



Natural Resources Commission

ANNUAL REPORT 2017-18





Natural
Resources
Commission

12 October 2018

The Hon. Gladys Berejiklian
Premier of NSW
52 Martin Place
SYDNEY NSW 2000

Dear Premier

**Letter of transmittal
Natural Resources Commission - Annual Report 2017-2018**

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 2018.

The 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*.

Yours sincerely

A handwritten signature in black ink, appearing to read "J Keniry".
Dr John Keniry AM
Commissioner

Contents

COMMISSIONER'S MESSAGE	4
WHAT WE DO	5
SUMMARY OF ACHIEVEMENTS	6
ACHIEVEMENTS	
Forestry	8
Water	10
Audit and assurance	12
Other advice	14
Our people and systems	16
FINANCIAL REPORTING	18
APPENDICES	
Operation and performance	63
Funding and expenditure	64
Human resources and plans	66
Audit and risk management	68
Government Information (Public Access) Act	72
Legislation and legal change	73
COMPLIANCE INDEX	74

Commissioner's message



Welcome to the Annual Report of the Natural Resources Commission for fiscal 2018. It has been another busy and productive year for the Commission, with involvement in some highly significant natural resource management related issues.

During the year, our work fell broadly within three areas: native forestry, water and operational auditing.

In the forestry area, we provided advice to Government on outstanding settings for the Coastal Integrated Forestry Operations Approval, which was accepted by the Government after public consultation. The revised settings provided increased protections for koalas and for threatened ecological communities. We also undertook an assessment of the accuracy of mapping for old growth forests; an assessment which indicated that newer technology had potential to greatly improve the reliability of mapping. We anticipate further mapping will occur in future years, the outcome of which will enable the Government to meet its twin commitments to native forestry of no net change of wood supply and no loss of environmental values.

In relation to water, we reviewed three water sharing plans and recommended that the plans be renewed with some strengthened provisions which would improve environmental outcomes, improve economic outcomes for water users, and improve transparency for the community. The year 2017-18 has seen significant reform in water administration in NSW. Whilst the Commission has not been directly involved in this reform, it is likely that going forward, our role in the oversight and auditing of water administrative arrangements will be expanded.

At the request of the Minister for Primary Industries, we initiated audits of NSW's emergency response capability for biosecurity emergencies, and of Local Land Services' implementation of the biodiversity reforms that were introduced in 2016. These audits were on-going at the year end.

In December 2016, I retired as Commissioner to allow time to address some significant personal health-related issues. I was re-appointed as Commissioner in December 2017. During my absence, Brian Gilligan filled the role with distinction in an acting position. I thank Brian for his substantial effort in bringing to a successful conclusion a number of important projects, and for overseeing the initiation of new projects. The work undertaken by the Commission requires teamwork among all of our staff and significant involvement with and co-operation from stakeholders within and outside government. I acknowledge the very solid efforts of the Commission staff, led by Executive Director Bryce Wilde, throughout the year.

Dr John Keniry AM
Commissioner

What we do

Purpose

The Natural Resources Commission provides credible, high quality, independent advice to the NSW Government on managing natural resources to improve productivity, biodiversity, biosecurity and community well-being across the state.

Strategic priorities

To achieve the above purpose, the Commission's Strategic Plan 2017-18 has established three strategic priorities:

1. **Independent advice:** Developing evidence-based practical solutions and thought leadership to resolve natural resource management challenges.
2. **Brokering and mediation:** Providing cut-through options and negotiating solutions for contested issues in a challenging institutional environment where stakeholders hold different views.
3. **Accountability and assurance:** Delivering independent oversight and assurance to investors and the community through standards, performance audits, evaluations and planning reviews.

What we do

Established under the *Natural Resources Commission Act 2003*, the Commission has a general function to advise the Premier and Ministers on natural resource management.

The general function is supported by specific functions, including:

- auditing, evaluating and reviewing plans, programs and organisational performance – for example, auditing performance of Local Land Services
- reviewing complex, scientific and policy issues under legislation or as requested by Government – for example, reviewing pest animal management, water sharing plans and conducting forest assessments
- evaluating trials of new Government initiatives – for example, evaluating supplementary pest control in national parks
- promoting and enabling best practice – for example, setting standards and targets.

The Commissioner reports to the Premier, reflecting our independence and whole-of-government perspective. However, many of the issues the Commission deals with are of more significance and visibility to other Ministers and stakeholders.

The Commission is only one source of potential advice for Government. To best understand the nature of complex issues, the Commission uses transparent collaborative approaches, accesses the best available knowledge, retains the highest quality people, and encourages innovation.

Values

The Commission embraces the public sector core values of:

- integrity
- trust
- service
- accountability.

The Commission lives these values through the following behaviours:

- acting professionally with honesty and impartiality
- placing the public interest over personal interest
- providing evidence-based, frank, fearless and transparent advice
- aiming high and continually learning
- working collaboratively, both inside and outside the Commission
- listening to our stakeholders and each other
- building relationships based on mutual respect
- thinking differently
- relaxing and enjoying working together.

Summary of achievements in 2017-18

Forestry

- The NSW Government accepted the Commission's advice on the outstanding Coastal Integrated Forestry Operations Approval settings.
- Provided advice on whether Government could reassess old growth forests and rainforests on the north coast state forests to meet the Government's twin commitments of no net change of wood supply and no loss of environmental values.

Water

- Reviewed three water sharing plans due to expire in 2018 and 2019, and recommended that these plans be replaced with new management plans.

Audit and assurance

- Commenced an audit of NSW's emergency response capability for biosecurity emergencies and natural disasters that impact on agriculture and animal welfare, and delivered preliminary findings to agencies and the Minister.
- Commenced an audit of Local Land Services' implementation of the biodiversity reforms, and delivered preliminary findings to the agency and the Minister.
- Evaluated the Catchment Action NSW funding for natural resource management, provided by the Office of Environment and Heritage, to provide assurance to Government about the Local Land Services' delivery of this funding.

Other advice

- The NSW Government accepted the Commission's recommendation that the Supplementary Pest Control Program continue and be expanded beyond the trial phase.

- Evaluated the efficiency and effectiveness of the Environmental Trust's Linking Landscapes project, and provided advice on funding future projects by the Trust.
- Conducted a review of regional pest animal management plans. These plans were prepared by Local Land Services as a result of the Government accepting most of the Commission's recommendations on the review of pest animal management, including the development of regional pest animal management plans.
- Provided advice on whether five coastal development proposals were consistent with the requirements of the *State Environmental Planning Policy No. 77 – Coastal Protection*.





30 Audits and reviews



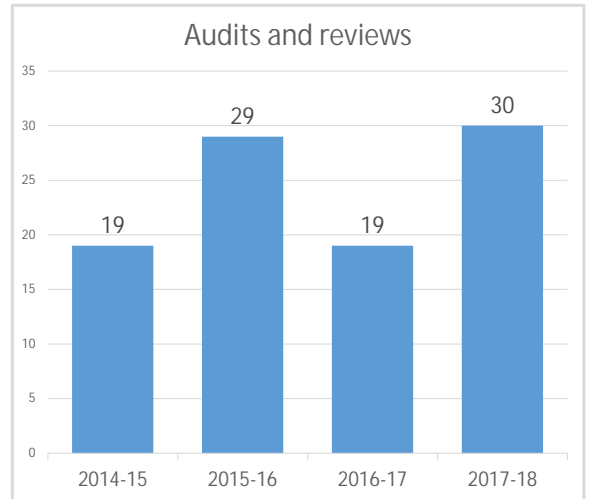
15 Full-time equivalent employees



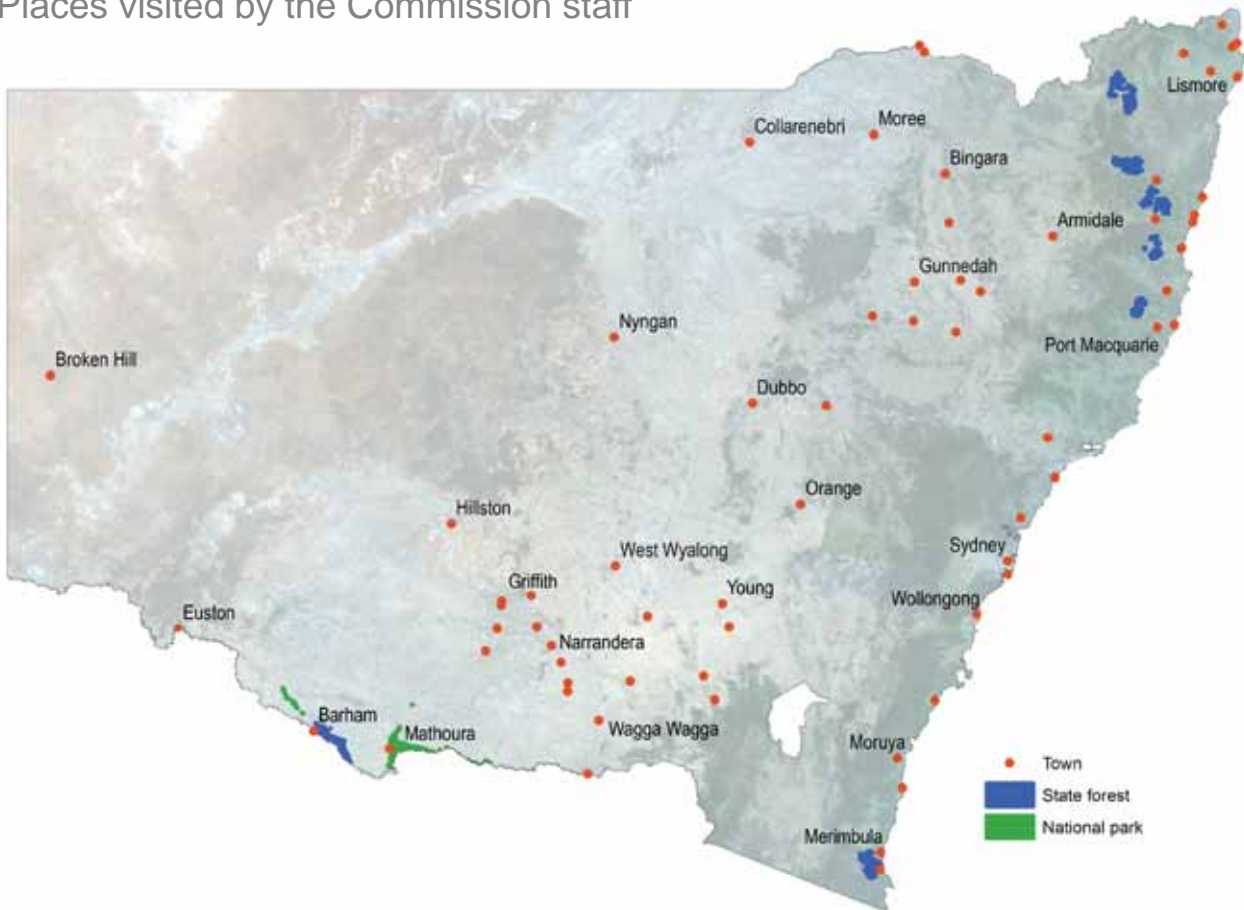
50% Female senior executives



60 Places visited by staff



Places visited by the Commission staff



Forestry

Providing cut-through options and negotiating solutions for contested issues

In 2017-18:

- the NSW Government accepted the Commission's advice on outstanding Coastal Integrated Forestry Operations Approval settings
- the Commission provided advice on remapping old growth forests and rainforests in state forests
- the Commission was tasked to oversee additional old growth reassessments
- the Commission was requested to deliver an independent research report to better understand how koalas are responding to regeneration harvesting.

