



**ANNUAL REPORT
2005/2006**

October 2006



Annual Report

2005/2006

October 2006

31st October 2006

The Hon. Morris Iemma MP
Premier of NSW
Level 40
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Premier,

**NATURAL RESOURCES COMMISSION
ANNUAL REPORT 2005/2006**

It is my pleasure to forward to you for presentation to the NSW Parliament the Annual Report of the Natural Resources Commission for the year ended 30 June 2006.

The NRC Annual Report has been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984* and the *Public Finance and Audit Act 1983*. The consolidated financial statements of the Natural Resources Commission and the Natural Resources Commission Division received an unqualified opinion from the Auditor General.

Yours sincerely,



Dr. John Williams
Commissioner

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List of acronyms

CAP	Catchment Action Plan
CMA	Catchment Management Authority
EAPS	Ethnic Affairs Priority Statement
EEO	Equal Employment Opportunity
FOI	Freedom of Information
NRC	Natural Resources Commission
NRM	Natural Resource Management
NSW	New South Wales
SEPP	State Environmental Planning Policy

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Foreword

The NRC came of age during 2005/06. It successfully worked with government and community to recommend the standard and targets, which give NSW a platform from which our natural resources can be properly managed. The standard and targets were adopted by government and it is significant that they are part of the draft NSW State Plan. The NRC also supported the ongoing development of CMAs and assisted government agencies as they identified and developed programs necessary to support the operation of CMAs.

The draft NSW State Plan recognises the challenge ahead helping CAPs integrate regional strategies, local government aims and Government agency goals across catchments to deliver State targets. The strategic plans of CMAs provide a sound and enduring basis for investing in our natural resources and I am impressed with the overall establishment of CMAs in a relatively short amount of time. The potential of CMAs is matched by the difficulty of their mandate as they must balance national, state, regional and local priorities, as well as environmental, economic and social outcomes.

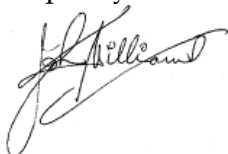
The NRC will continue to help NSW make a significant contribution to national sustainability through the CMA-based regional delivery model by providing scientifically reliable, independent advice. In particular, future roles for the NRC will include:

- improving the ability of CAPs to coordinate the delivery of other statutory plans, including regional strategies, water sharing plans and regional conservation plans. This will in turn help CAPs be the primary planning and investment vehicles in their catchments for all levels of government as well as the private sector, and provide a strategic approach to future development
- supporting CMAs as they apply the standard in their decision-making, particularly on emerging issues such as climate shift and their role in balancing competing land uses
- promoting the application of best available science in natural resource decisions
- ensuring the planning and natural resource processes are complementary, particularly in coastal catchments.

We cannot be effective in these roles without ensuring other organisations and individuals adopt the vision for healthy rivers, landscapes and communities as enshrined in the state natural resource targets, and understand their own responsibilities to support the CMA-based regional delivery model. During 2006/07 this extension work will form a significant part of our operations.

Under the leadership of the inaugural Commissioner, Dr. Tom Parry, the NRC quickly established itself as a high performing organisation, trusted for its independence, reliability and the quality of its work. I was appointed Commissioner during 2006 and will continue to work closely with CMAs, government agencies and stakeholders to ensure natural resource decisions are based on the best available knowledge.

As with all institutions, our staff are vital to our operation and achievements. We have attracted high quality staff with a diversity of knowledge backgrounds and we will continue to offer exciting development opportunities to ensure we attract high achievers who are committed to quality work and delivering outcomes that contribute to improving our natural resources.



Dr. John Williams
Commissioner

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1 Who is the NRC?

1.1 Charter

The Natural Resources Commission (NRC) was established by the *Natural Resources Commission Act 2003* (NRC Act) to “establish a sound scientific basis for the properly informed management of natural resources in the social, economic and environmental interests of the State”.¹ It achieves this through providing the NSW Government with independent advice on a range of natural resource management (NRM) issues. The NRC also informs NRM through the following specific functions:

- recommending state-wide standards and targets for NRM issues
- recommending the approval of Catchment Action Plans (CAPs) of Catchment Management Authorities (CMAs) that are consistent with state-wide standards and targets adopted by the government
- undertaking audits of those plans and the effectiveness of their implementation in meeting the adopted standards and targets.

Attachment 1 provides a list of relevant legislation and describes the provisions with respect to the NRC. In addition to these standing mandates, the government can request the NRC investigate a particular issue by providing the NRC with a Terms of Reference.

The NRC is part of the Premier’s portfolio reflecting the independent nature of its charter. The NRC also reports jointly to the Minister for Natural Resources reflecting the Minister’s direct supervision of CMAs and the Department of Natural Resources.

1.2 Objectives

The NRC is committed to encouraging quality NRM in NSW. The NSW Government demonstrated its commitment to quality NRM when it adopted the *Standard for Quality NRM* in February 2006.

The *Standard for Quality NRM* is an innovative new approach to NRM that has put NSW at the forefront of how states and the Australian Government work to jointly invest in NRM. The NSW regional model’s emphasis on local decision making backed by decisions made according to the standard, state-wide targets, and rigorous auditing, is increasingly recognised as the leading approach to catchment management across Australia.

The primary role of the NRC is to provide independent advice to government, hence the Premier and Cabinet Ministers are the NRC’s main clients. The NRC also works closely with CMAs encouraging their development and monitoring their performance. To ensure the effectiveness of CMAs, the NRC must not only work closely with the CMAs and related government agencies, but also look outside the immediate model to other influences on our natural resources. Much of the NRC’s work aims to facilitate the ability of CMAs to deliver quality NRM through recommending adaptations to legislation, policy and administrative arrangements that work more efficiently with the CMA-based regional delivery model.

¹ NRC Act s. 3(a)
Document No: D06/2663
Status: Final

2 Achievements in 2005/2006

NSW is leading best practice NRM through the recent devolution of NRM responsibilities to CMAs. The CMAs are responsible for carrying out or funding catchment activities and are charged with making the best decisions possible through community involvement and use of sound scientific knowledge. NSW and Australian Governments are funding improvements in NRM via the CMAs. There are a number of consequences of this recent restructuring:

- The effective operation of CMAs is often dependent on other organisations and the policies of government agencies. Some important state-wide issues need to be resolved for the CMAs to be able to operate most effectively.
- CMAs are at the forefront of NRM in NSW and are responsible for spending millions of State and Australian Government dollars. The governments and public need confidence that their money is being spent in the most appropriate manner and will result in an improvement in the condition of our natural resources.
- This devolution of power to regional authorities provides NSW with the opportunity to lead the nation in community decision-making and investment.

The NRC helps deliver quality NRM in NSW through addressing these issues as well as assisting the NSW Government in other NRM issues outside the operation of CMAs. The NRC's work can therefore be categorised into three outcomes:

- Solving problems - providing independent advice to ensure the properly informed management of natural resources
- Creating confidence - independent audits and reviews to ensure effective NRM and promote continuous improvement
- Taking the next steps - enabling implementation of the standard and targets to support good decision-making and the coordination of NRM across a range of organisations and individuals.

This chapter describes the achievements of the NRC during 2005/06 in each of these three outcome areas.

2.1 Solving problems - providing independent advice

The NRC is in a unique position to deliver pragmatic advice to Government given its independent perspective, application of science and rigorous approach to problem solving. During 2005/06 the NRC helped the NSW Government solve complicated natural resource issues through the following four projects:

- Standard and targets
- Managing vegetation at the landscape scale
- Ministerial Review Committee
- Changes to the environmental outcomes assessment methodology.

In the delivery of these projects the NRC improved the design and linkages of the NRM institutional and legislative model in NSW.

2.1.1 Standard and targets

NRM decisions are complex. Natural resource managers must trade-off competing values and often have to make decisions without a thorough understanding of the environmental, economic and social processes in operation. Together, the state-wide standard and targets supported by state-wide monitoring and evaluation provide a framework for identifying state and regional values for natural resources at the most appropriate scales, and for approaching the complexities of NRM in a systematic and rigorous way. Auditing against the standard gives a clear picture of the quality of NRM processes and decisions, and the progress of NSW as a whole can be measured against the targets. The targets also provide a focus for policy from government agencies.

The NRC has a legislative responsibility to recommend state-wide standards and targets for natural resource management issues. During the 2004/05 reporting period the NRC recommended the NSW Government adopt a *Standard for Quality NRM* and a series of core targets. The government adopted the standard and targets in May 2005. In September 2005 the NRC made further recommendations to the NSW Government including a series of refined additional targets and arrangements for monitoring and evaluation of progress towards the targets. These final recommendations were adopted by Government in February 2006.

2.1.2 Managing vegetation at the landscape scale

It is important to manage vegetation at the most appropriate scale. Often this requires an understanding of the whole landscape, not just the site or property. The *Native Vegetation Act 2003* provides a new approach to vegetation management, however the associated regulations do not readily allow vegetation management decisions within the context of the whole landscape. The Ministers for Natural Resources and the Environment provided Terms of Reference to the NRC in November 2005, asking the NRC to make recommendations on the advantages of landscape vegetation management plans, how CMAs could assess such plans, and any subsequent changes that might be necessary to the Act and its regulations to facilitate landscape scale assessment.

The NRC released an issues paper in December 2005 and subsequently received 26 submissions from a range of organisations across the state. During 2006 the NRC undertook extensive research and consultation to progress the review, and hosted a workshop with landscape planning, land management and economics experts. The NRC will release and consult on its draft findings towards the end of 2006.

2.1.3 Ministerial Review Committee

The commencement of the *Native Vegetation Act 2003* and its regulations marked a major change in vegetation management in NSW. The Ministers for Natural Resources and the Environment established the Ministerial Review Committee (the Committee) to:

- monitor the implementation of the native vegetation regulations
- monitor the delivery of financial incentives to farmers through property vegetation plans
- provide direct advice to the Ministers for Natural Resources and the Environment to guide the transitional period of the *Native Vegetation Act 2003*, so that any necessary modifications to the management of this new system can be quickly identified and implemented.

