilitates ecologically sustainable development.</li> <li>• enhance knowledge and understanding of issues relating to ecologically sustainable development and the environment.</li> <li>• encourage Victorian and local governments to adopt sound environmental practices and procedures.</li> </ul> <p>Income from transactions is the primary method the Commissioner for Environmental Sustainability generates funds. To enable the Commissioner for Environmental Sustainability to fulfill its objective and provide outputs, it receives income from grants provided by the Department of Environmental, Land, Water and Planning (DELWP).</p>	<p>2.1 Summary of income that funds the delivery of services</p>

2.1 Summary of income that funds the delivery of services:

	2018	2017
	\$	\$
<b>Government grants</b>		
Grants from DELWP	1,637,000	1,450,000
<b>Total government grants</b>	<b>1,637,000</b>	<b>1,450,000</b>
<b>Total income from transactions</b>	<b>1,637,000</b>	<b>1,450,000</b>

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Commissioner for Environmental Sustainability without receiving approximately equal value in return.

While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers).

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.

**3. THE COST OF DELIVERING SERVICES**

Introduction	Structure
<p>This note provides an account of the expenses incurred by the Commissioner for Environmental Sustainability. In note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.</p>	<p>3.1 Employee expenses</p> <ul style="list-style-type: none"> <li>3.1.1 Employee benefit provisions</li> <li>3.1.2 Superannuation</li> <li>3.1.3 Responsible persons</li> <li>3.1.4 Executive remuneration</li> <li>3.1.5 Related party disclosure</li> </ul> <p>3.2 Supplies and services</p> <ul style="list-style-type: none"> <li>3.2.1 Audit fees</li> </ul>

**3.1 Employee expenses – comprehensive operating statement**

	2018	2017
	\$	\$
<b>Employee expenses</b>		
Salary and wages	(808,715)	(622,050)
Superannuation		
Defined contribution superannuation expense	(57,780)	(36,546)
Annual and long service leave	(109,087)	(129,205)
Other on-costs (fringe benefits tax, payroll tax and workcover levy)	(68,045)	(49,729)
<b>Total employee expenses</b>	<b>(1,043,627)</b>	<b>(837,530)</b>

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

**3.1.1 Employee benefits provisions – balance sheet**

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

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

## FINANCIAL STATEMENTS

	2018 \$	2017 \$
<b>Current provisions</b>		
<b>Employee benefits<sup>(i)</sup> - annual leave</b>		
Unconditional and expected to be wholly settled within 12 months <sup>(ii)</sup>	111,478	75,022
Unconditional and expected to be wholly settled after 12 months <sup>(iii)</sup>	2,149	619
<b>Employee benefits<sup>(i)</sup> - long service leave</b>		
Unconditional and expected to be wholly settled within 12 months <sup>(ii)</sup>	67,650	58,356
Unconditional and expected to be wholly settled after 12 months <sup>(iii)</sup>	57,803	1,520
<b>Total employee benefits</b>	<b>239,080</b>	<b>135,517</b>
<b>Provisions for on-costs</b>		
Unconditional and expected to be wholly settled within 12 months <sup>(ii)</sup>	28,356	21,161
Unconditional and expected to be wholly after 12 months <sup>(iii)</sup>	9,490	337
<b>Total provisions for on-costs</b>	<b>37,846</b>	<b>21,498</b>
<b>Total current provisions</b>	<b>276,926</b>	<b>157,015</b>
<b>Non-current provisions</b>		
Employee benefits <sup>(i)(iii)</sup>	10,190	52,076
Provisions for on-costs <sup>(iii)</sup>	1,613	8,166
<b>Total non-current provisions</b>	<b>11,803</b>	<b>60,242</b>
<b>Total provisions</b>	<b>288,729</b>	<b>217,257</b>

(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) Movement in on-cost provisions

	Total 2018 \$
<b>Opening balance</b>	<b>29,664</b>
Additional provisions recognised	12,125
Reduction arising from payments/other sacrifices of future economic benefits	(2,061)
Reductions resulting from re-measurement or settlement without cost	326
Unwind of discount and effect of changes in the discount rate	(595)
<b>Closing balance</b>	<b>39,459</b>
Current	37,846
Non-current	1,613
<b>Total</b>	<b>39,459</b>

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.