Integrated forestry operations approval (IFOA) outlines the conditions and settings for harvesting timber on NSW state forests and Crown timber land, including provisions for the protection of environment and conservation of threatened species.

In February 2012, the NSW Government announced the remake of IFOA for the Eden, North East and Southern coastal region of NSW, with the aim of delivering a single new Coastal IFOA.

The Premier sought the Commission's advice on outstanding settings for the new Coastal IFOA, and on remapping old growth forests and rainforests.

Government accepts Commission's advice on outstanding Coastal IFOA settings

The NSW Government adopted the Commission's recommended settings for the Coastal IFOA remake and released the draft IFOA for public consultation in May 2018.

Since 2014, the Environment Protection Authority, Forestry Corporation of NSW and the Department of Primary Industries have been working together to develop settings for the new Coastal IFOA. These parties came to an agreement on most but not all of the settings.

In July 2016 through a Terms of Reference, the Premier asked the Commission to review the outstanding settings for the new Coastal IFOA. The Commission was to independently advise on the extent to which the proposed IFOA settings would, or would not, deliver the Government's twin commitments of no erosion of environmental values and no net change to wood supply.

In November 2016, the Commission reported that the intended outcomes-based approach to the Coastal IFOA reflects current best practice. The approach aligns with the scientifically supported shift to retention forestry which has the goal of maintaining a greater diversity of species and habitats.

The agreed multi-scale landscape approach, with enhanced permanent protections for threatened species at a range of spatial scales, will build on the existing IFOA environmental protections. It will also complement the national park system which extends over 33 percent of the

Coastal IFOA region. Tree retention and threatened species protection areas will be permanently retained within clumps and excluded from harvesting to provide habitat for fauna. This will be in addition to 38 percent of the existing state forest estate already permanently excluded from harvesting in the Coastal IFOA region.

The new arrangements allow for intensive harvesting in some parts of the forest landscape to meet the regeneration requirements for preferred species (primarily blackbutt) and to increase efficiency in wood supply.

The Commission recommended a suite of settings that it considered went closest to meeting the objectives and commitments of the IFOA at state-scale. However, the Commission determined, at that time, that it was not possible to meet the Government's twin commitments around both environmental values and wood supply, under the expected cumulative impact of the agreed and recommended settings.

Specifically, analysis estimated that annual high quality wood supply could decrease in certain wood supply zones on the north coast under recommended settings for the protection of koalas and new mapping for threatened ecological communities.

In addition to the recommended settings, the Commission suggested a range of improvements to deliver a contemporary regulatory framework, including options to improve clarity and enforceability, while reducing costs associated with implementation and compliance. The Commission also emphasised the importance of implementing effective monitoring, independent oversight, tracking and timely reporting, and public consultation.

Advice on reassessment of old growth forests and rainforests

In November 2017 under a subsequent Terms of Reference, the Premier asked the Commission to provide supplementary advice on whether the NSW Government could remap and rezone old growth and rainforests on north coast state forests, as a way to meet its twin commitments for environmental values and wood supply.

The Commission piloted remapping old growth and rainforests on 13 sites in north coast state forests, nominated by the Environment Protection Authority and the Forestry Corporation of NSW.

The Commission engaged the Office of Environment and Heritage's Science Branch to independently undertake remapping, using existing peer-reviewed protocols to reassess old growth and rainforest for private native forestry.

The Commission found the accuracy of current mapping could be significantly improved by applying modern technologies and new data.

The Commission also found the existing protocols are objective and can be improved through mandatory field work during remapping.

The Commission's report identified significant errors in current old growth and rainforest mapping, both in terms of forest extent and location. For example, no old growth was found in six of the 13 remapped sites. Further, four of the 13 remapped sites found old growth largely outside of the current mapped areas. In one site, field work identified high quality habitat in areas remapped as no longer having old growth. Overall, the extent of old growth reduced by 78 percent and rainforest by 35 percent when aggregated across the 13 pilot sites.

Importantly, the pilot showed that NSW can continue to meet its commitment under the North East Regional Forest Agreement by remapping only those old growth forest ecosystems that are above the JANIS reservation targets.

The Forestry Corporation of NSW's analysis estimated there are sufficient volumes of high-quality commercial timber within areas that may be remapped to offset the estimated short falls arising from the recommended IFOA settings, reported in 2016.

The Commission concluded that Government could meet its twin commitments by implementing a risk-based two-way remapping process, with built-in environmental safeguards, to meet verified wood supply shortfalls.

In May 2018, the NSW Government accepted the Commission's proposed process to remap old growth forests.

In order to improve its understanding of the NSW forest estate, the Government requested the Commission to oversee additional old growth remapping on state forests. This includes overseeing the Office of Environment and Heritage developing an additional environmental habitat values assessment framework. Once finalised, the framework will provide the scientific basis for any future mapping of old growth sites.

Government requests independent research on koalas

The new NSW Koala Strategy aims to stabilise and increase koala populations across the State.

During the first three years of the Strategy, the aim is to stabilise koala numbers by delivering actions under four pillars:

- koala habitat conservation
- conservation through community action
- safety and health of koala populations
- building knowledge and education.

Under the Strategy, the Commission has been tasked to deliver an independent research report to better understand how koalas are responding to regeneration harvesting on the north coast of NSW.

Next steps

- Provide support and advice on forestry issues, as requested.
- Design and implement independent research on koalas.
- Develop framework to reassess old growth forests.



Water

Providing investor and community confidence in natural resource management

New South Wales water sharing plans are valid for 10 years from their commencement. Amendments to these plans are made throughout their life to ensure they comply with changing legislation and to facilitate their implementation. However, near the end of the 10 year term, a formal review identifies the necessary changes to deliver better outcomes for all water users, including the environment.

Under the *Water Management Act 2000*, the Minister may, after considering a recommendation by the Commission, extend a water sharing plan for another 10 years or replace the plan.

In 2017-18, the Commission provided advice on water sharing plans for the:

- NSW Border Rivers Regulated River Water Source 2009
- NSW Great Artesian Basin Groundwater Sources 2008
- Bellinger River Area Unregulated and Alluvial Water Sources 2008.

The Commission's review focused on how plan provisions have contributed to state priorities for Local Land Services. This includes assessment against the goals from the Local Land Services State Strategic Plan and the achievement of triple bottom line outcomes. The Commission also considered the objectives of the respective water sharing plans.

Review of Water Sharing Plan for the NSW Border Rivers Regulated River Water Source 2009

The Commission recommended that the Plan be replaced with a new management plan, and made six specific recommendations.

The Commission found that stakeholders recognise the Plan for its role in providing certainty of water rights for users. There is some evidence that environmental objectives of the Plan are being achieved.

The Commission identified opportunities for improvement, including:

- adapting the Plan rules to improve environmental and cultural outcomes
- exploring opportunities to encourage efficient use of water and facilitate trade
- improving monitoring and evaluation of environmental outcomes.

The Commission also suggested improved cross-jurisdictional arrangements to manage cross-border flows.

Review of Water Sharing Plan for the NSW Great Artesian Basin Groundwater Sources 2008

The Commission recommended that the Plan be replaced with a new management plan, and made nine specific recommendations.

Overall, the Plan has supported productive communities with nearly all license holders receiving at or near 100 percent of their entitled allocation throughout the life of the Plan. However, future demands are likely to impact access in the Eastern Recharge Groundwater Source, where demand is currently at or exceeding the long-term average annual extraction limit.

Given the limited monitoring and evaluation, it was difficult to assess the extent to which the Plan has helped achieve many of its objectives. However, one of the key objectives relates to restoring pressure in the artesian systems through improvement in water use efficiency by water users. Significant progress has been made in improving pressure in the artesian systems through the 'Cap and Pipe the Bores' program.

While the Plan recognises the importance of cultural values, it does not provide clear direction about the specific values or locations it aims to protect, or how they will be protected. There are significant cultural heritage values throughout the Great Artesian Basin and engagement with the Aboriginal community will be critical in developing a new plan.

Review of Water Sharing Plan for the Bellinger River Area Unregulated and Alluvial Water Sources 2008

The Commission recommended that the Plan be replaced with a new management plan, and made seven specific recommendations.

Overall, the Commission found that, if implemented in full, many of the current provisions of the Plan have the potential to allow for sustainable water management to support economic, social, cultural and environmental outcomes. The Plan provides water for a wide range of uses, including local councils, water utilities, livestock grazing and some irrigated crops. A considerable portion of water is conserved for environmental flows.

The Commission found that not all provisions are implemented in full or consistently. A lack of monitoring and evaluation information, and lack of coordination among monitoring programs make it difficult to assess the effectiveness of Plan implementation.

The new plan would benefit from regular engagement with the Aboriginal community to allow for more targeted and meaningful outcomes for them.

Next step

- Conduct audits of water sharing plans, as requested.



Audit and assurance

Delivering independent assurance to investors and the community

In 2017-18, the Commission:

- commenced audits of emergency response capability, and those of implementation of major reforms, focusing on biodiversity reform
- evaluated the Catchment Action NSW program.

In August 2017, the Commission provided its 2017-18 risk-based audit plan for Local Land Services to the Minister for Primary Industries.

In response, the Minister requested the Commission to scope and conduct the proposed audits of:

- emergency response capability
- implementation of major reforms, focusing on the biodiversity reform.

The Commission's audits deliver accountability of service delivery, drive improved performance, and engender community and investor confidence in the audited organisation's activities.

Audit of emergency response capability

The Commission commenced an audit of emergency management capability of the Department of Primary Industries and Local Land Services for biosecurity emergencies and natural disasters that impact on agriculture and animal welfare.