The Committee was established in November 2005 and had its first meeting in February 2006. It meets monthly and has provided monthly reports to the Ministers. The Commissioner Chairs this committee and the NRC provides secretariat support, including collating material for discussion and preparing monthly reports to the Ministers from the Committee. The NRC has also facilitated the implementation of many of the Committee's recommendations.

2.1.4 Changes to the environmental outcomes assessment methodology

The methodology for assessing clearing applications under the NV Act involves complex decision support tools that use supporting databases containing large amounts of information. The tool and the information within it need to be continually updated so vegetation management decisions can be based on the best available information. The NRC is to be consulted before changes are made to the assessment methodology.

The NRC has supported the ongoing development of the assessment methodology. Specifically, in February 2006 the Minister asked the NRC to review proposed changes to the salinity module. The NRC provided final advice in March 2006, which was adopted by government.

2.2 Creating confidence - independent audits and reviews

In its capacity as an independent reviewer, the NRC can provide the NSW Government, Australian Government and public with confidence that NRM is cost effective, protects and improves high value natural resource assets and maximises benefits through actions which contribute to integrated outcomes at all scales. During 2005/06 the NRC has been able to provide this confidence through the following projects:

- Review of CAPs
- Cloud Seeding
- SEPP 71
- Review of water sharing plans.

2.2.1 Review of CAPs

The NSW and Australian Governments invest millions of dollars through CMAs. It is important that the governments and the public have confidence in this investment. The NRC provides this confidence through reviewing the CMA's CAPs against the state-wide targets and the standard. The NRC's reviews also incorporate the specific requirements of Ministers and government agencies, resulting in a streamlined, single review of each CAP, rather than multiple reviews by multiple agencies. Independent, public advice that draft CAPs meet their obligations promotes confidence that CMAs and other natural resource managers will use best practice management to jointly deliver improvements in resource condition.

During 2005/06 the NRC completed the following steps in the review of CAPs:

- The NRC met with government agencies to identify each agency's specific requirements for the review of CAPs
- A systems review of each CMA assessed how they incorporated each component of the standard into their business systems. The systems review process was preceded by three pilot system reviews with three CMAs.

- The NRC followed up with each CMA to establish how the CMA would address the findings of the systems review.
- The NRC received the first draft of all 13 CAPs between December 2005 and May 2006. The NRC reviewed all 13 CAPs against the standard, the targets and the requirements of the government agencies, and provided the results to the CMAs.
- The NRC received four final CAPs prior to June 2006 and commenced the final review of these CAPs.

2.2.2 Cloud seeding

Snowy Hydro is conducting a six year trial to assess the potential for cloud seeding to increase the snow precipitation in the Snowy Mountains. The legislation that establishes the trial recognises the uncertainties surrounding the environmental impact of cloud seeding. To provide confidence in future cloud seeding decisions, the NRC has been asked to supervise the cloud seeding operations and report to the Ministers on their environmental impact.

In October 2005, the NRC reviewed Snowy Hydro's first annual report on cloud seeding operations and provided advice to the Minister for the Environment on the progress of the operations, their environmental impact and the validity of the environmental monitoring elements.

2.2.3 SEPP 71

The coast of NSW continues to be under pressure for further development. *State Environmental Planning Policy 71 – Coastal Protection* (SEPP 71) provides various restrictions on certain coastal development to protect the coastline of NSW. In some situations, a master plan must be prepared before development consent can be granted. The NRC must be consulted before the government approves a draft master plan or waives the need for a master plan. In this role the NRC provides the Minister for Planning with confidence that further development along the coast has appropriate safeguards.

During 2005/06 the NRC provided 109 pieces of advice on SEPP 71 applications.

In 2005/06 the NRC also reviewed its involvement in SEPP 71 to ensure that the application process is efficient and enables thorough independent analysis of significant coastal developments. Discussions with Department of Planning officials are continuing and the NRC looks forward in 2006/07 to recommending to the Minister for Planning a more strategic and efficient review role for the NRC.

2.2.4 Review of water sharing plans

Water sharing plans are a key element of the current framework for water management in NSW. They describe arrangements for sharing water between the environment and entitlement holders, with the goal of simultaneously protecting water dependant ecosystems and providing certainty for water users. Developed in consultation with community based committees, water sharing plans establish the allocation rules for a specific water management area for a period of 10 years.

Before deciding to extend the term of a water sharing plan, the Minister is to consider a report from the NRC on the extent to which the water sharing plan has contributed to achieving the state-wide standard and targets and whether any changes to the plan are necessary.

Independent advice on water sharing plans will provide an objective, scientifically based review on water allocation, which directly informs decisions on potential reallocations of water and consequent compensation for water users under the risk apportionment provisions of the *Water Management Act 2000*.

During 2005/06 the NRC commenced scoping data requirements and monitoring arrangements for the future review of water sharing plans.

2.3 Taking the next steps – enabling implementation of the standard and targets

The adoption of the state-wide standard and targets cemented the NSW Government's commitment to improving the condition of our natural resources through quality management. Targets provide direction for NRM and a focus for data collection so NSW can assess its progress. The standard is designed to promote high-quality management of natural resources in NSW by ensuring decision-making and implementation processes are robust and rigorous. The NRC has guided the CMAs in their understanding of the standard and targets, and has also started guiding other organisations in their use of the standard. During 2005/06 the NRC promoted continual improvement in NRM through its support for CMAs.

2.3.1 Supporting CMAs

CMAs and their CAPs provide the basis from which NSW can lead Australia in best practice NRM. CAPs can evolve into integrated whole-of-government plans for NRM action and investment in each region. The NRC has worked with CMAs to help them meet this potential through applying the standard. The NRC also continues to work with the government to identify changes that can allow the CMAs to effectively embrace this role.

During 2005/06 the NRC provided the following specific areas of support to CMAs:

- Buddy analysts – Each CMA has been assigned an NRC staff member who provided the CMA with support, including assistance in applying the standard and developing systems, and an understanding of the NRC's processes.
- Systems support – The NRC ran a workshop for all CMAs on establishing systems and offered up to two weeks of expert systems support to each CMA.

3 Work program for 2006/2007

The NRC's forward work program will continue to support quality management of natural resources in NSW. During 2006/07 the NRC will use its unique position as an independent organisation to promote natural resource decision making that is based on sound science and is in the social, environmental and economic interests of NSW. The NRC will achieve this through solving problems, creating confidence and assisting natural resource managers to take the next steps in quality NRM.

2006/07 will be an important year for consolidating and building on the CAPs prepared by CMAs. The NRC will continue to promote CAPs as the key strategic investment documents for NRM and will consider recommendations that assist CAPs in achieving their potential. Building on the framework provided by CAPs, the NRC will also consider the broader area of planning and its fit with the NRM model.

3.1 Solving problems – providing independent advice

The NRC will continue to help NSW be a NRM leader through improving the design and linkages between NRM organisations, legislation and policy. This will involve ensuring NSW has a framework from which quality natural resource decisions can be made, and independent advice to assist complex government decision-making. During 2006/07, the NRC will achieve these results through the following projects:

- Managing vegetation at the landscape scale - The NRC will continue to review landscape scale assessment procedures within the current vegetation clearing provisions. The NRC will produce a draft report, expects to undertake extensive consultation on the draft report, and run a pilot of its proposed assessment methodology for multi-property vegetation plans. The NRC will make its recommendations to the Ministers in 2007.
- Ministerial Review Committee - While the Ministerial Review Committee remains in operation the NRC will continue to provide the Chair and secretariat support.

3.2 Creating confidence – independent audits and reviews

A large part of the NRC's work program will continue to provide the NSW Government and public with confidence in the work of CMAs as well as in NSW's NRM policy settings. The NRC will deliver confidence through applying rigour and transparent processes to the following projects:

- Reviewing CAPs - The NRC will continue to review the 13 CAPs against the state-wide standard and targets and the requirements of NSW and Australian Government agencies. Review reports for eight CAPs will be completed by October 2006 and the final five reports will be completed as the final CAPs are submitted to the NRC.
- Develop on-going audit framework - The NRC Act requires the NRC to audit the effectiveness of the implementation of CAPs in complying with the state-wide standards and targets.² Robust, independent audits can create confidence in the quality of on-going decision-making of CMAs and other natural resource managers. The NRC currently expects to start auditing CAPs in 2008 however this may vary as audits are linked to CMA

² NRC Act s. 13(c)
Document No: D06/2663
Status: Final

progress. During 2006/07 the NRC will develop a framework and auditing process to prepare for these audits.

- Changes to the environmental outcomes assessment methodology – The NRC will advise the government on the appropriateness of proposed changes to the assessment methodology in order to ensure the objects of the *Native Vegetation Act 2003* are achieved. In July 2006 the Minister for Natural Resources requested the NRC use this capacity to test Saunders *et al's* (2006) invasive native scrub review.³ The NRC provided its advice to the Minister in September.
- Reviewing water sharing plans – The NRC will continue to prepare for its review of water sharing plans.
- Lower Lachlan Groundwater Sharing Plan– The Minister for Natural Resources has requested the NRC review the science used to develop the Lower Lachlan Groundwater Sharing Plan. The NRC's review will allow greater confidence in the science used in the further development of groundwater sharing plans.
- Cloud seeding – The NRC will continue to review the cloud seeding operations of Snowy Hydro. These reviews will help the government have confidence in future cloud seeding decisions.
- SEPP 71 – The NRC will continue to advise the Minister for Planning on master plans under SEPP 71, giving confidence that these decisions are sound.