## FINANCIAL STATEMENTS

### Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits, annual leave, accumulating sick leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Commissioner for Environmental Sustainability 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 – the Commissioner for Environmental Sustainability expects to wholly settle within 12 months; or
- present value – the Commissioner for Environmental Sustainability does not expect to wholly settle within 12 months.

### 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 Commissioner for Environmental Sustainability 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 Commissioner for Environmental Sustainability expects to wholly settle within 12 months; and
- present value – the Commissioner for Environmental Sustainability 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' in the net result.

### 3.1.2 Superannuation

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

Fund	Paid contribution for the year		Contribution outstanding at year end	
	2018 \$	2017 \$	2018 \$	2017 \$
<b>Defined contribution plans:</b>				
Victorian Superannuation Fund – Vic Super Scheme	28,354	23,180	689	340
Various other	28,571	12,838	695	188
<b>Total</b>	<b>56,925</b>	<b>36,018</b>	<b>1,384</b>	<b>528</b>

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

## FINANCIAL STATEMENTS

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

The amount recognised in the comprehensive operating statement in relation to superannuation is 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.

### 3.1.3 Responsible persons

The following table lists persons who held the positions of ministers and accountable officers of the Commissioner for Environmental Sustainability:

Minister for Energy, Environment and Climate Change	The Hon. Lily D'Ambrosio MP	1 July 2017 to 30 June 2018
Commissioner for Environmental Sustainability	Dr Gillian Sparkes	1 July 2017 to 30 June 2018

The person who held the position of Accountable Officer of the Commissioner for Environmental Sustainability was Gillian Sparkes.

Remuneration received or receivable by the Accountable Officer in connection with the management of the Commissioner for Environmental Sustainability during the reporting period was in the range: \$260,000 – \$269,999 (2017: \$260,000 – \$269,999).

Amounts relating to Ministers are reported in the financial statements of the Department of Parliamentary Services.

#### 3.1.3 (a) Acting arrangements

The Hon. Lisa Neville MP acted as Minister for Energy, Environment and Climate Change during the period 24 to 30 September 2017.

The Hon. Richard Wynne MP acted as Minister for Energy, Environment and Climate Change during the period 3 to 5 April 2018.

### 3.1.4 Executive remuneration

There were no executives whose remuneration would require disclosure under *FRD 21C Disclosures of responsible persons and executive officers in the financial report*.

### 3.1.5 Related party disclosure

The Commissioner for Environmental Sustainability is a wholly owned and controlled entity of the State of Victoria. Related parties of the Commissioner for Environmental Sustainability include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

## FINANCIAL STATEMENTS

The key management personnel of the Commissioner for Environmental Sustainability are listed in note 3.1.3.

The remuneration breakdown of the Commissioner for Environmental Sustainability's key management personnel is shown in the table below:

	2018 \$	2017 \$
<b>Compensation of key management personnel</b>		
Short term benefits	224,018	244,321
Post-employment benefits	19,616	19,616
Other long-term benefits	6,598	6,711
<b>Total <sup>(i)</sup></b>	<b>250,232</b>	<b>270,648</b>

(i) The movement in key management personnel remuneration from 2017 to 2018 are due to long service leave taken by the Commissioner of Environmental Sustainability.

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

### Significant transactions with government related entities

The following entities are considered to be related parties with significant transactions with the Commissioner for Environmental Sustainability. The Commissioner for Environmental Sustainability receives operating funding received from the Department of Environment, Land, Water and Planning (see Note 2.1 Government grants). Refer to note 5.1 Receivables for amounts due from the Department of Environment, Land, Water and Planning for the year ending 30 June 2018.