The Department is the combat agency responsible for control and coordination regarding the prevention of, preparedness for, response to, and recovery from, impacts and effects of any biosecurity emergency in NSW. The Department also is responsible for coordination of agricultural support following natural disasters.

Local Land Services is the primary support agency to the Department for emergency management and has legislative responsibilities for the provision of emergency management services.

The audit will focus on both organisations' emergency preparedness, response and recovery capability.

The audit is being conducted in three stages:

- Stage 1: Preparedness - assessment of workforce emergency response capability and capacity
- Stage 2: Response - review of critical on-ground operations for emergency response
- Stage 3: Recovery - review of recovery phase responsibilities and financing structures.

The Commission has completed Stage 1 of the audit, and has provided preliminary findings to the agencies and the Minister.

The Commission will provide the final report to the Minister towards the end of 2018.

Audit of implementation of major reforms

The Commission commenced an audit of Local Land Services' implementation of the biodiversity reforms.

The reforms are responsive to the 2014 report of the Independent Biodiversity Legislation Review Panel, which concluded that fundamental change to the system is required to conserve biodiversity and support sustainable development.

Local Land Services' Sustainable Land Management Group is responsible for administering the new rural land management framework, including providing extension and support to landholders.

The audit is being conducted in four stages:

- Stage 1 - Assess the extent to which the Sustainable Land Management Group's processes, systems and procedures are in place to ensure that accurate, consistent and timely advice is provided.
- Stage 2 - Test the implementation of those processes, systems and procedures in providing advice.
- Stage 3 - Assess the likelihood that landholders will engage with the Sustainable Land Management Group and examine customer satisfaction.
- Stage 4 - Examine whether advice is recorded and stored in a consistent manner.

The Commission has completed Stage 1 of the audit, and has provided preliminary findings to the agency and the Minister.

The Commission will provide the final report to the Minister towards the end of 2018.

Evaluation of Catchment Action NSW program

Catchment Action NSW is the NSW Government's investment program for natural resource management and is critical for Local Land Services' delivery of its natural resource management function.

The Commission provided its final evaluation report for Catchment Action NSW to the Minister for Primary Industries, and to the Office of Environment and Heritage who provided funding to Local Land Services.

The Commission's evaluation provides high-level assurance around Local Land Services' delivery of this funding over a four-year period from 2013-2017.

The Commission found that several areas of the program worked well. Local Land Services staff on the ground are experienced and committed to their work, which is a key factor in the success of projects. The Aboriginal staff working on the Aboriginal Cultural Heritage projects were vital to the success of projects due to their efforts in building strong relationships with the local Aboriginal communities.

Despite the progress made, a number of areas need improvement, including transparency and accountability for expenditure of funds, program design and strategy, communication, and monitoring, evaluation and reporting.

The Commission identified several opportunities to improve the efficiency and effectiveness of the program and those of on-ground projects. There is significant variation in the quality of project planning and implementation across regions, and not all projects had project plans. Further, there was considerable inconsistency in the reporting between regions, making it difficult to aggregate data and assess progress of the program.

Next step

- Complete audits of emergency response capability, and implementation of the biodiversity reform.
- Audit Local Land Services' strategic plan implementation.



Other advice

Providing high quality, evidence-based advice for decision making

In 2017-18:

- the NSW Government accepted the Commission's recommendations on the Supplementary Pest Control Program
- the Commission evaluated the Environmental Trust's Linking Landscapes project
- the Commission reviewed regional pest animal management plans, prepared by Local Land Services
- the Commission facilitated strategic planning workshops for Local Land Services
- the Commission provided advice on coastal development proposals.

Government accepts Commission's recommendations on the Supplementary Pest Control Program

Through a Terms of Reference, the NSW Government asked the Commission to evaluate the three-year Supplementary Pest Control Program to assist the Government in deciding whether, and how, to proceed with the proposed Program beyond the trial period.

In 2017, the Commission provided its final evaluation report to Government and recommended that the Program continue and be expanded beyond the trial period. The Government accepted all of the Commission's recommendations and decided to continue the Program.

The Program aims to reduce the impact of targeted pest animal species on priority threatened native species and ecological communities in national parks and other conservation reserves in NSW.

The National Parks and Wildlife Service has trialled the Program in 12 parks and reserves across NSW. The trial used voluntary ground shooters to assist in controlling pest animals as a supplementary technique to complement other National Parks and Wildlife Service pest control programs.

Evaluation of Linking Landscapes project

From 2011 to 2015, the NSW Environmental Trust funded the Linking Landscapes project that was delivered by the Office of Environment and Heritage. The project aimed to increase the condition, functional connectivity, and resilience of landscapes and ecosystems in the Sydney Basin Bioregion by establishing biobanking sites.

The Trust engaged the Commission to evaluate the effectiveness and efficiency of the Linking Landscapes project, and to identify and document lessons for future funding of projects. These lessons may also be of value to other agencies that work with landholders to establish conservation agreements for managing land with high biodiversity values.

The Commission's evaluation focused on three lines of inquiry:

- the effectiveness of the project in achieving its objectives
- the effectiveness and appropriateness of the design and processes used to deliver the project
- the lessons in relation to cost-effectiveness and efficiency.

The Commission has provided its evaluation report to the Trust.

Review of regional pest animal management plans

The NSW Local Land Services prepared 11 draft regional strategic pest animal management plans and requested the Commission to conduct a high-level rapid review of these plans.

The Commission's review focused on whether the plans:

- are strategic and logically structured
- use best available information to develop objectives, activities and targets
- communicate effectively and encourage shared responsibility.

The Commission found that the draft plans were generally quality strategic plans that provide a foundation for community consultation. The plans could be further improved by improving specificity and measurability of objectives, and by encouraging coordinated programs across regions for common functions and/or pests.

The Commission's recommendations were incorporated into the finalisation of plans and helped improve the quality of plans.

Advice on coastal development proposals

The new *State Environmental Planning Policy (Coastal Management) 2018* commenced in April 2018. This new policy replaced a number of planning instruments, including the *State Environmental Planning Policy No. 71 – Coastal Protection* (SEPP 71).

As SEPP 71 is repealed, the Commission no longer has a statutory role in reviewing development proposals within the coastal zone.

Under SEPP 71, the Minister for Planning was required to consult with the Commission before approving a master plan for subdivision of land within the coastal zone or waiving the need for a master plan.

In 2017-18, the Commission provided advice on five coastal development proposals.

Since 2003-04, the Commission provided advice on 27 master plans and 299 requests to waive the need for a master plan.

The Commission's advice helped promote the aims of SEPP 71 and encouraged greater connection between natural resource management and planning processes.

Strategic planning workshops

The Commission facilitated five strategic planning workshops on natural resource management and agricultural productivity to help Local Land Services examine the current operating environment and develop a clear strategy.

Next steps

- Monitor implementation of pest management.



Our people and systems

Building the capacity of our people and support systems to deliver our goals

The Commission aims to be a role model for good governance by adaptively managing its work, continually encouraging innovation and retaining the highest quality people with skills in key areas.

Decision-making structure

The Commissioner is responsible for making decisions related to governing the Commission and providing advice to the NSW Government.

The Commissioner is appointed by the Governor of NSW for a period of up to five years and is accountable to the Premier for exercising all functions under the *Natural Resources Commission Act 2003*.

The Executive Director is responsible for the day-to-day leadership of the Commission programs, administration and financial affairs.

The Director Corporate Services reports to the Executive Director and leads corporate governance, financial management, audit, and reporting activities.

Directors report to the Executive Director and are responsible for managing multiple programs and projects.

The Commission also establishes project-specific review panels to seek additional expertise, as needed.

Commissioners and executive

Commissioner

Dr John Keniry AM
BSc (Hons), PhD, FAICD, FTSE, FRACI
(Appointed 8 December 2017)

John joined the Commission in December 2011 and completed his first appointment in December 2016. He was awarded an Order of Australia in 2005 and a Centenary Medal in 2003. He also chairs the Sydney Institute of Marine Science. John is a Fellow of the Royal Australian Chemical Institute, the Academy of Technological Sciences and Engineering, and the Australian Institute of Company Directors. He is the past Chairman of Ridley Corporation Ltd, the Australian Chamber of Commerce and Industry, the Livestock Export Review, the National Registration Authority for Agricultural and Veterinary Chemicals, and Unisearch Ltd. John also owns a wool and lamb enterprise in central west NSW.

Acting Commissioner

Brian Gilligan
BA, DipEd, MA
(Until 8 December 2017)

Brian was appointed Acting Commissioner in December 2016. He has 40 years' experience in education and environment protection in the public sector, including serving as the Director General of the NSW National Parks and Wildlife Service, after a period as Executive Director Operations with the Environment Protection Authority. He has led inquiries and evaluations in various jurisdictions advising governments on contentious planning and policy issues.

Executive Director

Mr Bryce Wilde
BA(Hons), ExecMPA

Bryce has over 20 years' experience in the areas of natural resource management, public policy, strategic planning and organisational development. He has been a Director at the Natural Resources Commission since 2005 where he has led major reviews, including the review of weed management in NSW, management of cypress forests in the Brigalow and Nandewar State Conservation Areas, review of river red gum and woodland forests in the Riverina bioregion, and upgrading of Catchment Action Plans.



Corporate governance

2018 NSW Public Sector Employee Survey

All of the Commission staff participated in the 2018 NSW Public Sector Employee Survey. Of note:

- 87 percent were satisfied with our flexible working arrangements
- 82 percent valued our commitment to high performance
- 83 percent valued our approach to diversity and inclusion
- 79 percent recognised we live our values
- 80 percent agree that action will be taken to respond to the survey results.

Learning and development

The Commission continued to focus on building high performance, capability and excellence by providing staff members with learning and development opportunities. These included:

- attendance at relevant conferences and seminars, such as the 19th NSW Weeds Conference, Armidale
- field visits to learn about what is happening on the ground
- professional development support through customised coaching, feedback training and study assistance scheme
- Myers Briggs profiling to determine individual styles and understand each other's communication preferences
- training in combating bullying, work health and safety, and fraud and corruption prevention
- face-to-face induction program for all incoming staff
- targeted project management tools that provide interactive approach to planning and guiding project processes.

Work health and safety

The Commission is committed to ensure a safe and healthy work environment for all staff, contractors, clients and visitors.

This was achieved by:

- continuing numerous health and wellbeing initiatives, including the corporate fitness program and influenza vaccinations
- auditing first aid kits
- participating in the Work Health and Safety Committee.

One work health and safety incident was reported during 2017-18.

Policies

After consultation with staff members, the 2014-2017 Enterprise Agreement was tabled at the Industrial Relations Commission.

The Commission provided advice and support to staff members in relation to working conditions, policies, processes and performance. This included strategies to assist with the management of workplace and performance issues.