3.3 Taking the next steps – enabling implementation of the standard and targets

NRM in NSW is continuing to evolve. CAPs can be the primary vehicles for public and private NRM investment. They can provide the continuity and stability necessary to invest in the natural resource assets that underpin the health of our economy, our communities and our environment. Coordinated monitoring and reporting across the State will be required to support these plans, and the CAPs can coordinate all stakeholders in NRM to work together to achieve the state-wide targets. The NRC will help natural resource managers take the next steps to achieve this vision through the following projects:

- Supporting CMAs – The NRC will help CMAs meet their potential through providing them with support to implement the standard in their operations and deliver their targets. The NRC will also assist CMAs as they coordinate the actions of all natural resource managers in their region, and will disseminate relevant knowledge to inform natural resource decision-making.
- Supporting further adoption of the standard and targets – Wider understanding and adoption of the standard and alignment with the targets will greatly enhance CMAs' capacity to coordinate the actions of others in their region. The NRC will promote the use of the standard and the achievement of the targets through increased engagement with stakeholders via its communication strategy.
- Implementation of the State Monitoring Evaluation and Reporting Strategy – The NSW Government approved the State Monitoring Evaluation and Reporting Strategy in August 2006, to rationalise state-wide NRM monitoring and reporting arrangements. The NRC will work with agencies and CMAs to promote the effective implementation of the

³ Saunders, D., Shepherd, R., Kneipp, K., Norman, P., Raine, C., Green, D., Briggs, S., Howling, G., Farraro, T. (2006) Review of the Invasive Native Scrub Assessment Methodology and Decision Support Tool of the Property Vegetation Plan Developer Under the *Native Vegetation Act 2003*.

Strategy, ensuring it will deliver information on CMAs' implementation of their CAPs and progress made towards CAP and state-wide targets in each region. This includes providing input into the native vegetation and coastal lakes and estuaries indicator pilots and further developing a guide for State of Environment reporting. The NRC's guide will aim to minimise the duplication of effort and maximise the utility of data for information that is specific to sites as well as information that applies across catchments or the whole state.

- Identifying obstacles to the implementation of the standard and targets - Timely advice from the NRC will enable Government to proactively address any obstacles to the successful implementation of the standard, state-wide targets and CAPs. Some of these issues involve the need for additional agency research and scientific support to CMAs (eg climate change and analytical frameworks for prioritisation of investments). Others involve the need to resolve conflicting legal and policy setting such as in coastal CMAs.

4 How the NRC achieves results

4.1 Staff

The Commissioner is responsible for exercising the functions of the NRC Act and providing advice to government. The Commissioner is supported by four Assistant Commissioners who provide high level expertise in different areas. The Commissioner and Assistant Commissioners are all widely regarded as leading experts in the fields of agriculture, sustainable development, environmental education, environmental science and policy.

The Executive Director, Alex McMillan, is responsible for leadership and strategic management of the NRC. He manages a team of NRC staff who bring a variety of experiences from different backgrounds and different areas of expertise.

The NRC makes extensive use of the discipline-specific scientific knowledge of agency and independent scientists to develop robust, practical advice. Where necessary, the NRC can also draw on the expertise of consultants to bridge team capacity constraints.

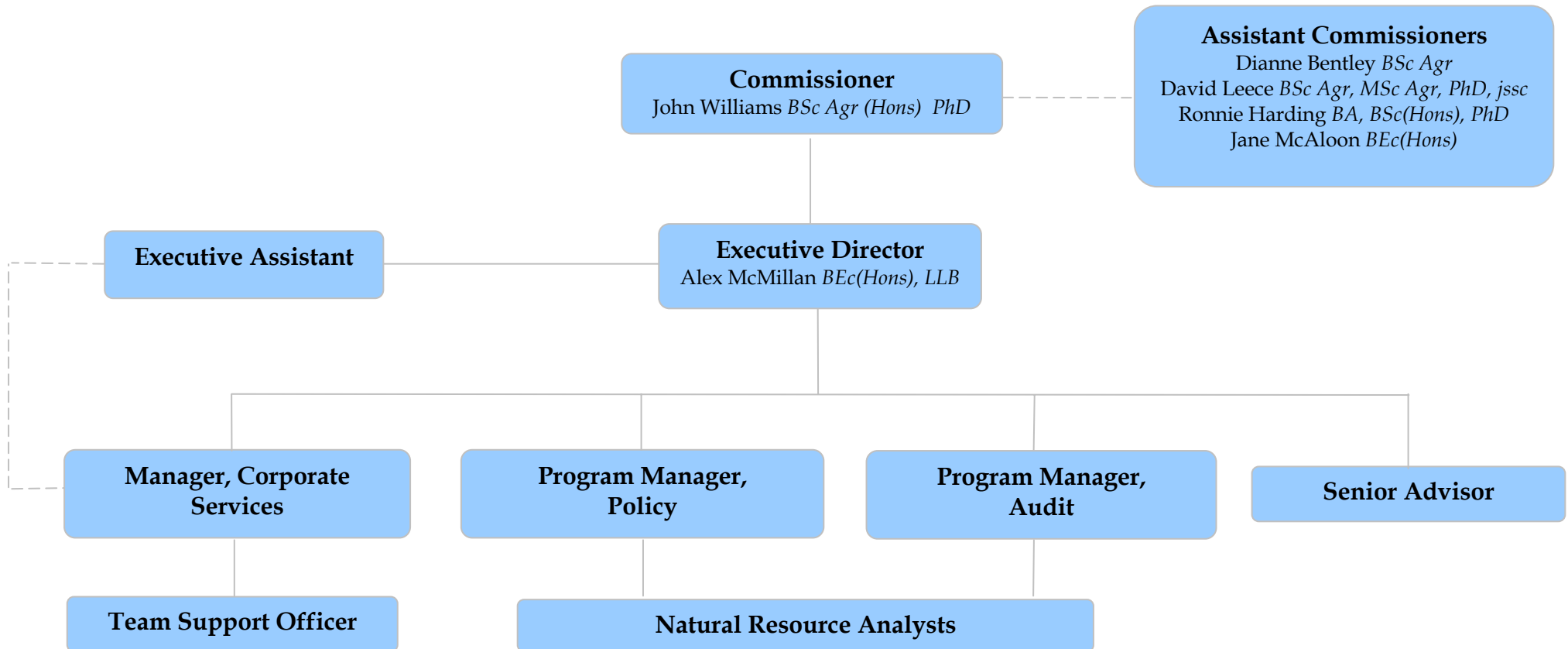
Figure 1 provides a picture of the NRC at the end of June 2006, including the names and qualifications of the Commissioner, Assistant Commissioners and Executive Director.

4.2 Values

The following values characterise both the operation of the NRC and the work the NRC produces:

- We are independent - we provide objective and practical advice to Government after listening to all stakeholders, drawing on the best available knowledge and analysis, then making our own judgements.
- We pursue quality - we perform our work to the highest standard, ensuring we are rigorous, efficient and focussed. We lead and support others in continually improving the quality of NRM processes and outcomes.
- We are innovative - we think creatively to develop practical advice for our stakeholders within a dynamic institutional and natural environment.
- We have a vibrant workplace - we enjoy good humour and the company of our colleagues. We celebrate milestones and maintain a sense of perspective.
- We work together as a high performing team - we understand and respect one another's needs. We trust each other, share our expertise and are committed to the success of the team and its members.

Figure 1: NRC Organisational Structure at 30 June 2006



4.3 Corporate support

The NRC seeks to provide a dynamic, rewarding and supporting workplace to enable the NRC to meet current and future challenges.

The NRC applies the standard to our internal systems to ensure we cost effectively achieve our outcomes and meet our NRC's statutory obligations within a strong governance framework.

The following corporate service programs were undertaken to support the NRC's achievement of results:

- Continued implementation of the performance excellence process
- Commenced development of project management guidelines and training in the guidelines
- Establishment of a Finance, Risk Management and Audit Committee
- Development and testing of a Business Continuity Plan
- Review of all corporate policies and procedures
- Conduct of management development program
- Provision of targeted computer skills training
- Review and expansion of the induction training program
- Improved systems approach to maintenance of information technology
- Induction processes were enhanced for contractors and consultants working on NRC premises
- NRC values were collectively identified and promoted
- Improved functionality and content of the NRC webpage www.nrc.nsw.gov.au
- All staff trained in TRIM Context, NRC's record keeping system.

In 2006/07 the following activities to support the NRC's achievement of results will be undertaken:

- Additional recruitment and induction of new staff so the NRC is at full capacity
- Information technology capital refresh program
- Small office fit-out to accommodate four additional staff
- Development of risk management framework
- Development and implementation of revised corporate policies and procedures
- Review of current employment conditions and commencement of negotiations for an industrial agreement
- Completion of the project management training and guidelines
- Further management development
- Writing skills workshops for new staff
- Further targeted professional development for all staff

Further corporate service initiatives are outlined in the relevant sections of the attachments.

4.4 Commission meetings

The Commissioner meets regularly with the Assistant Commissioners, Executive Director and relevant team members to scope the direction of new projects and finalise advice before making recommendations to the government.

4.5 External Committees

The Commissioner Chairs the Ministerial Review Committee. This committee was established by the Ministers for Natural Resources and the Environment to provide recommendations on changes that need to be made to the *Native Vegetation Act 2003* and its regulations.

5 Financial Statements 2005/2006

The 2005/06 financial report has been audited and approved by the NSW Audit Office.

NATURAL RESOURCES COMMISSION

FINANCIAL STATES FOR THE PERIOD 1 JULY 2005 TO 30 JUNE 2006



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT NATURAL RESOURCES COMMISSION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Natural Resources Commission (the Commission):

- presents fairly the Commission's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and the Commissioner's Responsibility

The financial report comprises the operating statements, statements of changes in equity, balance sheets, cash flow statements, summary of compliance with financial directives and accompanying notes to the financial statements for the Commission and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the Commission and the entity it controlled during the year.

The Commissioner of the Natural Resources Commission is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

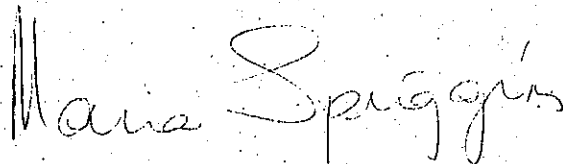
- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Commissioner in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Commissioner had not fulfilled his reporting obligations.