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

### 3.2 Supplies and services

	2018 \$	2017 \$
<b>Supplies and services</b>		
Community awareness and publicity	(2,000)	0
Contract and professional services	(170,562)	(263,078)
General expenses	(56,154)	(40,196)
IT expenses	(23,836)	(21,367)
Motor vehicle expenses	(5,352)	114
Office and accommodation expenses	(19,090)	(14,277)
Payments for shared services	(3,558)	(2,275)
Postage and telephone	(6,626)	(14,001)
Travel and subsistence	(16,431)	(9,786)
Ex-gratia expenses <sup>(i)</sup>	(60,250)	0
Other operating expenses	(21)	(13)
<b>Total supplies and services</b>	<b>(363,880)</b>	<b>(364,879)</b>

(i) Refer to note 8.5 for details in respect to ex-gratia expenses.

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

3.2.1 Audit fees

	2018	2017
	\$	\$
<b>Victorian Auditor General's Office</b>		
Audit or review of the financial statements <sup>(i)</sup>	7,500	7,400
<b>Total</b>	<b>7,500</b>	<b>7,400</b>

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

**4 KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY**

Introduction	Structure
<p>The Commissioner for Environmental Sustainability controls assets that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Commissioner for Environmental Sustainability to be utilised for delivery of those outputs.</p>	<p>4.1 Property, plant and equipment</p> <p style="padding-left: 20px;">4.1.1 Movements in carrying amounts of property, plant and equipment</p> <p>4.2 Fair value measurement hierarchy for assets</p> <p style="padding-left: 20px;">4.2.1 Reconciliation of Level 3 fair value movements</p> <p style="padding-left: 20px;">4.2.2 Description of significant unobservable inputs to Level 3 valuations</p> <p>4.3 Depreciation</p> <p>4.4 Cash</p>

**4.1 Property, plant and equipment**

	2018 \$	2017 \$
<b>Property, plant and equipment</b>		
Motor vehicles under finance lease at fair value	31,153	31,153
Accumulated amortisation for motor vehicles	(8,110)	(2,027)
<b>Total motor vehicle</b>	<b>23,043</b>	<b>29,126</b>
Plant and equipment at cost	12,916	12,916
Accumulated depreciation for plant and equipment at cost	(8,611)	(4,305)
<b>Total plant and equipment</b>	<b>4,305</b>	<b>8,611</b>
<b>Total property, plant and equipment</b>	<b>27,348</b>	<b>37,737</b>

**4.1.1 Movements in carrying amounts of property, plant and equipment**

	2018 \$	2017 \$
<b>Movements in carrying amounts</b>		
<b>Opening balance</b>	<b>37,737</b>	<b>17,306</b>
Additions	0	44,069
Disposals	0	(13,999)
Depreciation expense (refer to note 4.3)	(10,387)	(9,639)
<b>Closing balance</b>	<b>27,350</b>	<b>37,737</b>

Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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

The Commissioner for Environmental Sustainability capitalises expenditures on individual items of \$5,000 (2017: \$5,000) or more, and records these as non-financial assets.

Vehicles are valued using the depreciated replacement cost method. The Commissioner for Environmental Sustainability acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department of Environment, Land, Water and Planning who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Assets with finite useful lives are carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Intangible produced assets with finite useful lives, are depreciated as an 'expense from transactions' on a straight-line basis over their useful lives.

#### 4.1.1 (a) Impairment of non-financial assets

Non-financial assets, including items of Property, Plant and Equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

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 an 'other economic flow', except to the extent that it 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 impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell.

#### 4.2 Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2018	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	23,043	0	23,043	0
Plant and equipment at cost	4,305	0	0	4,305
<b>Total</b>	<b>27,348</b>	<b>0</b>	<b>23,043</b>	<b>4,305</b>

(ii) Classified in accordance with the fair value hierarchy, refer to 'About this Report'.

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

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

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

## FINANCIAL STATEMENTS

Classes of assets and liabilities are determined by the Commissioner for Environmental Sustainability based on the nature, characteristics, risks of the asset or liability and where it is categorised in the hierarchy.