The Commission continued to review human resource policies, procedures, and guidelines. This helped provide current information that is easy to use and understand, and is aligned to the public sector provisions and best practice.

Complaints handling

The Commission is committed to handling feedback and complaints courteously, efficiently, equitably and respecting the privacy of the person making the complaint.

The Commission did not receive any complaints in the reporting period.

Disability Inclusion Action Plan

The Commission's Disability Inclusion Plan was developed around four focus areas that support the NSW Disability Inclusion Plan. These include: developing positive community attitudes and behaviours; establishing accessible systems and processes; creating liveable communities; and supporting access to meaningful employment.

Multicultural policies and services

The Commission supports the principles of multiculturalism which recognise and value the different linguistic, religious, racial and ethnic backgrounds of residents of NSW, and promote equal rights and responsibilities for all residents of NSW. The Commission's Multicultural Policies and Services Plan facilitates the implementation of these principles by the Commission.

Workforce diversity

The Commission is committed to building a positive and diverse workplace that is free of discrimination.

The Commission believes that the makeup of its workplace should reflect the diversity of the communities in which we live and work.

The Commission demonstrates its commitment to workforce diversity by:

- utilising new technologies and communications to enable staff more flexible ways of working
- supporting flexible work practices, including requests to work part-time or on a job share basis.

Financial statements for the year ended 30 June 2018

Natural Resources Commission and its Controlled Entity

Independent auditor's report

Statement on behalf of the Commission and its Controlled Entity

Financial statements

Natural Resources Commission Staff Agency

Independent auditor's report

Statement on behalf of the Commission Staff Agency

Financial statements

Natural Resources Commission and Controlled Entity



INDEPENDENT AUDITOR'S REPORT

Natural Resources Commission

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Natural Resources Commission (the Commission), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Commission as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Commission in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Commission's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Natural Resources Commissioner is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Natural Resources Commissioner pursuant to section 41C(1B) of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Commissioner's Responsibilities for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioner is responsible for assessing the Commission's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Commission will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Commission carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis
Director, Financial Audit Services

21 September 2018
SYDNEY



17 September 2018

**Statement by the Natural Resources Commissioner
as head of the Natural Resources Commission
For both the Natural Resources Commission and Natural Resources Commission Staff Agency
financial statements**

Pursuant to section 41C(1B) of the Public Finance and Audit Act 1983, I state to the best of my knowledge and belief that:

- a) the accompanying financial statements in respect of the year ended 30 June 2018 have been prepared in accordance with applicable Australian Accounting Standards, the provisions of the Public Finance and Audit Act 1983, applicable clauses of the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities, and
- b) the statements exhibit a true and fair view of the financial position of the Parliamentary Counsel's Office as at 30 June 2018, and transactions for the year then ended, and
- c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Yours sincerely

Dr John Keniry AM
Commissioner

**Natural Resources Commission
& its Controlled Entity
Financial statements
for the period ended 30 June 2018**

Natural Resources Commission
Statements of comprehensive income
for the period ended 30 June 2018

	Notes	Consolidated		Actual 2017 \$'000	Commission		Actual 2017 \$'000
		Actual 2018 \$'000	Budget 2018 \$'000		Actual 2018 \$'000	Budget 2018 \$'000	
Expenses excluding losses							
Operating Expenses							
Employee Related Expenses	2(a)	2,789	3,332	2,717	-	-	-
Other Operating Expenses	2(b)	2,232	1,752	2,010	2,232	1,752	2,010
Depreciation and amortisation	2(c)	215	227	208	215	227	208
Personnel Services	2(d)	-	-	-	2,693	3,280	2,751
Finance Cost	2(e)	3	3	2	3	3	2
Total expenses excluding losses		5,239	5,314	4,937	5,143	5,262	4,971
Revenue							
Grants and Contributions Acceptance by the Crown	3(a)	4,934	5,134	4,148	4,934	5,134	4,148
Entity of employee benefits and other liabilities	3(b)	96	52	(34)	-	-	-
Other Revenue	3(c)	205	-	172	205	-	172
Total Revenue		5,235	5,186	4,286	5,139	5,134	4,320
Gain /(loss) on disposal	4	(2)	-	(4)	(2)	-	(4)
Other gains/(losses)	5	3	-	(7)	3	-	(7)
Net Result		(3)	(128)	(662)	(3)	(128)	(662)
Other comprehensive income		-	-	-	-	-	-
Other comprehensive income							
TOTAL COMPREHENSIVE INCOME		(3)	(128)	(662)	(3)	(128)	(662)

The accompanying notes form part of these financial statements.

Natural Resources Commission
Statement of financial position
as at 30 June 2018

		Actual	Consolidated Budget	Actual	Actual	Commission Budget	Actual		
Notes		2018 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2018 \$'000	2017 \$'000		
ASSETS									
Current assets									
		Cash and cash equivalents	7	1,008	483	877	1,000	483	858
		Receivables	8	223	38	29	223	38	29
		Total current assets		1,231	521	906	1,223	521	887
		Plant and Equipment							
		Plant and Equipment	9	378	354	404	378	354	404
		Leasehold Obligations	9	784	793	895	784	793	895
		Total Plant and Equipment		1,162	1,147	1,299	1,162	1,147	1,299
		Total non-current assets		1,162	1,147	1,299	1,162	1,147	1,299
		Total assets		2,393	1,668	2,205	2,385	1,668	2,186
LIABILITIES									
Current liabilities									
		Payables	10	633	157	459	633	157	440
		Provisions	11	255	304	239	247	304	239
		Total current liabilities		888	461	698	880	461	679
Non-current liabilities									
		Employee benefits and related on costs	11	5	-	4	5	-	4
		Other provisions		125	229	125	125	229	125
		Total non-current liabilities		130	229	129	130	229	129
		Total liabilities		1,018	690	827	1,010	690	808
		Net assets		1,375	978	1,378	1,375	978	1,378
EQUITY									
		Accumulated funds		1,375	978	1,378	1,375	978	1,378
		Total Equity		1,375	978	1,378	1,375	978	1,378

The accompanying notes form part of these financial statements.

.....
Natural Resources Commission
Statements of changes in equity
for the period ended 30 June 2018

Consolidated and Commission	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2017	1,378	1,378
Net Result for the year	<u>(3)</u>	<u>(3)</u>
Total comprehensive income for the year	(3)	(3)
Balance at 30 June 2018	<u>1,375</u>	<u>1,375</u>
Balance at 1 July 2016	2,040	2,040
Net Result for the year	<u>(662)</u>	<u>(662)</u>
Total comprehensive income for the year	(662)	(662)
Increase / (decrease) in net assets from equity transfers	-	-
Balance at 30 June 2017	<u>1,378</u>	<u>1,378</u>

The accompanying notes form part of these financial statements.

.....
Natural Resources Commission
Statement of cash flows
for the period ended 30 June 2018

	Actual	Consolidated	Actual	Actual	Commission	Actual
	2018	Budget	2017	2018	Budget	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related	(2,684)	(3,274)	(2,588)	(2,684)	(3,274)	(2,805)
Other	(2,259)	(1,656)	(2,225)	(2,248)	(1,656)	(2,004)
Total Payments	(4,943)	(4,930)	(4,813)	(4,932)	(4,930)	(4,809)
Receipts						
Grants and Contributions	4,934	5,134	4,148	4,934	5,134	4,148
Other	220	1	357	220	1	357
Total Receipts	5,154	5,135	4,505	5,154	5,135	4,505
NET CASH FLOWS FROM OPERATING ACTIVITIES	211	205	(308)	222	205	(304)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of land and buildings, plant and equipment	(80)	(80)	-	(80)	(80)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(80)	(80)	-	(80)	(80)	-
NET INCREASE (DECREASE) IN CASH						
Opening cash and cash equivalents	131	125	(308)	142	125	(304)
	877	358	1,185	858	358	1,162
CLOSING CASH AND CASH EQUIVALENTS	1,008	483	877	1,000	483	858

The accompanying notes form part of these financial statements.

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 Commission, as a reporting entity, comprises all the entities under its control, namely the Natural Resources Commission Staff Agency. The Natural Resources Commission Staff Agency (Staff Agency) is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the NRC Division established under the former Public-Sector Employment and Management Act 2002). All employee provisions are now held within the Staff Agency, 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, and like transactions and other events are accounted for using uniform accounting policies.

The 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

These consolidated financial statements for the year ended 30 June 2018 have been authorised for issue by the Commissioner on 14th September 2018.

(b) Basis of preparation

The Commission's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

Leasehold obligations and plant and equipment at fair value through profit and loss 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.

The Commission's financial statements have been prepared on a going concern basis, which contemplates the continuity of normal operating activity and the realisation of assets and the settlement of liabilities in the normal course of operations. The Commission held cash on hand and at bank as at 30 June 2018 of \$1,000,000 (2017:\$858,000). The Commission receives a grant from the Department of Premier and Cabinet that is sufficient to fund its ongoing operations.

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

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) 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 claim experience.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Income, expenses and assets are recognised net of the amount of GST, except that the:

- amount of GST incurred by the Commission 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 and cash flows are included in the cash flow statement on a gross basis. However, the GST components of cash flows arising from investing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(f) *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

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

(ii) Sale of goods

Revenue from the sale of goods is recognised as revenue when the Commission 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 and costs incurred are recovered.

(iv) Grants

Income from grants (other than the contribution by owners) is recognised when the entity obtains control over the contribution. The entity is deemed to have assumed control when the grant is received or receivable.

(g) *Property, Plant and Equipment*

(i) Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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 Standard.

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 is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. deferred payment amount is effectively discounted over the period of credit.

(ii) Capitalisation thresholds

Property, plant and equipment and intangible assets costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, Plant and Equipment (cont'd)

(iii) Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

(iv) 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.

All material identifiable components of assets are depreciated separately over their useful lives.

Depreciation Rates	% Rate 2018	% Rate 2017
Plant & Equipment		
Office furniture and fittings	range from 10 to 33	range from 10 to 33
Computer equipment and software	range from 25 to 33	33
General plant and equipment	range from 10 to 20	range from 10 to 20
Intangible	33	33
Leasehold improvements	Over the period of the lease	Over the period of the lease

(v) 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 14 01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

Non specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. The entity has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(vi) Impairment of property, plant and equipment

As a not for profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not for profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not for profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

(h) Leases

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in statement of comprehensive income on straight line basis over the term.

(i) 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 three years.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) *Intangible assets (cont'd)*

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(j) *Financial Instruments*

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in net result.

The Commission determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(i) Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

- Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of discounting is material.

(ii) Financial liabilities

Financial liabilities are classified as either 'at fair value through profit or loss' or 'at amortised cost'.