Acknowledgment

I thank the Natural Resources Commission's staff for their courtesy and assistance.

Yours sincerely

A handwritten signature in cursive script that reads "M T Spriggins". The signature is written in dark ink and is positioned above the typed name.

M T Spriggins
Director, Financial Audit Services

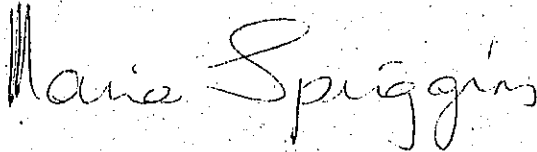
My opinion does *not* provide assurance:

- about the future viability of the Commission or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General; and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



M T Spriggins
Director, Financial Audit Services

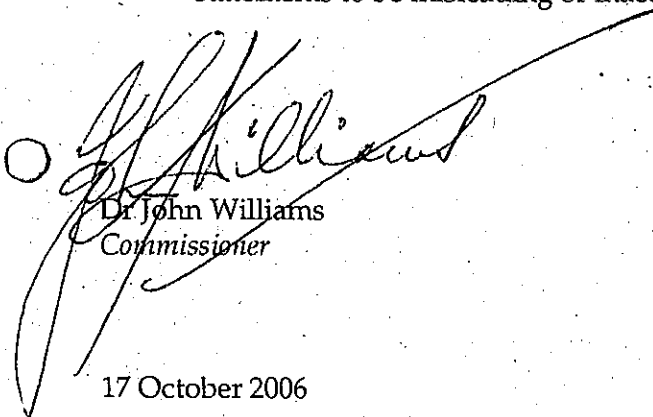
SYDNEY
17 October 2006

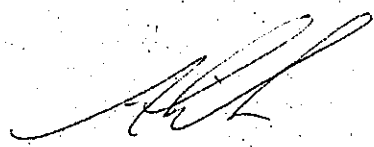
natural
resources
commission

STATEMENT ON BEHALF OF THE
NATURAL RESOURCES COMMISSION

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge and belief:

- a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000, the Financial Reporting Code for Budget Dependent Central Government Sector Agencies and Treasurer's Directions;
- b) the financial statements exhibit a true and fair view of the financial position of the Natural Resources Commission of New South Wales as at 30 June 2006 and the operations for the period then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.


Dr John Williams
Commissioner


Alex McMillan
Executive Director

17 October 2006

Natural Resources Commission

**Financial report
for the Year Ended 30 June 2006**

**Natural Resources Commission
Operating Statement
for the Year Ended 30 June 2006**

	Notes	Consolidated			NRC		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
Expenses excluding losses							
Employee related expenses	2(a)	2,050	-	-	2,050	1,515	1,025
Other operating expenses	2(b)	2,485	-	-	2,485	3,161	2,340
Depreciation and amortisation	2(c)	288	-	-	288	110	181
Total Expenses excluding losses		4,823	-	-	4,823	4,786	3,546
Less:							
Revenue							
Sale of goods and services	3(a)	-	-	-	-	-	4
Investment income	3(b)	22	-	-	22	20	40
Other revenue	3(c)	14	-	-	14	-	13
Total Revenue		36	-	-	36	20	57
Gain / (loss) on disposal	4	(3)	-	-	(3)	-	(19)
Net Cost of Services	20	4,790	-	-	4,790	4,766	3,508
Government Contributions							
Recurrent appropriations	5	4,695	-	-	4,695	4,764	3,000
Capital appropriations	5	-	-	-	-	-	934
Acceptance by the Crown Entity of employee benefits and other liabilities	6	33	-	-	33	52	80
Total Government Contributions		4,728	-	-	4,728	4,816	4,014
SURPLUS / (DEFICIT) FOR THE YEAR		(62)	-	-	(62)	50	506

The accompanying notes form part of these financial statements.

**Natural Resources Commission
Statement of Changes in Equity
for the Year Ended 30 June 2006**

	Notes	Consolidated			NRC		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		-	-	-	-	-	-
Surplus / (Deficit) for the year		(62)	-	-	(62)	50	506
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR	16	(62)	-	-	(62)	50	506

The accompanying notes form part of these financial statements.

**Natural Resources Commission
Balance Sheet
as at 30 June 2006**

	Notes	Consolidated			NRC		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
ASSETS							
Current Assets							
Cash and cash equivalents	8	27	-	-	27	719	530
Receivables	9	151	-	-	151	116	106
Other	12	14	-	-	14	14	14
Total Current Assets		<u>192</u>	-	-	<u>192</u>	<u>849</u>	<u>650</u>
Non-Current Assets							
Plant and Equipment	10	684	-	-	684	814	972
Intangible assets	11	2	-	-	2	-	4
Other	12	30	-	-	30	44	44
Total Non-Current Assets		<u>716</u>	-	-	<u>716</u>	<u>858</u>	<u>1,020</u>
Total Assets		<u>908</u>	-	-	<u>908</u>	<u>1,707</u>	<u>1,670</u>
LIABILITIES							
Current Liabilities							
Payable	13	61	-	-	21	384	345
Provisions	14	232	-	-	64	107	171
Other	15	100	-	-	310	559	559
Total Current Liabilities		<u>393</u>	-	-	<u>395</u>	<u>1,050</u>	<u>1,075</u>
Non-Current Liabilities							
Provisions	14	2	-	-	-	6	6
Other	15	30	-	-	30	44	44
Total Non-Current Liabilities		<u>32</u>	-	-	<u>30</u>	<u>50</u>	<u>50</u>
Total Liabilities		<u>425</u>	-	-	<u>425</u>	<u>1,100</u>	<u>1,125</u>
Net Assets		<u>483</u>	-	-	<u>483</u>	<u>607</u>	<u>545</u>
EQUITY							
Accumulated funds	16	483	-	-	483	607	545
Total Equity		<u>483</u>	-	-	<u>483</u>	<u>607</u>	<u>545</u>

The accompanying notes form part of these financial statements.

**Natural Resources Commission
Cash Flow Statement
for the Year Ended 30 June 2006**

	Notes	Consolidated			NRC		
		Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Budget 2006 \$'000	Actual 2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Payments							
Employee related		(2,129)	-	-	(2,129)	(1,463)	(826)
Other		(2,830)	-	-	(2,830)	(3,122)	(2,536)
Total Payments		(4,959)	-	-	(4,959)	(4,585)	(3,362)
Receipts							
Sale of goods and services		-	-	-	-	-	38
Interest received		32	-	-	32	20	18
Other		219	-	-	219	(10)	262
Total Receipts		251	-	-	251	10	318
Cash Flows From Government							
Recurrent appropriation	5	4,764	-	-	4,764	4,764	3,529
Capital appropriation	5	-	-	-	-	-	950
Cash reimbursements from the Crown Entity		-	-	-	-	-	60
Cash transfers to the Consolidated Fund		(545)	-	-	(545)	-	(1,097)
Net Cash Flows From Government		4,219	-	-	4,219	4,764	3,442
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	(489)	-	-	(489)	189	398
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of Property, Plant and Equipment		8	-	-	8	-	-
Purchases of Property, Plant and Equipment		(22)	-	-	(22)	-	(934)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(14)	-	-	(14)	-	(934)
NET INCREASE (DECREASE) IN CASH (DECREASE) IN CASH		(503)	-	-	(503)	189	(536)
Opening cash and cash equivalents		530	-	-	530	348	1,066
CLOSING CASH AND CASH EQUIVALENTS	8	27	-	-	27	537	530

The accompanying notes form part of these financial statements.

Natural Resources Commission
 Summary of Compliance with Financial Directives
 for the Year Ended 30 June 2006

Consolidated	2006				2005			
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION / EXPENDITURE								
• Appropriation Act	4,269	4,200	-	-	3,514	2,985	500	500
• Additional Appropriations	4,764	4,695	-	-	3,514	2,985	500	500
OTHER APPROPRIATIONS / EXPENDITURE								
• Treasurer's Advance	-	-	-	-	-	-	450	434
• Transfers to / from another agency (s27 of the Appropriation Act)	-	-	-	-	15	15	450	-
Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)	4,764	4,695	-	-	3,529	3,000	950	934
Amount drawn down against Appropriation Liability to Consolidated Fund*		4,764 (69)		-		3,529 529		950 16

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).
 Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund"

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity

The Natural Resources Commission (the Commission), was established as an independent body with broad investigating and reporting functions for the purpose of establishing a sound scientific basis for the properly informed management of natural resources in the social, economic and environmental interests of the State, and enabling the adoption of State-wide standards and targets for natural resource management issues.

The Natural Resources Commission, as a reporting entity, comprises all the entities under its control, including the Natural Resources Commission Division. Staff of the Commission were transferred to the Natural Resources Commission Division on 17 March 2006. All employee provisions are now held within the Division, and are shown in the consolidated section of these statements.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The Natural Resources Commission is a NSW government statutory authority. The Commission is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

There is no comparative figure for the consolidated entity as the consolidated entity started from 17 March 2006.

The consolidated financial report for the year ended 30 June 2006 has been authorised for issue by the Executive Director on 17 October 2006.

(b) Basis of Preparation

The Commission's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standard (AIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets held for trading and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) *Statement of Compliance*

The consolidated and parent entity financial statements and notes comply with Australian Accounting Standards, which include AEIFRS.

This is the first financial report prepared based on AEIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, except as stated below.

In accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and Treasury Mandates, the date of transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* was deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005.

The basis used to prepare the 2004/05 comparative information for financial instruments under previous Australian Accounting Standards is discussed in Note 1(t) below. The financial instrument accounting policies for 2005/06 are specified 1-(p) and (q), below.

Reconciliations of AEIFRS equity and surplus or deficit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 22. This note also includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB 132 and AASB 139.