### 4.2.1 Reconciliation of Level 3 fair value movements

	Plant and equipment (\$)
<b>Balance at 1 July 2017</b>	<b>8,611</b>
Purchases	0
Transfers in/(out) of Level 3 – assets classified as held for sale	0
Transfers in/(out) – free of charge	0
Transfers in/(out) – from other categories	0
Depreciation expense	(4,305)
<b>Gains/(losses) recognised in net result</b>	
Recognition/(derecognition), (write-down) of assets	0
<b>Gains/(losses) recognised in other economic flows – other comprehensive income</b>	
Revaluation increments/ (decrements)	0
<b>Balance at 30 June 2018</b>	<b>4,306</b>

### 4.2.2 Description of significant unobservable inputs to Level 3 valuations

2018	Valuation technique	Significant Unobservable Inputs
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

### 4.3 Depreciation

	2018 \$	2017 \$
<b>Depreciation</b>		
Motor vehicle finance lease assets	(6,082)	(5,334)
Plant and equipment at cost	(4,305)	(4,305)
<b>Total depreciation</b>	<b>(10,387)</b>	<b>(9,639)</b>

All motor vehicles and plant and equipment that have finite useful lives are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, land and investment properties.

## FINANCIAL STATEMENTS

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

<b>Asset</b>	<b>Useful life</b>
Plant and equipment	3 to 42 years
Motor vehicle	Term of lease (1 to 5 years)

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

### 4.4 Cash

	2018	2017
	\$	\$
<b>(a) Reconciliation of cash and cash equivalents</b>		
Funds held in trust – cash	454,791	277,804
<b>Total cash and deposits disclosed in the balance sheet</b>	<b>454,791</b>	<b>277,804</b>
<b>Balance per cash flow statement</b>	<b>454,791</b>	<b>277,804</b>
<b>(b) Reconciliation of net result for the period</b>		
Comprehensive result	214,524	243,576
<b>Non-cash movements</b>		
Depreciation	10,387	9,639
Net gain/(loss) on non-financial assets	0	1,999
<b>Movements in assets and liabilities</b>		
(Increase)/Decrease in receivables	(115,550)	(322,926)
Increase/(Decrease) in payables	2,196	7,188
Increase/(Decrease) in provisions	71,472	54,630
<b>Net cash flows from operating activities</b>	<b>183,029</b>	<b>(5,894)</b>

Cash and deposits, including cash equivalents, comprise of cash on hand and cash at bank 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.

5 OTHER ASSETS AND LIABILITIES

<p><b>Introduction</b></p> <p>This note sets out those assets and liabilities that arose from the Commissioner for Environmental Sustainability's operations.</p>	<p><b>Structure</b></p> <p>5.1 Receivables</p> <p>5.2 Payables</p> <p>5.2.1 Maturity analysis of contractual payables</p>
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5.1 Receivables

	2018 \$	2017 \$
<b>Current receivables</b>		
<b>Statutory</b>		
Amounts owing from Department of Environment, Land, Water and Planning	467,234	350,767
GST input tax credit recoverable	3,211	4,127
<b>Total statutory receivables</b>	<b>470,445</b>	<b>354,894</b>
<b>Total current receivables</b>	<b>470,445</b>	<b>354,894</b>
<b>Total receivables</b>	<b>470,445</b>	<b>354,894</b>

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments.

5.2 Payables

	2018 \$	2017 \$
<b>Current payables</b>		
<b>(a) Contractual</b>		
Trade creditors <sup>(i)</sup>	0	157
Other accrued expenses	19,024	18,167
<b>Total contractual payables</b>	<b>19,024</b>	<b>18,324</b>
<b>(b) Statutory</b>		
Taxes payable	1,047	526
Other payables	1,621	647
<b>Total statutory payables</b>	<b>2,668</b>	<b>1,173</b>
<b>Total current payables</b>	<b>21,692</b>	<b>19,497</b>
<b>Total payables</b>	<b>21,692</b>	<b>19,497</b>

(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.