- Financial liabilities at amortised cost (including borrowings and trade payables)

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Payables represent liabilities for goods and services provided to the agency and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Finance lease liabilities are determined in accordance with AASB 117.

(iii) De-recognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the entity transfers the financial asset:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) *Financial Instruments (cont'd)*

- where substantially all the risks and rewards have been transferred; or
- where the agency has not transferred substantially all the risks and rewards, if the agency has not retained control.

Where the agency has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the agency's continuing involvement in the asset. In that case, the agency also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the agency has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(k) *Employee benefits and other provisions*

(a) Salaries and wages, annual leave, sick leave and on-costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short cut methods are permitted).

Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability.

The Commission has assessed the actuarial advice based on the Commission's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

(b) Long service leave and superannuation

The Commission's liabilities for long service leave are assumed by the Crown Entity. The Commission 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'.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) *Employee benefits and other provisions (cont'd)*

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 NSWTC18-13) to employees with five 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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary.

(c) Consequential on-costs

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

(l) *Other Provisions*

Provisions are recognised when: the Commission has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the entity expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

(m) *Fair value hierarchy*

Fair value hierarchy disclosure under AASB 13 Fair Value Measurement, is not required as the Commission's assets are non-specialised assets with short useful lives and measured at depreciated historical cost as an approximation of fair value.

(n) *Equity and reserves*

(i) Accumulated Funds

The category accumulated funds includes all current and prior period retained funds.

(o) *Budgeted amounts*

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 14.

(p) *Comparative information*

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) *Changes in accounting policy, including new or revised Australian Accounting Standards*

(i) Effective for the first time in 2017-18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except for the following standards adopted for the first time in 2017-18. The impact of these Standards in the period of initial application is not material.

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.
- AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities.
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise

The following new Australian Accounting Standards have not been applied and are not yet effective (TC18-01).

- AASB 9 Financial Instruments
- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 17 Insurance Contracts
- AASB 1058 Income of Not for profit Entities
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

The Commission anticipates that adoption of these standards in the period of initial application will have no material impact on the financial statements except the AASB 16.

The agency has been working with Treasury and the Principal department in order to prepare itself for the implementation of AASB 16 in the financial year 2019-2020. An impact statement has been issued by Property NSW outlining the impact of applying the standard in 2019-2020. There will be nil net impact on the statement of financial position in the first year of application.

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

2 Expenses excluding losses

	Consolidated		Commission	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(a) Employee related expenses				
Salaries and wages (including annual leave)	2,453	2,523	-	-
Superannuation: defined contribution plans	115	125	-	-
Long service leave	96	(34)	-	-
Worker's compensation insurance	9	8	-	-
Payroll tax and fringe benefit tax	102	106	-	-
On-Costs - annual leave and long service leave	14	(11)	-	-
	<u>2,789</u>	<u>2,717</u>	<u>-</u>	<u>-</u>
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(b) Other operating expenses include the following:				
Auditor's remuneration - audit or review of the financial statements	26	25	26	25
Consultancy costs	973	932	973	932
Contractors	129	-	129	-
Insurance	5	5	5	5
Postage and telephone	17	15	17	15
Advertising, Printing and Publication	7	12	7	12
Operating lease rental expense - minimum lease payments	452	438	452	438
Training (staff development)	73	107	73	107
Travel	111	68	111	68
Corporate Services	241	266	241	266
Administration Expenses	174	122	174	122
ICT Expenses	24	20	24	20
	<u>2,232</u>	<u>2,010</u>	<u>2,232</u>	<u>2,010</u>
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
(c) Depreciation and amortisation expense				
Depreciation				
Plant and Equipment	104	97	104	97
Leasehold Improvements	111	111	111	111
Total depreciation and amortisation	<u>215</u>	<u>208</u>	<u>215</u>	<u>208</u>

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(d) Personnel Services				
Paid to Natural Resources Commission Staff Agency	-	-	2,693	2,751
	<u>-</u>	<u>-</u>	<u>2,693</u>	<u>2,751</u>

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(e) Finance Cost				
Unwinding of discount rate	3	2	3	2
Total unwinding of discount rate	<u>3</u>	<u>2</u>	<u>3</u>	<u>2</u>

3 REVENUE

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(a) Grants and contributions				
Transfer payment from Department of Premier and Cabinet	4,934	4,148	4,934	4,148
	<u>4,934</u>	<u>4,148</u>	<u>4,934</u>	<u>4,148</u>

(b) Acceptance by Crown Entity of employee benefits and other liabilities				
Long service leave	96	(34)	-	-
	<u>96</u>	<u>(34)</u>	<u>-</u>	<u>-</u>

(c) Other revenue				
Consultancies recoveries	205	172	205	172
Total Revenue	<u>205</u>	<u>172</u>	<u>205</u>	<u>172</u>

4 GAIN / (LOSS) ON DISPOSAL

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gain / (loss) on disposal of plant and equipment				
Proceeds from disposal	-	-	-	-
Written down value of assets disposed	(2)	(4)	(2)	(4)
Net gain / (loss) on disposal of plant and equipment	<u>(2)</u>	<u>(4)</u>	<u>(2)</u>	<u>(4)</u>

5 OTHER GAINS / (LOSSES)

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Other gains/(losses)	3	(7)	3	(7)
Other gains / (losses) total	<u>3</u>	<u>(7)</u>	<u>3</u>	<u>(7)</u>

6 Budget program – Independent advice and accountability

To provide independent advice to the NSW Government on natural resource management (NRM) issues which enables NRM decisions to be based on sound science and best practice management and ensures decisions are made in the environmental, social and economic interests of the State.

7 Current Assets- Cash and cash equivalents

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash at bank and on hand	<u>1,008</u>	877	<u>1,000</u>	858
	1,008	877	1,000	858

For the purposes of the Statements of cash flows, cash and cash equivalents include cash at bank and cash on hand.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

	Consolidated		Commission	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Cash and cash equivalents (per balance sheet)	<u>1,008</u>	877	<u>1,000</u>	858
Closing cash and cash equivalents (per statements of cash flows)	<u>1,008</u>	877	<u>1,000</u>	858

Refer Note 16 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

8 Current Assets – Receivables

	Consolidated		Commission	
	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
Current Receivables				
Goods and Service Tax recoverable from ATO Receivables	62	29	62	29
	<u>161</u>	<u>-</u>	<u>161</u>	<u>-</u>
	223	29	223	29

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 16.

9 Non-Current assets - Plant and equipment

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
Consolidated and Commission			
At 1 July 2017 - fair value			
Gross Carrying Amount	590	1,108	1,698
Accumulated depreciation and impairment	(186)	(213)	(399)
Net carrying amount	<u>404</u>	<u>895</u>	<u>1,299</u>
At 30 June 2018 - fair value			
Gross Carrying Amount	656	1,108	1,764
Accumulated depreciation and impairment	(278)	(324)	(602)
Net carrying amount	<u>378</u>	<u>784</u>	<u>1,162</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	Leasehold Improvement \$'000	Total \$'000
Year ended 30 June 2018			
Net carrying amount at start of year	404	895	1,299
Additions	80	-	80
Disposals	(2)	-	(2)
Depreciation expense	(104)	(111)	(215)
Write-back on disposals	-	-	-
Net carrying amount at end of year	<u>378</u>	<u>784</u>	<u>1,162</u>
At 1 July 2016 - fair value			
At Fair Value	602	1,108	1,710
Accumulated depreciation and impairment	(97)	(102)	199
Net carrying amount	<u>505</u>	<u>1,006</u>	<u>1,511</u>
At 30 June 2017 - fair value			
At Fair Value	590	1,108	1,698
Accumulated depreciation and impairment	(186)	(213)	(399)
Net carrying amount	<u>404</u>	<u>895</u>	<u>1,299</u>

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

9 Non-Current assets - Plant and equipment (cont'd)

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvement \$'000	Total \$'000
Year ended 30 June 2017			
Net carrying amount at start of year	505	1,006	1,511
Additions	-	-	-
Disposals	(13)	-	(13)
Depreciation expense	(97)	(111)	(208)
Write-back on disposals	9	-	9
Net carrying amount at end of year	<u>404</u>	<u>895</u>	<u>1,299</u>

10 Current Liabilities - Payables

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Payables				
Accrued salaries, wages and on costs	8	8	-	-
Creditors	625	451	625	431
Personnel Services	-	-	8	9
	<u>633</u>	<u>459</u>	<u>633</u>	<u>440</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 16.

11 Current / Non-Current Liabilities - Provision

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Employee benefits and related on-costs				
Annual leave	178	181	-	-
Long service leave on-costs	38	30	-	-
Payroll tax	38	28	-	-
Fringe benefits tax	1	-	-	-
Personnel Services	-	-	247	239
	<u>255</u>	<u>239</u>	<u>247</u>	<u>239</u>
Total current provisions	<u>255</u>	<u>239</u>	<u>247</u>	<u>239</u>

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

11 Current / Non-Current Liabilities - Provision (cont'd)

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	3	2	-	-
Payroll tax	2	2	-	-
Personnel Services	-	-	5	4
	<u>5</u>	<u>4</u>	<u>5</u>	<u>4</u>
Other Provisions				
Restoration Cost (Make good 52 Martin Place Provision)	125	125	125	125
Total non-current provisions	<u>130</u>	<u>129</u>	<u>130</u>	<u>129</u>

Movement in Provisions (other than employee benefits)

	Restoration Costs \$ '000
Carry forward amount at the beginning of financial year	125
Additional Provisions recognised:	-
	<u>125</u>

12 Commitments for Expenditure

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Future non-cancellable operating lease rentals not provided for and payable:				
Not later than one year	408	408	408	408
Later than one year and not later than five years	1,631	1,631	1,631	1,631
Later than five years	1,019	1,427	1,019	1,427
Total (including GST)	<u>3,058</u>	<u>3,466</u>	<u>3,058</u>	<u>3,466</u>

Commitments include GST of \$278k (2017: \$315k) which is expected to be recovered from the Australian Taxation Office (ATO).

13 Contingent Liabilities and Contingent Assets

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

14 Budget Review

Net Results

The net result is under budget by \$125k, as a result of lower than expected employee related costs offset against the higher costs for other operating costs including the consultant category.

Natural Resources Commission
Notes to the financial statements
for the ended 30 June 2018

14 Budget Review (cont'd)

Assets and Liabilities

Current assets are \$710k higher than the budget due to an increase in cash held at the end of financial year to meet year end accruals and payables.

Total net assets are higher than the budget by \$397k due to cash holdings.

Current Liabilities are \$427k higher than the budget due to increase in payables.

Total non-current liabilities are \$99k lower than the budget due to lower expense Asset Remediation and Restoration expense.