(d) *Administered Activities*

The Commission does not administer any activities on behalf of the Crown Entity.

(e) *Income Recognition*

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) *Parliamentary Appropriations and Contributions*

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations / contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year end. In this case, the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue.

The liability is disclosed in Note 15 as part of 'Current liabilities - Other'. The amount will be repaid and the liability will be extinguished next financial year.

(ii) *Sale of Goods*

Revenue from the sale of goods is recognised as revenue when the agency transfers the significant risks and rewards of ownership of the assets.

(iii) *Rendering of Services*

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) *Investment income*

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) *Employee Benefits*

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within twelve months is measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation

The Commission's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities". Prior to 2005/06 the Crown Entity also assumed the defined contribution superannuation liability.

(iii) Personnel Services

The Personnel Services are provided by the Natural Resources Commission Division from 17 March 2006 according to the Public Sector Employment Legislation Amendment Act 2006.

(g) *Insurance*

The Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(h) *Accounting for the Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(i) *Acquisitions of Assets*

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

(j) *Capitalisation Thresholds*

Property, plant and equipment and intangible assets costing \$5,000 are capitalised.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 05-3). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

(l) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Commission.

Depreciation Rates	% Rate
Office furniture and fittings	10.00
Computer equipment and softwares	25.00
General plant and equipment	14.28
Leasehold improvements - over the period of the lease	

(m) Restoration Cost

The estimated cost of dismantling and removing an asset and restoring the site is included in the cost of an asset, to the extent it is recognised as a liability.

(n) Leased Assets

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred.

(o) Intangible Assets

The Commission recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the agency's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Commission's intangible assets are amortised using the straight line method over a period of four years.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the Commission is effectively exempted from impairment testing.

(p) Loans and Receivables - Year ended 30 June 2006 (refer Note 1(t) for 2004/05 policy)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Any changes are accounted for in the Operating Statement when impaired, derecognised or through the amortisation process.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) *Payables - Year ended 30 June 2006 (refer Note 1(t) for 2004/05 policy)*

These amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(r) *Budgeted Amounts*

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and / or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

(s) *Comparative Information*

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP Standard (AAS 33) as permitted by AASB 1.36A. (refer para (t) below). The transition to AEIFRS for financial instruments information was 1 July 2005. The impact of adopting AASB 132 / 139 is further discussed in Note 22.

(t) *Financial instruments accounting policy 2004/05 comparative*

Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(u) *New Australian Accounting Standards issued but not effective*

The possible impact of new Australian Accounting Standards in the period of initial application is not yet known.

2 EXPENSES EXCLUDING LOSSES

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
(a) Employee related expenses				
Salaries and wages (including recreation leave)	1,797	-	1,274	905
Superannuation - defined contribution plans	111	-	78	60
Long service leave	26	-	18	16
Workers compensation insurance	17	-	7	6
Payroll tax and fringe benefit tax	99	-	57	38
Personnel services	-	-	616	-
	<u>2,050</u>	<u>-</u>	<u>2,050</u>	<u>1,025</u>

Personnel services are payments to the Natural Resources Commission Division for Employee related expenses.

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

2 EXPENSES EXCLUDING LOSSES (cont'd)

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
(b) Other operating expenses				
Auditor's remuneration - audit or review of the financial reports	9	-	9	6
Consultancy costs	697	-	697	358
Contractors	673	-	673	851
Insurance	18	-	18	13
Postage and telephone	44	-	44	20
Advertising, Printing and Publication	64	-	64	54
Rental expense relating to operating leases	261	-	261	168
Training (staff development)	45	-	45	18
Travel	176	-	176	101
Special Functions/Events	24	-	24	25
Corporate services	99	-	99	80
Administration Expenses	197	-	197	415
EDP expenses	152	-	152	201
Maintenance expenses	26	-	26	30
	<u>2,485</u>	<u>-</u>	<u>2,485</u>	<u>2,340</u>
(c) Depreciation and amortisation expenses				
Depreciation				
Plant and Equipment	132	-	132	68
Total Depreciation	<u>132</u>	<u>-</u>	<u>132</u>	<u>68</u>
Amortisation				
Leasehold improvements	154	-	154	113
Intangible	2	-	2	-
	<u>288</u>	<u>-</u>	<u>288</u>	<u>181</u>

3 REVENUES

	Notes	Consolidated		NRC	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
(a) Sale of goods and services					
Sale of goods and services		-	-	-	4
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>

Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006

3 REVENUES (cont'd)

	Notes	Consolidated		NRC	
		Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
(b) Investment income					
Interest		22	-	22	40
		<u>22</u>	<u>-</u>	<u>22</u>	<u>40</u>
(c) Other revenue					
Other		14	-	14	13
		<u>14</u>	<u>-</u>	<u>14</u>	<u>13</u>

4 GAIN / (LOSS) ON DISPOSAL

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Gain / (loss) on disposal of plant and equipment				
Proceeds from disposal	8	-	8	-
Written down value of assets disposed	(11)	-	(11)	(19)
Net gain / (loss) on disposal of plant and equipment	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(19)</u>

5 APPROPRIATIONS

Recurrent appropriations

Total recurrent drawdowns from Treasury (per Summary of Compliance)	4,764	3,529	4,764	3,529
Less: Liability to Consolidated Fund (per Summary of Compliance)	69	529	69	529
	<u>4,695</u>	<u>3,000</u>	<u>4,695</u>	<u>3,000</u>
Comprising:				
Recurrent appropriations (per Operating Statement)	4,695	-	4,695	3,000
Transfer payments	-	-	-	-
	<u>4,695</u>	<u>-</u>	<u>4,695</u>	<u>3,000</u>

5 APPROPRIATIONS (cont'd)

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Capital appropriations				
Total capital drawdowns from Treasury (per Summary of Compliance)	-	950	-	950
Less: Liability to Consolidated Fund (per Summary of Compliance)	-	16	-	16
	<u>-</u>	<u>934</u>	<u>-</u>	<u>934</u>
Comprising:				
Capital appropriations (per Operating Statement)	-	-	-	934
Transfer payments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>934</u>

6 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

The following liabilities and / or expenses have been assumed by the Crown Entity or other government agencies:

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Superannuation	-	-	-	60
Long Service Leave	26	-	26	16
Payroll tax	7	-	7	4
	<u>33</u>	<u>-</u>	<u>33</u>	<u>80</u>

The superannuation belongs to Defined Contribution Plans

7 PROGRAMS / ACTIVITIES OF THE AGENCY

(a) Program 1-Natural Resources Commission

Objectives: To provide independent advice on natural resources management issues; to recommend statewide standards and targets; to recommend the approval of Catchment Action Plans; to undertake audits of those plans; to gather and disseminate information; to advise the Minister on priorities for research; to undertake assessments and inquiries requested by the Minister.

Program Description: Provision of research and advisory services to support natural resources management. Conduct of public inquiries, seminars, establishment of working groups and other consultative mechanisms and dissemination of information. Maintenance of systems and procedures to administer and monitor Catchment Action Plans. Provision of a compliance reporting framework to monitor compliance with standards and targets.

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Cash at bank and on hand	27	-	27	530
	<u>27</u>	<u>-</u>	<u>27</u>	<u>530</u>

Cash and cash equivalent assets recognised in the balance sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	27	-	27	530
Closing cash and cash equivalents (per Cash Flow Statement)	<u>27</u>	<u>-</u>	<u>27</u>	<u>530</u>

The Commission has a credit card facility limit of \$50,000.

9 CURRENT ASSETS - RECEIVABLES

Current Receivables

Goods and Services Tax recoverable from ATO	66	-	66	51
Other debtors	64	-	64	55
Prepayments	21	-	21	-
	<u>151</u>	<u>-</u>	<u>151</u>	<u>106</u>
	<u>151</u>	<u>-</u>	<u>151</u>	<u>106</u>

10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Consolidated

	Plant and Equipment \$'000
At 30 June 2006	
Gross carrying amount	1,148
Accumulated depreciation and impairment	<u>(464)</u>
Net carrying amount - at fair value	<u>684</u>

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Plant and Equipment \$'000
NRC	
At 1 July 2005	
Gross carrying amount	1,153
Accumulated depreciation and impairment	<u>(181)</u>
Net carrying amount - at fair value	<u>972</u>
At 30 June 2006	
Gross carrying amount	1,148
Accumulated depreciation and impairment	<u>(464)</u>
Net carrying amount - at fair value	<u>684</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below.

	Plant and Equipment \$'000
Year ended 30 June 2006	
Net carrying amount at start of year	972
Additions	9
Disposals	(14)
Depreciation expense	(286)
Write back on disposals	<u>-3</u>
Net carrying amount at end of year	<u>684</u>

11 INTANGIBLE ASSETS

	Software \$'000
At 30 June 2006	
Cost (gross carrying amount)	4
Accumulated amortisation and impairment	<u>(2)</u>
Net carrying amount	<u>2</u>

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

11 INTANGIBLE ASSETS (cont'd)

Software
\$'000

NRC

At 1 July 2005

Cost (gross carrying amount)

4

Net carrying amount

4

At 30 June 2006

Cost (gross carrying amount)

4

Accumulated amortisation and impairment

(2)

Net carrying amount

2

Year ended 30 June 2006

Net carrying amount at start of year

4

Amortisation (recognised in depreciation and amortisation)

(2)

Net carrying amount at end of year

2

12 CURRENT ASSETS-OTHER

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Current Other Assets				
Lease incentive	<u>14</u>	-	<u>14</u>	<u>14</u>
	<u>14</u>	-	<u>14</u>	<u>14</u>
Non-current Assets				
Lease incentive	<u>30</u>	-	<u>30</u>	<u>44</u>
	<u>30</u>	-	<u>30</u>	<u>44</u>

13 CURRENT LIABILITIES - PAYABLE

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Current Liabilities - Payable				
Creditors	<u>61</u>	-	<u>21</u>	<u>345</u>
	<u>61</u>	-	<u>21</u>	<u>345</u>

Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006

14 CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Current				
Employee benefits and related on-costs				
Recreation leave	146	-	-	99
Long service leave on-costs	6	-	-	1
Payroll tax	16	-	-	7
	<u>168</u>	<u>-</u>	<u>-</u>	<u>107</u>
Current				
Other provisions				
Restoration Cost	64	-	64	64
	<u>64</u>	<u>-</u>	<u>64</u>	<u>64</u>
	<u>232</u>	<u>-</u>	<u>64</u>	<u>171</u>
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	-	-	-	2
Payroll tax	1	-	-	3
Workers Compensation Insurance	1	-	-	1
	<u>2</u>	<u>-</u>	<u>-</u>	<u>6</u>

Personnel Services received from the Natural Resources Commission Division

Aggregate employee benefits and related on-costs				
Provisions - current	232	-	-	107
Provisions - non-current	2	-	-	6
	<u>234</u>	<u>-</u>	<u>-</u>	<u>113</u>

15 CURRENT / NON-CURRENT LIABILITIES - OTHER

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Other current liabilities				
Liability to consolidated fund	69	-	69	545
Lease incentive	14	-	14	14
Personnel services	-	-	210	-
Other	17	-	17	-
	<u>100</u>	<u>-</u>	<u>310</u>	<u>559</u>

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

15 CURRENT / NON-CURRENT LIABILITIES - OTHER (cont'd)

Other non-current liabilities				
Lease incentive	30	-	30	44
	<u>30</u>	<u>-</u>	<u>30</u>	<u>44</u>

16 CHANGES IN EQUITY

	Accumulated Funds	
	30 June 2006 \$'000	30 June 2005 \$'000
Consolidated		
Balance at the beginning of the year	545	-
Changes in equity - other than transactions with owners as owners		
Surplus / (deficit) for the year	(62)	-
Total	<u>(62)</u>	<u>-</u>
	Accumulated Funds	
	30 June 2006 \$'000	30 June 2005 \$'000
NRC		
Balance at the beginning of the year	545	39
Changes in equity - other than transactions with owners as owners		
Surplus / (deficit) for the year	(62)	506
Total	<u>(62)</u>	<u>506</u>
Balance at the end of the financial year	<u>483</u>	<u>545</u>

**Natural Resources Commission
Notes to the financial statements
for the year ended 30 June 2006**

17 COMMITMENTS FOR EXPENDITURE

	Consolidated		NRC	
	Actual	Actual	Actual	Actual
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

(a) Other Expenditure Commitments

Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:

Not later than one year	15	-	15	-
Total (including GST)	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable

Not later than one year	238	238	238	238
Later than one year and not later than five years	498	713	498	713
Total (including GST)	<u>736</u>	<u>951</u>	<u>736</u>	<u>951</u>

Commitments include GST of \$68K (\$87K for 2005) which is expected to be recovered from the Australian Taxation Office (ATO).

18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Commission is not aware of any contingent liabilities and / or contingent assets associated with its operations.

19 BUDGET REVIEW

Net cost of services

Net cost of services is above budget by \$24K mainly due to higher levels of expenditure than expected in Employee Related Expenses (\$535K), depreciation (\$178K), offset by lower levels of Other Operating Expenditure (\$676K).

Assets and liabilities

Current Assets were \$657K below budget mainly due to cash lower than budgeted by \$692K.

Non Current Assets were \$142K lower than budget. It is due to higher than budgeted provision for depreciation.

Current Liabilities were \$657K lower than budget. It is mainly due to reduction in the Liabilities to Consolidated Fund \$476K.

Non Current Liabilities were \$18K lower than budget due to unbudgeted deduction of the lease incentive.

Cash flows

Cash flows from Operating Activities were (\$489K) against a budget figure of \$189K. This is due to \$545K cash transfer to ConFund.

20 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES

	Consolidated		NRC	
	Actual 2006 \$'000	Actual 2005 \$'000	Actual 2006 \$'000	Actual 2005 \$'000
Net cash used on operating activities	(489)	-	(489)	398
Cash flows from Government / Appropriations	(4,219)	-	(4,219)	(3,442)
Acceptance by the Crown Entity of employee benefits and other liabilities	(33)	-	(33)	(20)
Net gain / (loss) on sale of plant and equipment	(3)	-	(3)	(19)
Depreciation	(288)	-	(288)	(181)
Decrease / (increase) in provisions	(57)	-	(57)	(68)
Increase / (decrease) in prepayments and other assets	32	-	32	53
Decrease / (increase) in creditors	267	-	267	(229)
Net cost of services	<u>(4,790)</u>	<u>-</u>	<u>(4,790)</u>	<u>(3,508)</u>

21 FINANCIAL INSTRUMENTS

Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate adjusted for a management fee to Treasury.

Receivables

All receivables are recognised as amounts receivable at balance date. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on receivables. The carrying amount approximates net fair value.

Bank Overdraft

The Commission does not have any bank overdraft facility.

Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. The rate of interest applied during the year was 4.5% (2005 - 4.3%).

22 IMPACT OF ADOPTION OF AEIFRS

Natural Resources Commission has applied the AEIFRS for the first time in 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. Natural Resources Commission has adopted the options mandated by NSW Treasury for all NSW public sector agencies. The impacts below reflect Treasury's mandates and policy decisions.

22 IMPACT OF ADOPTION OF AEIFRS (cont'd)

(a) Reconciliation - 1 July 2004 and 30 June 2005

Reconciliation of equity under previous Accounting standards (AGAAP) to equity under AEIFRS:

	Notes	Consolidated		NRC	
		30 June 2005** \$'000	1 July 2004* \$'000	30 June 2005** \$'000	1 July 2004* \$'000
Total Equity under AGAAP		-	-	557	39
Adjustments to accumulated funds					
Recognition of restoration costs	i	-	-	(12)	-
Adjustments to other reserves					
Total equity under AEIFRS		-	-	545	39

* = adjustments as at the date of transition

** = cumulative adjustments as at date of transition plus the year ended 30 June, 2006

Reconciliation of surplus / (deficit) under previous AGAAP to surplus / (deficit) under AEIFRS:

	Notes	Consolidated 30 June 2005 \$'000	NRC 30 June 2005 \$'000
Year ended 30 June 2005			
Surplus / (deficit) under AGAAP		-	518
Recognition of depreciation and finance costs for the provision for restoration costs	i	-	(12)
Surplus / (deficit) under AEIFRS		-	506

Based on the above, application of AEIFRS in 2004/05 has increased the Net Cost of Services from \$3496K to \$3508K.

Notes to tables above

i AASB 116 requires major inspection cost to be recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Under previous AGAAP, these cost were expensed as incurred. The fair value and depreciation component associated with the major inspection costs were re-allocated as a portion of the recognised value of the related asset. This increased the net carrying amount of property, plant and equipment and increased the depreciation expense. In addition, the repairs and maintenance expense decreased.

23 AFTER BALANCE DATE EVENTS

There are no events subsequent to balance date which affect the financial report.

End of audited financial report.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Natural Resources Commission Division

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Natural Resources Commission Division (the Division):

- presents fairly the Division's financial position as at 30 June 2006 and its performance for the period ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Commissioner's Responsibility

The financial report comprises the operating statement, statement of changes in equity, balance sheet, cash flow statement and accompanying notes to the financial statements for the Division for the period ended 30 June 2006

The Commissioner of the Natural Resources Commission is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Commissioner in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Commissioner had not fulfilled his reporting obligations.

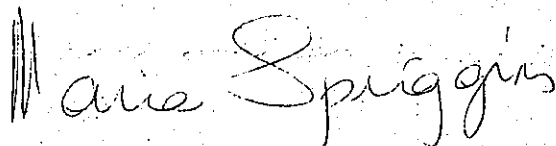
My opinion does *not* provide assurance:

- about the future viability of the Division
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



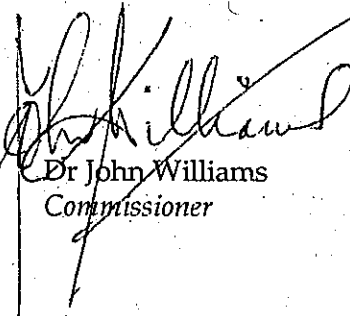
M T Spriggins
Director, Financial Audit Services

SYDNEY
17 October 2006

STATEMENT ON BEHALF OF THE
NATURAL RESOURCES COMMISSION DIVISION

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, we state that to the best of our knowledge and belief:

- d) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000, the Financial Reporting Code for Budget Dependent Central Government Sector Agencies and Treasurer's Directions;
- e) the financial statements exhibit a true and fair view of the financial position of the Natural Resources Commission Division of New South Wales as at 30 June 2006 and the operations for the period then ended;
- f) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Dr John Williams
Commissioner

17 October 2006



Alex McMillan
Executive Director

Natural Resources Commission Division

**Financial report
for the period 17 March to 30 June 2006**

**Natural Resources Commission Division
Operating Statement
for the period from 17 March to 30 June 2006**

	Notes	Division Actual 2006 \$'000
Expenses excluding losses		
Employee related expenses	2(a)	<u>616</u>
Total Expenses excluding losses		<u>616</u>
Less:		
Revenue		
Other revenue	3(a)	<u>616</u>
Total Revenue		<u>616</u>
 SURPLUS / (DEFICIT) FOR THE PERIOD		 <u>-</u>

The accompanying notes form part of these financial statements.

**Natural Resources Commission Division
Statement of Changes in Equity
for the period from 17 March to 30 June 2006**

**Division
Actual
2006
\$'000**

TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY
Surplus / (Deficit) for the year
TOTAL INCOME AND EXPENSE RECOGNISED FOR THE YEAR

_____-
_____-
_____-

The accompanying notes form part of these financial statements.