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

Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, as they do not arise from a contract.

## FINANCIAL STATEMENTS

### 5.2.1 Maturity analysis of contractual payables

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

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months – 1 year \$	1-5 years \$	5+ years \$
<b>2018</b>							
<b>Payables (i)</b>							
Trade creditors	0	0	0	0	0	0	0
Accrued expenses	19,024	19,024	19,024	0	0	0	0
<b>Total</b>	<b>19,024</b>	<b>19,024</b>	<b>19,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2017</b>							
<b>Payables (i)</b>							
Trade creditors	157	157	157	0	0	0	0
Accrued expenses	18,167	18,167	18,167	0	0	0	0
<b>Total</b>	<b>18,324</b>	<b>18,324</b>	<b>18,324</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

6 HOW WE FINANCED OUR OPERATIONS

<p><b>Introduction</b></p> <p>This note provides information on the sources of finance utilised by the Commissioner for Environmental Sustainability during its operations.</p>	<p><b>Structure</b></p> <ul style="list-style-type: none"> <li>6.1 Interest bearing liabilities                             <ul style="list-style-type: none"> <li>6.1.1 Maturity analysis of interest bearing liabilities</li> </ul> </li> <li>6.2 Interest expense</li> <li>6.3 Leases</li> <li>6.4 Commitments for expenditure</li> </ul>
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6.1 Interest bearing liabilities

	2018 \$	2017 \$
<b>Current interest bearing liabilities</b>		
Motor vehicles under finance lease	23,139	6,042
<b>Total current interest bearing liabilities</b>	<b>23,139</b>	<b>6,042</b>
<b>Non-current interest bearing liabilities</b>		
Motor vehicles under finance leases	0	23,139
<b>Total non-current interest bearing liabilities</b>	<b>0</b>	<b>23,139</b>
<b>Total interest bearing liabilities</b>	<b>23,139</b>	<b>29,181</b>

Interest bearing liabilities are classified as financial instruments.

All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

The Commissioner for Environmental Sustainability categorises its interest bearing liabilities as financial liabilities at 'amortised cost'.

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

6.1.1 Maturity analysis of interest bearing liabilities

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

	Carrying Amount \$	Nominal amount \$	Maturity dates				
			Less than 1 month \$	1 - 3 months \$	3 months - 1 year \$	1-5 years \$	5+ years \$
<b>2018</b>							
<b>Interest bearing liabilities</b>							
Finance lease liabilities	23,139	23,139	517	1,035	21,587	0	0
<b>Total</b>	<b>23,139</b>	<b>23,139</b>	<b>517</b>	<b>1,035</b>	<b>21,587</b>	<b>0</b>	<b>0</b>
<b>2017</b>							
<b>Interest bearing liabilities</b>							
Finance lease liabilities	29,181	29,181	503	1,007	4,532	23,139	0
<b>Total</b>	<b>29,181</b>	<b>29,181</b>	<b>503</b>	<b>1,007</b>	<b>4,532</b>	<b>23,139</b>	<b>0</b>

## FINANCIAL STATEMENTS

### 6.2 Interest expense

	2018	2017
	\$	\$
<b>Interest expense</b>		
Interest on finance leases	(825)	288
<b>Total interest expense</b>	<b>(825)</b>	<b>288</b>

'Interest expense' includes costs incurred in connection with the borrowing of funds and includes interest component of finance leases repayments.

Interest expense is recognised in the period in which it is incurred.

### 6.3 Leases

	Minimum future lease payments 2018 \$	Minimum future lease payments 2017 \$	Present value of minimum future lease payments 2018 \$	Present value of minimum future lease payments 2017 \$
Not longer than one year	23,632	6,867	23,139	6,042
Longer than one year but not longer than five years	0	23,632	0	23,139
<b>Minimum future lease payments</b>	<b>23,632</b>	<b>30,499</b>	<b>23,139</b>	<b>29,181</b>
Less future finance charges	(493)	(1,318)	0	0
<b>Present value of minimum lease payments</b>	<b>23,139</b>	<b>29,181</b>	<b>23,139</b>	<b>29,181</b>
<b>Included in the financial statements as:</b>				
Current finance lease liability			23,139	6,042
Non-current finance lease liability			0	23,139
<b>Total lease liabilities</b>			<b>23,139</b>	<b>29,181</b>

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.