Cash flows

Cash flows from Operating Activities are \$6k higher than the budget as actual payments were less than the budget forecast.

15 Reconciliation of Cash Flows from Operating Activities to Net Result

Reconciliation of cash flows from operating activities to the net result as reported in the statements of comprehensive income as follows.

	Consolidated		Commission	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Net cash flow from operating activities	211	(308)	222	(304)
Depreciation and amortisation	(215)	(208)	(215)	(208)
Decrease / (increase) in provisions	(9)	32	(9)	18
Increase / (decrease) in receivables	195	(9)	195	(9)
Decrease / (increase) in creditors	(183)	(165)	(194)	(155)
Decrease / (increase) in other liabilities	-	-	-	-
Net gain / (loss) on sale of plant and equipment	(2)	(4)	(2)	(4)
Net Result	<u>(3)</u>	<u>(662)</u>	<u>(3)</u>	<u>(662)</u>

16 Financial instruments

The Commission's principal financial instruments are outlined below. These financial instruments arise directly from the Commission's operations or are required to finance the Commission's operations. The Commission does not enter into or trade financial instruments, The Commission does not use financial derivatives.

The Commission's main risks arising from financial instruments are outlined below, together with the Commission's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2018 \$'000	Carrying Amount 2017 \$'000
Consolidated				
Class				
Cash and cash equivalents	7	N/A	1,008	877
Receivables ¹	8	Loans and receivables (at amortised cost)	161	-
Financial Liabilities				
Consolidated:				
Class				
Payables ²	10	Financial liabilities measured at amortised cost	633	459

16 Financial instruments (cont'd)

Financial Assets	Note	Category	Carrying Amount 2018 \$'000	Carrying Amount 2017 \$'000
Commission				
Class:				
Cash and cash equivalents	7	N/A	1,000	858
Receivables ¹	8	Loans and receivables (at amortised cost)	161	-
Financial Liabilities				
Class:				
Payables ²	10	Financial liabilities measured at amortised cost	633	440
Notes:			-	-

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)

2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Commission's debtors defaulting on their contractual obligations, resulting in a financial loss to the Commission. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Commission, including cash, receivables and authority deposits. No collateral is held by the Commission. The Commission has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System in paragraph (e).

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible 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. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

As at 30 June, the ageing analysis of trade debtors indicates two invoices totaling \$159k owed by a single debtor. The debtor is a NSW public sector agency with a AAA credit rating. Whilst an invoice for \$99k is past due date is not considered impaired and is expected to be paid in the coming months.

(c) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. The Commission continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

16 Financial instruments (cont'd)

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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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. For small business suppliers, where payment is not made within the specified period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payment to other suppliers, The Commissioner (or a person appointed by the Commissioner) may automatically pay the supplier simple interest. No interest for late payment was paid during the year 2017-2018 (2016-2017 nil).

The table below summarises the maturity profile of the Commission's financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	\$'000		Maturity Dates		
		Interest Rate Exposure		< 1 yr	1-5 yrs	> 5 yrs
		Non-interest bearing				
Consolidated 2018						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	8	8	8	-	-	-
Creditors	<u>625</u>	<u>625</u>	<u>625</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>633</u>	<u>633</u>	<u>633</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	8	8	8	-	-	-
Creditors	<u>451</u>	<u>451</u>	<u>451</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>459</u>	<u>459</u>	<u>459</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commission 2018						
<i>Payables:</i>						
Personnel Services	8	8	8	-	-	-
Creditors	<u>625</u>	<u>625</u>	<u>625</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>633</u>	<u>633</u>	<u>633</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017						
<i>Payables:</i>						
Personnel Services	9	9	9	-	-	-
Creditors	<u>431</u>	<u>431</u>	<u>431</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>440</u>	<u>440</u>	<u>440</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. There is no interest impact on these financial liabilities

16 Financial instruments (cont'd)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Commission has no borrowings, no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Commission operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2016-17. The analysis assumes that all other variables remain constant.

(e) Interest rate risk

The Commission does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Commission's exposure to interest rate risk is set out below.

		-1%	Equity	Profit	+1%	Equity
	Carrying Amount	Profit \$'000	\$'000	\$'000	\$'000	\$'000
Consolidated 2018						
<i>Financial assets</i>						
Cash and cash equivalents	1,008	(10)	(10)	10	10	10
Total	1,008	(10)	(10)	10	10	10

2017						
<i>Financial assets</i>						
Cash and cash equivalents	877	(9)	(9)	9	9	9
Total	877	(9)	(9)	9	9	9

		-1%	Equity	Profit	+1%	Equity
	Carrying Amount	Profit \$'000	\$'000	\$'000	\$'000	\$'000
Commission 2018						
<i>Financial assets</i>						
Cash and cash equivalents	1,000	(10)	(10)	10	10	10
Total	1,000	(10)	(10)	10	10	10

2017						
<i>Financial assets</i>						
Cash and cash equivalents	858	(9)	(9)	9	9	9
Total	858	(9)	(9)	9	9	9

16 Financial instruments (cont'd)

(f) Fair value measurement

(i) Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments.

17 Related Party Disclosures

The entity's key management personnel compensation details for the period ending June 2018 are as follows:

	2018	2017
	\$'000	\$'000
Short term employee benefits:		
Salaries	542	552
Other monetary allowances	-	-
Non-monetary benefits	18	17
Other long-term employee benefits	16	13
Post-employment benefits	-	-
Termination benefits	-	-
Total remuneration	<u>576</u>	<u>582</u>

During the year, the Natural Resources Commission did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

18 Events after the Reporting Period

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

End of audited financial statements

Natural Resources Commission Staff Agency



INDEPENDENT AUDITOR'S REPORT

Natural Resources Commission Staff Agency

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Natural Resources Commission Staff Agency (the Agency), which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Agency as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Agency in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Agency's annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Natural Resources Commissioner is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Natural Resources Commissioner pursuant to section 41C(1B) of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Commissioner's Responsibilities for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Commissioner determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioner is responsible for assessing the Agency's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where the Agency will be dissolved by an Act of Parliament or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Agency carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis
Director, Financial Audit Services

21 September 2018
SYDNEY

17 September 2018

**Statement by the Natural Resources Commissioner
as head of the Natural Resources Commission
For both the Natural Resources Commission and Natural Resources Commission Staff Agency
financial statements**

Pursuant to section 41C(1B) of the Public Finance and Audit Act 1983, I state to the best of my knowledge and belief that:

- a) the accompanying financial statements in respect of the year ended 30 June 2018 have been prepared in accordance with applicable Australian Accounting Standards, the provisions of the Public Finance and Audit Act 1983, applicable clauses of the Public Finance and Audit Regulation 2015 and the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities, and
- b) the statements exhibit a true and fair view of the financial position of the Parliamentary Counsel's Office as at 30 June 2018, and transactions for the year then ended, and
- c) there are no circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.

Yours sincerely



Dr John Keniry AM
Commissioner

**Natural Resources Commission
Staff Agency
Financial statements
for the period ended 30 June 2018**

.....
Natural Resources Commission Staff Agency
Statement of comprehensive income
for the period ended 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
Expenses excluding losses			
Operating expenses			
Employee related expenses	2(a)	2,789	2,717
Total Expenses excluding losses		2,789	2,717
Revenue			
Personnel services	3(a)	2,693	2,751
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	96	(34)
Total Revenue		2,789	2,717
Net result		-	-
Other comprehensive income			
Total Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		-	-

The accompanying notes form part of these financial statements.

Natural Resources Commission Staff Agency
Statement of financial position
as at 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	8	19
Receivables	5	<u>260</u>	<u>252</u>
Total Current Assets		<u>268</u>	<u>271</u>
Total Assets		<u>268</u>	<u>271</u>
LIABILITIES			
Current Liabilities			
Payables	6	8	28
Provisions	7	<u>255</u>	<u>239</u>
Total Current Liabilities		<u>263</u>	<u>267</u>
Non-Current Liabilities			
Provisions	7	<u>5</u>	<u>4</u>
Total Non-Current Liabilities		<u>5</u>	<u>4</u>
Total Liabilities		<u>268</u>	<u>271</u>
Net Assets		<u>-</u>	<u>-</u>
EQUITY			
Total Equity		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

.....
Natural Resources Commission Staff Agency
Statement of changes in equity
for the period ended 30 June 2018

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2017	-	-
Net result for the period	-	-
Total comprehensive income for the period	-	-
Balance at 30 June 2018	-	-
Balance at 1 July 2016	-	-
Net result for the period	-	-
Total comprehensive income for the period	-	-
Balance at 30 June 2017	-	-

The accompanying notes form part of these financial statements.

.....
Natural Resources Commission Staff Agency
Statement of cash flows
for the period ended 30 June 2018

	Actual	Actual
	2018	2017
Notes	\$'000	\$'000
 CASH FLOWS FROM OPERATING ACTIVITIES		
 Payments		
Employee related	<u>(2,792)</u>	(2,789)
Total Payments	<u>(2,792)</u>	<u>(2,789)</u>
 Receipts		
Other – Personal Services Related	<u>2,781</u>	2,785
Total Receipts	<u>2,781</u>	<u>2,785</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 9 <u>(11)</u>	 (4)
 NET INCREASE /(DECREASE) IN CASH	 (11)	 (4)
Opening cash and cash equivalents	<u>19</u>	<u>23</u>
 CLOSING CASH AND CASH EQUIVALENTS	 4 <u>8</u>	 <u>19</u>

The accompanying notes form part of these financial statements.

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Natural Resources Commission Staff Agency (Staff Agency) is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the *Government Sector Employment Act 2013* (formerly the Natural Resources Commission Division established under the former *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 6, 52 Martin Place, Sydney 2000.

The Staff Agency's objective is to provide personnel services to the Natural Resources Commission.

The financial statements for the Period ended 30 June 2018 have been authorised for issue by the Commissioner on 14th September 2018.

(b) Basis of preparation

The Staff Agency's financial statements are general purpose financial statements which have been prepared on accrual basis in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983 and Public Finance and Audit Regulation 2015 and*
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

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) Statement of compliance

The Staff Agency's financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Income recognition

Income is measured at the fair value of the consideration or contribution received or receivable.

Revenue is received for cost of providing personnel services for the year to the Natural Resources Commission.

(e) Assets

(i) Receivables

Receivables represent items related to the recovery of personnel services costs incurred in the Staff Agency and payable by the Commission.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(f) Liabilities

(i) Payables

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

1 Summary of Significant Accounting Policies (cont'd)

(ii) Provisions

Provisions are recognised when: the Staff Agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Staff Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

(g) Employee benefits

(i) Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Staff Agency has assessed the actuarial advice based on the entity's circumstances and has determined that the effect of discounting is immaterial to annual leave.