**Natural Resources Commission Division
Balance Sheet
as at 17 March to 30 June 2006**

	Notes	Division Actual 2006 \$'000
ASSETS		
Current Assets		
Receivables	4	<u>210</u>
Total Current Assets		<u>210</u>
Total Assets		<u>210</u>
Current Liabilities		
Payables	5	40
Provisions	6	<u>168</u>
Total Current Liabilities		<u>208</u>
Non-Current Liabilities		
Provisions	6	<u>2</u>
Total Non-Current Liabilities		<u>2</u>
Total Liabilities		<u>210</u>
Net Assets		<u>-</u>
EQUITY		
Total Equity		<u>-</u>

The accompanying notes form part of these financial statements.

**Natural Resources Commission Division
Cash Flow Statement
for the period from 17 March to 30 June 2006**

**Division
Actual
2006
\$'000**

CASH FLOWS FROM OPERATING ACTIVITIES

Payments

Employee related

(406)

Total Payments

(406)

Receipts

Other

406

Total Receipts

406

Net Cash Flows From Government

-

NET CASH FLOWS FROM OPERATING ACTIVITIES

-

NET CASH FLOWS FROM INVESTING ACTIVITIES

-

NET INCREASE (DECREASE) IN CASH

-

CLOSING CASH AND CASH EQUIVALENTS

-

The accompanying notes form part of these financial statements.

Natural Resources Commission Division
Notes to the financial statements
for the period from 17 March to 30 June 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Reporting entity*

The Natural Resources Commission Division is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 10, 15 Castlereagh Street, Sydney 2000.

The Natural Resources Commission Division's objective is to provide personnel services to The Natural Resources Commission.

The Natural Resources Commission Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Natural Resources Commission. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer. There are no prior period comparatives.

The financial report was authorised for issue by the Executive Director on 17 October 2006. The report will not be amended and reissued as it has been audited.

(b) *Basis of Preparation*

The Division's financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian equivalents to International Financial Reporting Standard (AIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the Act.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) *Income Recognition*

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

The Personnel Services are provided to the Natural Resources Commission from 17 March 2006 according to the Public Sector Employment Legislation Amendment Act 2006.

(d) *Employee Benefits*

(i) *Salaries and Wages, Annual Leave, Sick Leave and On-Costs*

Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 Employee Benefits.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Natural Resources Commission Division
Notes to the financial statements
for the period from 17 March to 30 June 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) *Employee Benefits (cont'd)*

(ii) Long Service Leave and Superannuation

The Division's liabilities for long service leave and superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as "Acceptance by the Crown Entity of employee benefits and other liabilities".

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 03/08) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(e) *New Australian Accounting Standards issued but not effective*

The possible impact of new Australian Accounting Standards in the period of initial application is not yet known.

2 EXPENSES EXCLUDING LOSSES

	Division Actual 2006 \$'000
(a) Employee related expenses	
Salaries and wages (including recreation leave)	524
Superannuation - defined contribution plans	34
Long service leave	7
Workers compensation insurance	9
Payroll tax and fringe benefit tax	42
	616

3 REVENUES

(a) Other revenue	
Personnel services	616
	616

4 CURRENT / NON-CURRENT ASSETS - RECEIVABLES

Current Receivables	
Personnel services	210
	210
	210

Natural Resources Commission Division
Notes to the financial statements
for the period from 17 March to 30 June 2006

5 CURRENT LIABILITIES - PAYABLE

Division
Actual
2006
\$'000

Current Liabilities - Payable

Accrued salaries, wages and on-costs

40
40

6 CURRENT / NON-CURRENT LIABILITIES - PROVISIONS

Current

Employee benefits and related on-costs

Recreation leave

146

Long service leave

6

Payroll tax

16

168

168

Non-current

Employee benefits and related on-costs

Payroll tax

1

Workers compensation

1

2

2

Aggregate employee benefits and related on-costs

Division
Actual
2006
\$'000

Aggregate employee benefits and related on-costs

Provisions - current

168

Provisions - non-current

2

Accrued salaries, wages and on-costs

40

210

End of audited financial report.

Attachment 1: Legislative Provisions

Legislation	Relevant sections	Details	Any relevant amendments in 2005/06
<i>Natural Resources Commission Act 2003</i>	Whole Act	Establishes the NRC, details its functions and includes operational provisions.	<i>Statute Law (Miscellaneous Provisions) Act 2005 - Repeal of s. 23 and Schedule 2</i> <i>Public Sector Employment Legislation Amendment Act 2006 - Repeal of s. 10 and addition to s. 13. Staff of the NRC are employed under s. 1A of the Public Sector Employment and Management Act 2002.</i>
<i>Catchment Management Authorities Act 2003</i>	s. 22, 23, 26, 28	The Minister is to seek advice from the NRC in assessing a draft CAP, and take account of that advice. CAPs must be audited at least every 5 years by the NRC or an independent audit panel appointed by the Minister. The Minister may seek advice from the NRC on any annual implementation program submitted to the Minister.	
<i>Native Vegetation Regulation 2005</i>	clauses 17, 25	The Minister must consult with the NRC before listing a native species as a feral species. The Minister is to seek the advice of the NRC regarding any proposed amendment to the environmental outcomes assessment methodology. The NRC may suggest amendments to the methodology.	
<i>Threatened Species Conservation Act 1995</i>	s. 18, 21, 24, 25A, 90B, 126E, 128, 141B, 141C	Establishes links between the NRC and the Threatened Species and Fisheries Scientific Committees and the Biological Diversity and Socio-Economic Advisory Councils. The NRC may provide advice on preparation or review of a priorities action statement. The Minister may suspend biodiversity certification based on the	

		outcomes of any audit undertaken by the NRC.
<i>Water Management Act 2000</i>	s. 43A	The Minister may extend the duration of a water sharing plan on the recommendation of the NRC. The section includes provisions for the NRC's review and report.
<i>Snowy Mountains Cloud Seeding Trial Act 2004</i>	s. 6, 8	The Ministers must consult the NRC about any proposed suspension or termination of the cloud seeding trial. The NRC is to supervise cloud seeding operations and report on the environmental impact of those operations.
<i>Forestry and National Park Estate Act 1998</i>	s. 15, 25	A forest agreement can only be made after an assessment by the NRC.
State Environmental Planning Policy No 71 - Coastal Protection	s. 18, 21, 22	The Minister must consult with the NRC when considering approval of a master plan or waiving the need for a master plan.

Attachment 2 Staffing and Consultants

Equal Employment Opportunity Policies

The NRC continued to implement its Equal Employment Opportunity (EEO) policy during the reporting period. Position Descriptions for managers, the Executive Director and the Commissioner were reviewed to ensure EEO responsibilities were clearly reflected. The induction training program for all new staff was expanded to specifically incorporate EEO policies and programs. The NRC's commitments to EEO were also discussed with all new consultants and contractors who were temporarily based in the NRC's offices as part of their specialised induction program. The NRC's careers webpage was also upgraded to ensure that all new applicants were provided with sufficient understanding of the NRC's commitment to EEO. The NRC's policies on EEO, grievance handling and harassment prevention were reviewed.

In 2006/07, the NRC will continue to:

- facilitate fair, transparent and inclusive decision making forums
- emphasise the importance of adhering to EEO principles and NRC values as part of our performance excellence process
- discuss EEO at our team meetings to ensure all staff are kept up to date and aware of opportunities to promote fairness and diversity in the workplace
- emphasise EEO as part of recruitment
- provide equal access to professional development opportunities
- finalise the review and implement revised policies on EEO, grievance handling and harassment prevention.

NSW Government Action Plan for Women

The NRC fully supports and, where appropriate, works with the Department for Women and other agencies to achieve the whole-of-government approach for addressing the concerns and interests of the women in NSW. The NRC is committed to assisting women in its workplace and continuously aims to achieve the following strategies for all women in the NRC. During 2005/06 the NRC:

- ensured that access to learning and development programs were non-discriminatory
- provided equal access to and participation in decision-making and leadership structures
- supported flexible working arrangements to help women balance their work and family commitments.

Ethnic Affairs Priority Statement

NRC activities are centred on providing independent advice to government and the NRC is not a direct service provider to the community, beyond consultation and information dissemination. The NRC therefore has reduced capacity to address Ethnic Affairs Priority Statement (EAPS) issues. The NRC respects the rights of Australian citizens and residents who wish to become citizens to seek employment from advertised vacancies in the NRC.

The NRC continued to implement its EAPS in the reporting period. This statement sets out a series of strategies that ensure the NRC continues to operate by the principles of multiculturalism. The NRC in 2005/06 undertook the following to implement EAPS:

- ensured information on EAPS is available to all prospective job applicants via the information pack and expanded careers website
- assessed staff members' knowledge, understanding and implementation of the principles of cultural diversity as they relate to the job as part of the performance evaluation of every staff member
- assessed applicants' knowledge, understanding and implementation of the principles of cultural diversity as they relate to the job as part of the recruitment process for all positions
- provided flexible work practices to enable individuals to meet personal, cultural or religious needs
- accommodated matters such as dietary requirements at functions in accordance with needs of the individual
- provided access to information and publications including tender advertisements via the internet.

In 2006/07, the NRC will continue to undertake the above initiatives, as well as:

- circulate information to managers to ensure they are kept up to date on EAPS issues and their responsibility in implementation of these principles where appropriate
- review the strategies and identify further opportunities to promote diversity and access.

Disability Action Plan

The NRC continued to implement its Disability Action Plan in the reporting period. In 2005/06 the NRC continued to:

- be accommodated in an office that is accessible to people with disability
- choose venues for public consultations, hearings and meetings that are accessible to people with disability and close to accessible public transport
- ensure all NRC staff are familiar with internal policies on EEO and discrimination and respond sensitively to the needs of people with disability
- make any reasonable adjustment necessary for staff, contractors or visitors.

In 2007/08 the NRC will review its Disability Action Plan.