The finance leases disclosed above are exempt from GST.

#### a) 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 for Environmental Sustainability. The weighted average interest rate implicit in the leases is 3.72% p.a (2017: 3.12% p.a).

### **b) 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 for Environmental Sustainability 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.

### **6.4 Commitments for expenditure**

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

There are no commitments for expenditure (2017: Nil).

## 7 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction	Structure
<p>The Commissioner for Environmental Sustainability is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This note sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied.</p>	<p>7.1 Financial instrument specific disclosures</p> <p style="padding-left: 20px;">7.1.1 Financial asset</p> <p style="padding-left: 20px;">7.1.2 Financial liabilities</p> <p>7.2 Financial risk management objective and policies</p> <p style="padding-left: 20px;">7.2.1 Liquidity risk</p> <p>7.3 Contingent assets and liabilities</p>

### 7.1 Financial instrument specific disclosures

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 Commissioner for Environmental Sustainability's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

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.

#### Categories of financial instruments

##### 7.1.1 Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual 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;
- (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.

##### 7.1.1 (a) Loans and receivables and cash

Loans and receivables and cash 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 (and for assets, less any impairment).

Loans and receivables category includes cash and deposits (refer to note 4.4), term deposits with maturity date less than three months and receivables (excluding statutory receivables).

### 7.1.2 Financial liabilities

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;
- (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.

#### 7.1.2 (a) Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. 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 effective interest rate method. The Commissioner for Environmental Sustainability recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- interest bearing liabilities (including finance lease liabilities).

### 7.2 Financial risk management objective and policies

The Commissioner for Environmental Sustainability's principal financial instruments comprise of:

- cash and deposits;
- payables (excluding statutory payables); and
- interest bearing liabilities.

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

The Commissioner for Environmental Sustainability is exposed to the following risks:

- Liquidity risk.

The carrying amounts of the Commissioner for Environmental Sustainability's financial assets and financial liabilities by category are in the table below:

## FINANCIAL STATEMENTS

	2018			2017		
	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>	454,791	0	454,791	277,804	0	277,804
<b>Total contractual financial assets</b>	<b>454,791</b>	<b>0</b>	<b>454,791</b>	<b>277,804</b>	<b>0</b>	<b>277,804</b>
<b>Contractual financial liabilities</b>						
<b>Payables <sup>(i)</sup></b>						
Trade creditors	0	0	0	0	157	157
Accrued expenses	0	19,024	19,024	0	18,167	18,167
<b>Interest bearing liabilities</b>						
Finance lease liabilities	0	23,139	23,139	0	29,181	29,181
<b>Total contractual financial liabilities</b>	<b>0</b>	<b>42,163</b>	<b>42,163</b>	<b>0</b>	<b>47,505</b>	<b>47,505</b>

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable).

(ii) The amount of payables disclosed exclude statutory payables (i.e. taxes payable).

### 7.2.1 Liquidity risk

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

The Commissioner for Environmental Sustainability's exposure to liquidity risk is deemed insignificant based on current assessment of risk.

### 7.2.2 Market risk

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

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Commissioner of Environmental Sustainability 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 Commissioner of Environmental Sustainability has minimal exposure to cash flow interest rate risk through its term deposits.