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.

(ii) Long service leave and superannuation:

The Staff Agency's liabilities for long service leave are assumed by the Crown Entity. The Staff 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 of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to the certain factors based on actuarial review, including future wage and salary levels, experience of employee departures, and periods of service. The expected future payments are discounted using Commonwealth government bond rate at the reporting date.

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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(iii) Consequential on-costs:

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

1 Summary of Significant Accounting Policies (cont'd)

(h) Personnel Services:

The Personnel Services are provided by the Natural Resources Commission Staff Agency according to the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the *Government Sector Employment Act 2013* (formerly the Natural Resources Commission Division established under the former *Public Sector Employment and Management Act 2002*).

(i) Comparative information:

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(j) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2017 18

The accounting policies applied in 2017-18 are consistent with those of the previous financial year except for the following standards adopted for the first time in 2017 18. The impact of these Standards in the period of initial application is not material.

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.
- AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise

The following new Australian Accounting Standards have not been applied and are not yet effective (TC 18-01).

- AASB 9 Financial Instruments
- AASB 15, AASB 2014-5, AASB 2015-8 and 2016-3 regarding Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 17 Insurance Contracts
- AASB 1058 Income of Not for profit Entities
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities.
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

The Commission anticipates that adoption of these standards in the period of initial application will have no material impact on the financial statements.

Natural Resources Commission Staff Agency
Notes to the financial statements
for the period ended 30 June 2018

2 Expenses Excluding Losses

	2018	2017
	\$'000	\$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	2,453	2,523
Superannuation - defined contribution plans	115	125
Long service leave	96	(34)
Workers compensation insurance	9	8
Payroll tax and fringe benefit tax	102	106
On-costs - annual leave and long service leave	14	(11)
	2,789	2,717

3 Revenue

	2018	2017
	\$'000	\$'000
(a) Personnel services		
Personnel services	2,693	2,751
	2,693	2,751

	2018	2017
	\$'000	\$'000
(b) Acceptance by the Crown Entity of employee benefits and other liabilities		
Long service leave	96	(34)
	96	(34)

4 Current Assets – Cash and Cash Equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and on hand	8	19
	8	19

Cash assets recognised in the statement of financial position are reconciled at the end of the financial year to the statement of cash flows as follows:

	2018	2017
	\$'000	\$'000
Cash (per statement of financial position)	8	19
Closing cash (per statement of cash flows)	8	19

Refer Note 10 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

Natural Resources Commission Staff Agency
Notes to the financial statements
for the period ended 30 June 2018

5 Current Assets – Receivables

	2018 \$'000	2017 \$'000
Personnel services	<u>260</u>	<u>252</u>
	<u>260</u>	<u>252</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 10.

6 Current Liabilities – Payables

	2018 \$'000	2017 \$'000
Accrued salaries, wages and on-costs	8	8
Creditors	<u>-</u>	<u>20</u>
	<u>8</u>	<u>28</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 10.

7 Current / Non-Current Liabilities – Provisions

	2018 \$'000	2017 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	178	181
Long service leave	38	30
Payroll tax	38	28
Fringe benefits tax	<u>1</u>	<u>-</u>
	<u>255</u>	<u>239</u>

	2018 \$'000	2017 \$'000
Non-current		
Employee benefits and related on-costs		
Long service leave	3	2
Payroll tax	<u>2</u>	<u>2</u>
	<u>5</u>	<u>4</u>

Aggregate employee benefits and related on-costs

Provisions - current	255	259
Provisions - non-current	5	4
Accrued salaries, wages and on-costs (Note 6)	<u>8</u>	<u>8</u>
	<u>268</u>	<u>271</u>

8 Contingent Liabilities and Contingent Assets

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

Natural Resources Commission Staff Agency
Notes to the financial statements
for the period ended 30 June 2018

9 Reconciliation of Cash Flows from Operating Activities to Net Result

Reconciliation of cash flow from operating activities to the net result as reported in the statement of comprehensive income as follows;

	2018 \$'000	2017 \$'000
Net cash flow from operating activities	(11)	(4)
Decrease / (increase) in provisions	(17)	38
Increase / (decrease) in receivables	8	(34)
Decrease / (increase) in creditors	20	
Net result	-	-

10 Financial Instruments

The Staff Agency's principal financial instruments are outlined below. These financial instruments arise directly from the Staff Agency's operations or are required to finance the Staff Agency's operations. The Staff Agency does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Staff Agency's main risks arising from financial instruments are outlined below, together with the Staff Agency's objectives, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout these financial statements.

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and approves policies for managing risks. The risk policy and framework are established to identify and analyse the risks faced by the Commission, to set risk appetite, controls and monitor risks. Supporting the Commissioner with this governance responsibility and compliance with the policy is the Audit and Risk Committee, internal auditors and Executive Director on a continuous basis.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2018 \$'000	Carrying Amount 2017 \$'000
Class:				
Cash and cash equivalents	4	N/A	8	19
Receivables ¹	5	Receivables (at amortised cost)	260	252
Financial Liabilities				
Class:	Note	Category	Carrying Amount 2018 \$'000	Carrying Amount 2017 \$'000
Payables ²	6	Financial liabilities measured at amortised cost	8	28

Notes:

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2. Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

(b) Credit Risk

Credit risk arises when there is the possibility of the Staff Agency's debtors defaulting on their contractual obligations, resulting in a financial loss to the Staff Agency. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System.

10 Financial Instruments (cont'd)

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible 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. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made within agreed terms.

The Staff Agency is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. There are no debtors which are currently not past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Staff Agency will be unable to meet its payment obligations when they fall due. The Staff Agency continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

During the current and prior years, there were no defaults on or breaches of any loans payable. No assets have been pledged as collateral. The Staff Agency's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

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 NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, 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. For small business suppliers, where payment is not made within the specified period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payment to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for the late payment was paid during the year 2017-2018 (2016 -2017 nil).

The table below summarises the maturity profile of the Staff Agency's financial liabilities, together with the interest rate exposure.

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	Interest Rate Exposure Non-interest bearing	\$'000		
			Maturity Dates		
			< 1 yr	1-5 yrs	> 5 yrs
2018					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	8	8	8	-	-
Creditors	-	-	-	-	-
	<u>8</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>
2017					
<i>Payables:</i>					
Accrued salaries, wages and on-costs	8	8	8	-	-
Creditors	20	20	20	-	-
	<u>28</u>	<u>28</u>	<u>28</u>	<u>-</u>	<u>-</u>

Note:

- The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. There is no interest impact on these financial liabilities.

10 Financial Instruments (cont'd)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. The Staff Agency has no borrowings, no exposure to foreign currency risk and does not enter into commodity contracts.

(e) Interest rate risk

The Agency does not account for any fixed rate financial instruments at fair value through profit or loss or as available for sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official RBA interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Agency's exposure to interest rate risk is set out below.

	Carrying Amount	Impact of 1% Increase Profit \$'000	Equity \$'000	Impact of 1% Decrease Profit \$'000	Equity \$'000
2018					
<i>Financial assets</i>					
Cash and cash equivalents	8	-	-	-	-
Total	8	-	-	-	-
2017					
<i>Financial assets</i>					
Cash and cash equivalents	19	-	-	-	-
Total	19	-	-	-	-

(f) Fair value measurement

Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value, because of the short-term nature of many of the financial instruments. There are no financial instruments where the fair value differs from the carrying amount.

11 Related Party Disclosures

The entity's key management personnel compensation details for the period ending June 2018 are as follows:

	2018 \$'000	2017 \$'000
Short term employee benefits:		
Salaries	542	552
Other monetary allowances	-	-
Non-monetary benefits	18	17
Other long-term employee benefits	16	13
Post-employment benefits	-	-
Termination benefits	-	-
Total remuneration	576	582

During the year, the Natural Resources Commission Staff Agency did not enter into any transactions with key management personnel, their close family members and controlled or jointly controlled entities thereof.

During the year no key management personnel services were provided by a separate management entity.

12 Events after the Reporting Period

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

End of audited financial statements.

Appendix 1: Operation and performance

Commission meetings

The Commission held 11 meetings. Dr John Keniry (Commissioner) and Mr Brian Gilligan (Acting Commissioner) attended six and five meetings respectively. Mr Bryce Wilde (Executive Director) and Ms Maree Leonard (Director Corporate Services, and Secretary to the Commission) attended all meetings.

External committees

The Commission staff and executives observed the Department of Premier and Cabinet led Audit and Risk Committee meetings.

Publications

Table A1.1: List of publications

Date	Publication
Forestry	
November 2016	Coastal IFOA - Advice on Coastal IFOA remake
March 2018	Coastal IFOA - Supplementary advice on Coastal IFOA remake
Water	
May 2018	Water sharing plan review – Border Rivers Regulated River Water Source 2009
June 2018	Water sharing plan review – Bellinger River Area Unregulated and Alluvial Water Sources 2008
June 2018	Water sharing plan review – Great Artesian Basin Groundwater Sources 2008
Other advice	
December 2017	Evaluation of Catchment Action NSW – Final report
March 2018	Pest animal management – Review of draft regional pest animal management plans
May 2018	Environment Trust's Linking Landscape project – Evaluation report
September 2017	Coastal protection – Advice on coastal subdivision at Forster (Kularoo Dr)
September 2017	Coastal protection – Advice on coastal subdivision at Rosedale
October 2017	Coastal protection – Advice on coastal subdivision at Salamander Bay
October 2017	Coastal protection – Advice on coastal subdivision at Maryland
December 2017	Coastal protection – Advice on coastal subdivision at Forster (Cape Hawke Dr)
Corporate	
October 2017	Annual Report 2016-17
April 2018	Strategic Plan 2017-18

Appendix 2: Funding and expenditure

Annual report production

In accordance with the Premier's Memorandum M2013-09, the Commission is committed to minimising the cost of producing its annual report.

This report was designed in-house without incurring any external costs on its production. Two copies of this report were printed (on recycled paper) and provided to the Premier for presenting to the Parliament. After that the report will be made available on the Commission website.

Consultants

The Commission engaged the following consultancies in the reporting period. Work on some of these consultancies was still progressing as at 30 June 2018.

Table A2.1: Consultancies

Consultant	Title / Nature	Cost (incl. GST)
A. Consultancies equal to or more than \$50,000		
Aither Pty Ltd	Assist with exploring innovative investment and funding models for an ongoing review	\$62,549
Charlie Zammit	Assist with expert advice on an ongoing review	\$61,600
2Rog Consulting Pty Ltd	Assist with expert advice on methodologies to assess old growth forest and rainforest	\$56,540
	<i>Subtotal (A)</i>	<i>\$180,689</i>
B. Consultancies less than \$50,000		
Various		\$809,311
	<i>Subtotal (B)</i>	<i>\$809,311</i>
	Total (A+B)	\$990,000

Funds granted to non-community organisations

The Commission did not grant any funds to non-government community organisations.