Human Resources

Number of employees by category as at 30 June 2006

Category	2005/06	2004/05	2003/04
Commissioner (part-time)	1	1	1
Assistant Commissioners (part-time)	4	4	1
Executive Director	1	1	1
Manager, Corporate Services	1	1	1
Program Managers	2	2	1
Senior Advisor	1	1	0
Natural Resource Analysts	6	6	0
Executive Assistant	1	1	0
Team Support Officer	1	1	1

Trends in the Representation of EEO Groups

EEO Group	Benchmark or Target	% of Total Staff			
		2003	2004	2005	2006
Women	50%		57%	53%	40%
Aboriginal people and Torres Strait Islanders	2%		0%	0%	0%
People whose first language was not English	20%		0%	7%	7%
People with a disability	12%		0%	0%	0%
People with a disability requiring work-related adjustment	7%		0%	0%	0%

Trends in the Distribution of EEO Groups

EEO Group	Distribution Index				
	Benchmark or Target	2003	2004	2005	2006
Women	100		n/a	n/a	n/a
Aboriginal people and Torres Strait Islanders	100		0	0	0
People whose first language was not English	100		n/a	n/a	n/a
People with a disability	100		0	0	0
People with a disability requiring work-related adjustment	100		0	0	0

Notes:

1. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20, as is the case with the NRC.
2. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
3. Staff numbers are as at 30 June 2006.
4. Excludes casual staff and temporary secondments.

Personnel and Industrial Relations Policies and Practices

During the reporting period, the *Public Sector Employment and Management Act 2002* was amended with the effect that NRC staff are employed under section 1A of that Act, rather than under the NRC Act.

Code of Conduct

The NRC continued to implement its Code of Conduct in the reporting period and also commenced a review of it. During the expanded induction training, all new staff received training on the Code of Conduct. At team meetings, the Code of Conduct and NSW Ombudsman Fact Sheets are regularly discussed to raise awareness, monitor adherence and explore ethical issues. Commitment to and implementation of the Code of Conduct, including ethical work practices, is a key component of the NRC's performance excellence process, as well as recruitment decisions.

Occupational Health and Safety

The NRC continued to implement its occupational health and safety program in 2005/06. The NRC reviewed its program to improve occupational health and safety outcomes in line with NSW Government policy on *Working Together – The Public Sector OHS and Injury Management Strategy for 2005 – 2008* and *Taking Safety Seriously*, and subsequently drafted an Occupational Health and Safety Improvement Strategy for 2006 - 2008. Specific initiatives in 2005/06 included:

- Expansion of occupational health and safety within the induction training program
- Consultation, risk identification and information awareness sessions as part of regular team meetings
- Occupational health and safety accountabilities tightened in position descriptions for the Commissioner, Executive Director and management
- Review, implementation and testing of emergency evacuation procedures
- Promotion of a healthy and safe workplace culture
- Improved storage of chemicals and cleaning agents.

There were no prosecutions under the *Occupational Health and Safety Act 2000* for the NRC during this year and only one reported minor accident which resulted in no loss of work time. In 2006/07 the NRC will continue to implement its occupational health and safety program, including providing training to 100% of managers and staff.

Contract Executive Profile

The NRC has two positions, one executive and one non executive that are equivalent to SES level 1 or higher. Both positions were substantively filled by males in 2004/05 and 2005/06. A female officer temporarily filled the duties of the Executive Director in 2005/06 while the Executive Director was on extended sick leave.

Salaries of statutory appointees and contract executives

No performance-related payments (bonus) were made.

Consultants

Due to the need for high level scientific, audit and NRM expertise, the NRC's consultant expenditure for the reporting period was **\$697,239** (work on some of these consultancies was still proceeding at 30 June):

The following consultancies over \$30,000 were engaged by the NRC:

Consultant	Amount	Service
GHD Pty Ltd	\$58,460	Review the implementation of the systems of three CMAs
GHD Pty Ltd	\$244,061	Audit 13 CMAs Catchment Action Plans and systems against the standard and targets
Hyder Pty Ltd	\$52,557	Provide up to 10 days of systems support to Catchment Management Authorities
Pricewaterhouse Coopers Pty Ltd	\$105,330	Conduct a comparative assessment of the role, expenditure and funding of the NSW Government NRM agencies pre and post reform

URS Pty Ltd	\$113,374	Detail the scope, approach, method and data requirements for the NRC's review of Water Sharing Plans.
Total	\$573,782	

Consultancies engaged that cost less than \$30,000 per functional area:

Independent policy advice	\$25,066
Audit	\$63,743
CMA systems support	\$19,679
Corporate support	\$14,969
Total	\$124,457

Attachment 3 General Information

Asset Management Plan

An Asset Management Plan was implemented during the period.

Complaints

NRC did not receive any complaints in 2005/06.

Funds granted to non-government community organisations

No funds were granted to non-government community organisations in 2005/06.

Privacy

The NRC is committed to protecting the privacy of its stakeholders, business contacts and employees. The NRC treats all personal information according to the NSW *Privacy and Personal Information Protection Act 1998*. The NRC continued to implement its privacy policy during the period.

Risk Management and Insurance

The NRC has comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. During 2004/05, the NRC made one minor claim for a workplace injury. Access to the NRC's premises is controlled by a building security system. This reduces the Commission's exposure to property theft due to restricted access to work areas during the day and provides security outside office hours.

The information technology support contract provides for a Rapid Recovery Service to replace critical equipment in the event of failure. The NRC developed and implemented an Information Technology Security Policy in 2005/06.

The Business Continuity Plan was developed and tested. Any gaps in critical information were identified and actions undertaken to rectify these issues. This plan includes disaster recovery strategies and a number of schedules of key information and contacts. Copies of the plan are stored in a number of off-site locations.

During 2005/06 NRC reviewed its risk management systems and established a Finance, Audit and Risk Management Committee comprising of the Commissioner, Executive Director and Manager Corporate Services. The Committee meets monthly.

Internal and External Reviews

There were two internal audits carried out during the period by the Internal Audit Bureau and the financial accounts were audited by the Audit Office of NSW. No issues of any significance were detected or reported.

Report on Account Payment Performance

Aged analysis at the end of each quarter

	Current (i.e. within due date) (\$)	Less than 30 days overdue (\$)	Between 30 days and 60 days overdue (\$)	Between 60 days and 90 days overdue (\$)	More than 90 days overdue (\$)
September Quarter	1,034	0	0	0	0
December Quarter	13,356	0	0	0	0
March Quarter	9,122	0	0	0	0
June Quarter	1,227	0	0	0	0

Accounts paid on time within each quarter

	Target	Actual	\$	Total Amount Paid (\$)
September Quarter	88%	97%	659,596	663,691
December Quarter	88%	94%	642,004	647,839
March Quarter	88%	94%	437,785	590,780
June Quarter	88%	97%	1,105,897	1,122,830

During 2005/06 there were no instances where penalty interest was paid in accordance with section 18 of the *Public Finance and Audit (General) Regulation 1995*.

There were no significant events that affected payment performance during the reporting period.

To improve future performance greater emphasis will be placed on enhancing electronic processing of accounts together with increased use of Purchase Orders for recurring purchases.

Accounting services are provided by the Central Corporate Services Unit under the Department of Commerce

Credit Card Certification

The NRC has two credit cards which have been certified as complying with procedures contained in the Treasurer's Direction and the *Public Finance and Audit Act 1983*.

Waste

NRC team members have an ongoing commitment in the area of waste reduction and regularly review administrative processes to look for further opportunities in this regard. Strategies employed by NRC to avoid waste and recover resources include:

- **Reducing the generation of waste paper.** The NRC continues to promote its website for access to the many reports published each year, and gives consideration to electronic release of reports wherever possible. Multi-function office machines which enable double-sided copying and printing are also provided and their use encouraged to reduce paper usage.
- **Recovering resources.** The NRC is reusing paper printed on one side for scribble pads and in personal laser printers for draft documents. A paper and cardboard recycling system is followed by NRC staff and managed through an organized building system. Empty toner cartridges are collected by outside organisations for recycling.

- **Using recycled material.** All NRC office paper excluding letterhead is Green Wrap. This paper contains 50 per cent recycled pulp, 10 per cent waste products from the cotton industry and 40 per cent from sustainable managed plantations. NRC purchases other recycled paper products such as note books and pads wherever possible. Remanufactured toner cartridges are procured for use in all black and white printers.

Details of Annual Report Production

There were no external costs incurred in the production of the report which was prepared in-house because of its modest length. An electronic copy of this report is available on the NRC's website (www.nrc.nsw.gov.au). Binding, printing and paper costs of this report amounted to less than \$250.

This report has been printed on Green Wrap.

Land Disposal

The NRC does not own any property and no property was disposed of during the reporting year.

Energy Management

The NRC uses timed lighting in all areas of the tenancy, and purchases energy efficient office machines and equipment.

Attachment 4 Freedom of Information Act – Statement of Affairs

Under the *Freedom of Information Act 1989*, every NSW government department or agency is required to publish an annual statement of affairs. The statement describes the structure and functions of the agency and lists categories of documents that are held by the agency. This information is provided in this annual report.

Availability of Information

Copies of all documents in the NRC's public access library are available for public inspection at the NRC office, Level 10, 15 Castlereagh Street Sydney NSW 2000. Copies of all NRC publications are also available from our web site at www.nrc.nsw.gov.au.

All appropriate services are delivered through the website www.nrc.nsw.gov.au.

FOI Procedures

To obtain NRC documents other than those identified in the public access library, application must be made in writing under the *Freedom of Information Act 1989*.

Since many documents are readily accessible through the NRC's public access arrangements and website www.nrc.nsw.gov.au, it is advisable to check the general availability of the document before making an application under the *Freedom of Information Act 1989*.

FOI applications must be accompanied by a \$30 application fee and directed to:

Natural Resources Commission.
GPO Box 4206
Sydney NSW 2001

Arrangements to inspect or obtain copies of documents can be made by contacting the FOI Co-ordinator on (02) 8277 4300.

FOI Requests in 2005/06

NRC did not receive any request for documents under the *Freedom of Information Act 1989* in 2005/06 or in 2004/05.

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