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

## FINANCIAL STATEMENTS

	Weighted average interest rate	Carrying amount \$	Interest rate exposure		
			Fixed interest rate \$	Variable interest rate \$	Non-interest bearing \$
<b>2018</b>					
<b>Contractual financial assets</b>					
Cash and deposits	0.00% <sup>(iii)</sup>	454,791	0	0	454,791
Receivables <sup>(i)</sup>					
Receivables		467,234	0	0	467,234
<b>Total</b>		<b>922,025</b>	<b>0</b>	<b>0</b>	<b>922,025</b>
<b>Contractual financial liabilities</b>					
<b>Payables: <sup>(ii)</sup></b>					
Payables		20,645	0	0	20,645
Interest bearing liabilities	3.72%	23,139	23,139	0	0
<b>Total</b>		<b>43,784</b>	<b>23,139</b>	<b>0</b>	<b>20,645</b>
<b>2017</b>					
<b>Contractual financial assets</b>					
Cash and deposits	0.00% <sup>(iii)</sup>	277,804	0	0	277,804
Receivables <sup>(i)</sup>					
Receivables		350,767	0	0	350,767
<b>Total</b>		<b>628,571</b>	<b>0</b>	<b>0</b>	<b>628,571</b>
<b>Contractual financial liabilities</b>					
<b>Payables <sup>(ii)</sup></b>					
Payables		18,971	0	0	18,971
Interest bearing liabilities	3.12%	29,181	29,181	0	0
<b>Total</b>		<b>48,152</b>	<b>29,181</b>	<b>0</b>	<b>18,971</b>

(i) The amount of receivables disclosed excludes statutory receivables (i.e. taxes receivable).

(ii) The amount of payables disclosed excludes statutory payables (i.e. taxes payable).

(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.

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

### 7.3 Contingent assets and liabilities

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

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

There are no contingent assets or contingent liabilities (2017: Nil).

**8 OTHER DISCLOSURES**

<p><b>Introduction</b></p> <p>This note includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.</p>	<p><b>Structure</b></p> <p>8.1 Accounting Policy</p> <p>8.1.1 Accounting for the goods and services tax (GST)</p> <p>8.1.2 Other economic flows included in net result</p> <p>8.1.3 Subsequent events</p> <p>8.2 Glossary</p> <p>8.2.1 Net result</p> <p>8.2.2 Transactions</p> <p>8.3 Reclassification of financial information</p> <p>8.4 Australian Accounting Standards issues that are not yet effective</p> <p>8.5 Ex-Gratia expenses</p>
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**8.1 Accounting Policy**

**8.1.1 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.

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

	2018 \$	2017 \$
<b>Other gains/(losses) from other economic flows</b>		
Net gain/(loss) on non-financial assets	0	(1,999)
Net gains/(losses) arising from revaluation of employee benefits	(3,757)	7,335
<b>Total other gains/(loss) from other economic flows</b>	<b>(3,757)</b>	<b>5,336</b>

**8.1.3 Subsequent events**

The Commissioner for Environmental Sustainability is not aware of any other circumstances that have arisen, or information that has become available between 30 June 2018 and the date of final approval of this general purpose financial report that qualifies for inclusion as a post balance date event.

8.2 Glossary

8.2.1 Net result

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

8.2.2 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.

8.3 Reclassification of financial information

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.

The Commissioner for Environmental Sustainability has reviewed its financial statements and has made no revisions.

8.4 Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2018 reporting period. DTF assesses the impact of all these new standards and advises the department of their applicability and early adoption where applicable.

As at 30 June 2018, the following applicable AASs have been issued by the AASB but are not yet effective. The table below sets out only those standards which are applicable to the transactions and balances included in the annual financial statements and are expected to impact on the agency. 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 public sector entity financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i> . The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 January 2019	The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds. This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.

The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.

The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2017-18 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on the agency.

- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*

### 8.5 Ex-Gratia expenses

In accordance with FRD 11A Disclosure of Ex-Gratia Expenses, the Commissioner of Environmental Sustainability must disclose in aggregate the total amount of material (greater than \$5,000) expenses.

	2018 \$	2017 \$
<b>Ex-gratia expenses</b>		
Compensation payments	60,250	0
<b>Total ex-gratia expenses</b>	<b>60,250</b>	<b>0</b>

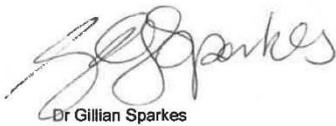
**Accountable officer's declaration and statutory certification**

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of the entity at 30 June 2018.