Insurance

The NSW Treasury Managed Fund provided insurance for workers compensation, property and public liability. There was no workers compensation claim in the reporting period.

Payment of accounts

There were no instances where penalty interest was paid in accordance with s18 of the *Public Finance and Audit (General) Regulation 1995*. In addition, there were no significant events that affected payment performance.

Table A2.2: Aged analysis of account payment in 2017-18

Quarter ending	Current (within due date)	Less than 30 days overdue	30-60 days overdue	61-90 days overdue	More than 90 days overdue
Sep 2017	\$556,148	\$78,136	-	-	-
Dec 2017	\$270,523	\$5,509	\$12,100	\$701	-
Mar 2018	\$254,714	\$17,247	\$4,735	-	\$23
Jun 2018	\$580,937	-	\$445	-	-

Table A2.3: Report on account payment performance in 2017-18

Measure	Sep 2017	Dec 2017	Mar 2018	Jun 2018
Number of accounts due for payment	98	79	37	91
Number of accounts paid on time	92	74	31	90
Actual percentage of accounts paid on time (based on number of accounts)	94%	94%	84%	99%
Dollar amount of accounts due for payment	\$634,284	\$288,832	\$276,672	\$581,382
Dollar amount of accounts paid on time	\$556,148	\$270,523	\$254,714	\$580,937
Actual percentage of accounts paid on time (based on dollar amount)	88%	94%	92%	100%

Resource efficiency

The Commission continued to implement measures to support the NSW Government Resource Efficiency Policy.

The Commission was able to share and use resources efficiently as its office is housed in the same building as other government agencies and ministers. The Commission's office is located at 52 Martin Place – a building whose environmental credentials include:

- 4.5-star National Australian Built Environment Rating System (NABERS) Energy unassisted rating
- 4.0-star NABERS Water rating
- Onsite energy monitoring systems.

The Premier's Memorandum M2014-08 states that Clusters are required to publish a statement of their performance against the Resource Efficiency Policy on an annual basis. The Commission is part of the Premier's Cluster and thus not required to report separately on its resource efficiency performance.

Appendix 3: Human resources and plans

Employees

Table A3.1: Number of employees by category

Band	2014-15	2015-16	2016-17	2017-18
Commissioner	1	1	1	1
Assistant Commissioners	0	0	1	0
Public Service Senior Executives	1	1	3	3
Non-Executive - FTE	16	15	9.4	10.8
Non-Executive - Part time	1	1	1	0
Total	19	15	15.4	14.8

Overseas visits

The Commissioner and staff did not go overseas on official duty.

Privacy and personal information

The Commission complies with the requirements of the *Privacy and Personal Information Protection Act 1998* through implementation of the Privacy Management Plan. The Plan provides for the Commission to uphold and respect the privacy of staff and others about whom it holds personal information. The Plan also acts as a reference tool for staff to best meet privacy obligations under the Act.

No internal review was conducted by or on behalf of the Commission under Part 5 of the Act in relation to entitlement of a person aggrieved by the Commission.

Public interest disclosures

The Commission neither received any public interest disclosures nor did any member of the Commission make any public interest disclosures under the *Public Interest Disclosures Regulation 2011*.

Statement of business ethics

The Commission's statement of business ethics is reviewed annually and is available on its website. It is also included in contract documents to ensure commitment by service providers.

Senior executives

The tables show the number of public service senior executives employed at the end of the last two reporting years and their average remuneration.

Table A3.2: Number of roles and gender breakdown

Band	2016-17			2017-18		
	Male	Female	Total	Male	Female	Total
Band 4 (Secretary)	0	0	0	0	0	0
Band 3 (Deputy Secretary)	0	0	0	0	0	0
Band 2 (Executive Director)	1	0	1	1	0	1
Band 1 (Director)	1	2	3	1	2	3
Total	2	2	4	2	2	4

Table A3.3: Average remuneration

Band	2016-17		2017-18	
	Range	Average remuneration	Range	Average remuneration
Band 4 (Secretary)	\$452,251 to \$522,500	NA	NA	NA
Band 3 (Deputy Secretary)	\$320,901 to \$452,250	NA	NA	NA
Band 2 (Executive Director)	\$255,051 to \$320,900	\$318,710	\$261,451 to \$328,900	\$328,000
Band 1 (Director)	\$178,850 to \$255,050	\$204,971	\$183,300 to \$261,450	\$226,000

(Note: 38% of the Commission's employee-related expenditure in 2017-18 was related to public sector senior executives.)

Appendix 4: Audit and risk management

The Commission's internal audit program helps to ensure a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Commission continued the shared arrangement with the Department of Premier and Cabinet led Audit and Risk Committee. Under this arrangement, the Department appoints the Chief Audit Executive and the Commission's Audit and Risk Committee ensures compliance with requirements of the Treasury Policy Paper TPP15-03.

In the reporting period, two new independent members were inducted to the Shared Audit and Risk Committee. The Committee met five times and officers from the Audit Office of NSW attended meetings.

Internal Audit and Risk Management Attestation Statement for the 2017-2018 Financial Year for Natural Resources Commission

I, Dr John Keniry AM, am of the opinion that the Natural Resources Commission has internal audit and risk management processes in operation that are, compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

Core Requirements		
Risk Management Framework		
1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009.	Complaint
Internal Audit Function		
2.1	An internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	Compliant
Audit and Risk Committee		
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'.	Compliant.

Membership

This Audit and Risk Committee was established under a Treasury approved shared arrangement from the 1 January 2013 with the following departments/statutory bodies:

- Department of Premier and Cabinet.

The Chair and Members of the Audit and Risk Committee 2017:

- Independent Chair, Arthur Butler, 1 January 2014 to 31 December 2017
- Independent Member 1, Bruce Turner, 1 January 2014 to 31 December 2017
- Independent Member 2, Gerardine Brus, 2 October 2013 to 31 December 2017.

The Chair and Members of the Audit and Risk Committee 2018:

- Independent Chair, Gerardine Brus, January 2018 to December 2020.
- Independent Member 1, Christine Feldman, December 2017 to November 2020
- Independent Member 2, Gary Dinnie, October 2017 to April 2021.

I, Dr John Keniry AM declare that this Internal Audit and Risk Attestation is made on behalf of the following controlled entities (or subsidiaries):

- Natural Resources Commission (controlled entity)
- Natural Resources Commission Staff Agency.



Dr John Keniry
Commissioner

30 June 2018



Digital Information Security Annual Attestation Statement for the 2017-2018 Financial Year for Natural Resources Commission

I, Dr John Keniry, Commissioner of Natural Resources Commission am of the opinion that the Commission had an Information Security Management System in place during the 2017-2018 financial year that is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of the Commission are adequate, subject to the deficiencies in identified controls & procedures of the ICT shared service provider. This ICT shared service provider has taken steps to remediate the control environment, with remaining deficiencies to be addressed in consultation with other GovConnect customers.


Dr John Keniry AM
Commissioner
30 June 2018



31 August 2018

Letter of Certification

To the Commissioner of Natural Resources Commission
Copied to NSW Treasury

For the Financial Year 2017 - 2018

**Expression of opinion as to the effectiveness
of internal controls over financial information**

I Maree Leonard, Director Corporate Services, in my capacity as Chief Financial Officer, Natural Resources Commission acknowledge my responsibility for the design, implementation and operation of internal control systems over the agency's financial information.

I certify that Natural Resources Commission had an effective¹ system of internal control to ensure that financial information presenting the financial position and performance of the agency is true and fair in all material respects. This is subject to the deficiencies, which are not regarded as significant, in the internal controls of the shared service provider as identified by an independent control assessment. The Commission has effective internal controls to mitigate the deficiencies, and therefore they are not considered to have a material impact on the financial information.

Maree Leonard
Chief Financial Officer
31 August 2018

¹ In assessing effectiveness, the CFO considered both whether the internal controls were appropriate and sufficient, as well as whether they were operating properly.

Appendix 5: GIPA Act

The *Government Information (Public Access) Act 2009* (GIPA Act) requires agencies to provide access to government information and encourages proactive release of such information.

As required by the GIPA Act, the Commission provided the following information on its website:

- publication guide
- documents tabled in Parliament by or on behalf of the Commission
- policy documents
- disclosure log of access information
- register of government contracts.

Where information is not available on the website, an informal request may be made to the Commission's Right to Information Officer. Where information is not available on the website or not provided by informal request, a formal access application can be made to the Commission.

In the reporting period, the Commission:

- reviewed its program for proactive release of information to identify the kind of information that can be made publicly available, and made relevant information available on its website
- did not receive any informal request for information
- did not receive or refuse any formal access application.

Appendix 6: Legislation and legal change

Legislation relevant to Commission functions

(As at 1 July 2018)

- *Natural Resources Commission Act 2003*
- *Biodiversity Conservation Act 2016*
- *Crown Land Management Act 2016*
- *Environmental Planning and Assessment Act 1979*
- *Fisheries Management Act 2012*
- *Forestry Act 2012*
- *Local Land Services Act 2013*
- *Threatened Species Conservation Act 1995*
- *Water Management Act 2000*
- *Water Management Amendment Act 2018*

New legislation relevant to Commission functions

(Assented to during 2017-18)

- *Water Management Amendment Act 2018*

Repealed legislation that were relevant to Commission functions

(Repealed during 2017-18)

- *State Environmental Planning Policy No. 77 - Coastal Protection*

Compliance index

Access	75
Aims and objectives	5
Annual report production	64
Audit and risk management	68
Consultants	64
Complaints handling	17
Digital information policy security attestation	70
Disability inclusion action plan	17
Financial statements	18
Funds granted to non-government community organisations	64
Government Information (Public Access) Act	72
Human resources	66
Insurance	64
Internal audit and risk management policy attestation	69
Legislation and legal change	73
Letter of translittal	2
Multicultural policies and services program	17
Overseas visits	66
Payment of accounts	65
Privacy and personal information	66
Public interest disclosures	66
Senior executives	67
Workforce diversity	17
Work health and safety	17

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, table or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

Document Number: D18/2376

ISBN: 978 1 925204 34 6

Natural Resources Commission
GPO Box 5341, Sydney NSW 2001
Level 6, 52 Martin Place, Sydney NSW 2000
Phone: 02 9228 4844
Fax: 02 9228 4970
Email: nrc@nrc.nsw.gov.au
Website: www.nrc.nsw.gov.au

Office hours 9am to 5pm (Access to office is with prior arrangement)

Photos by: Natural Resources Commission, unless otherwise credited