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

We authorise the attached financial statements for issue on 18 September 2018.



Dr Gillian Sparkes

Commissioner for Environmental Sustainability

Melbourne  
18 September 2018



Sam Claringbold

Chief Financial Officer

Melbourne  
18 September 2018

## INDEPENDENT AUDITOR'S REPORT: VAGO

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### Independent Auditor's Report

#### To the Commissioner for Environmental Sustainability

<b>Opinion</b>	<p>I have audited the financial report of the Commissioner for Environmental Sustainability which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2018</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements</li> <li>• accountable officer's declaration and statutory certification.</li> </ul> <p>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 2018 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the Commissioner for Environmental Sustainability in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Commissioner's responsibilities for the financial report</b>	<p>The Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Commissioner determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Commissioner is responsible for assessing the office of the Commissioner for Environmental Sustainability's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor’s responsibilities for the audit of the financial report** As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the office of the Commissioner for Environmental Sustainability’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioner.
- conclude on the appropriateness of the Commissioner’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the office of the Commissioner for Environmental Sustainability’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the office of the Commissioner for Environmental Sustainability to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

MELBOURNE  
20 September 2018



Paul Martin  
*as delegate for the Auditor-General of Victoria*

## DISCLOSURE INDEX

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

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
<i>Ministerial Directions &amp; Financial Reporting Directions</i>		
<i>Report of operations</i>		
<b>Charter and purpose</b>		
FRD 22H	Manner of establishment and the relevant Ministers	12
FRD 22H	Purpose, functions, powers and duties	12
FRD 8D	Departmental objectives, indicators and outputs	15
FRD 22H	Key initiatives and projects	13
FRD 22H	Nature and range of services provided	12
<b>Management and structure</b>		
FRD 22H	Organisational structure	22
<b>Financial and other information</b>		
FRD 8D	Performance against output performance measures	18
FRD 8D	Budget portfolio outcomes	19
FRD 10A	Disclosure index	65
FRD 12B	Disclosure of major contracts	27
FRD 15E	Executive officer disclosures	25
FRD 22H	Employment and conduct principles	23
FRD 22H	Occupational health and safety policy	23
FRD 22H	Summary of the financial results for the year	19
FRD 22H	Significant changes in financial position during the year	19
FRD 22H	Major changes or factors affecting performance	20
FRD 22H	Subsequent events	20
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	27
FRD 22H	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	27
FRD 22H	Statement on National Competition Policy	27
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	28
FRD 22H	Details of consultancies over \$10 000	26
FRD 22H	Details of consultancies under \$10 000	26
FRD 22H	Disclosure of government advertising expenditure	26
FRD 22H	Disclosure of ICT expenditure	26
FRD 24D	Reporting of office-based environmental impacts	29
FRD 25C	<i>Victorian Industry Participation Policy Act 2003</i>	25
FRD 29B	Workforce Data disclosures	24
SD 5.2	Specific requirements under Standing Direction 5.2	7
<b>Compliance attestation and declaration</b>		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	7
SD 5.2.3	Declaration in report of operations	7
<i>Financial statements</i>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	63

## DISCLOSURE INDEX

### *Ministerial Directions & Financial Reporting Directions*

#### **Other requirements under Standing Directions 5.2**

SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	61
SD 5.2.1(a)	Compliance with Ministerial Directions	7

#### **Other disclosures as required by FRDs in notes to the financial statements <sup>(a)</sup>**

FRD 9A	Departmental Disclosure of Administered Assets and Liabilities by Activity	36
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	42
FRD 110A	Cash Flow Statements	35

*Note:*

*(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.*

#### *Legislation*

<i>Freedom of Information Act 1982</i>	27
<i>Building Act 1993</i>	27
<i>Protected Disclosure Act 2012</i>	28
<i>Victorian Industry Participation Policy Act 2003</i>	25
<i>Financial Management Act 1994</i>	7