



Annual Report  
2009–10



## Letter of submission



28 October 2010

The Hon Kristina Keneally MP  
Premier of NSW  
Level 40, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Premier

**Natural Resources Commission-Annual Report 2009-10**

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 2010.

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 "John Williams".

John Williams  
Commissioner

A handwritten signature in black ink, appearing to read "Alex McMillan".

Alex McMillan  
Executive Director

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## Commissioner's foreword

The year 2009–10 was a year of intensive effort for the Natural Resources Commission (NRC) and of productive outcomes for the management of the state's natural resources. We completed two major forest assessments requested by the NSW Government, while also making solid progress in our core business areas.

The forest assessments were challenging and complex work. Our goal was to provide a scientific platform for the Government to determine how best to conserve and manage the magnificent river red gum and woodland forests in the Riverina bioregion and the cypress state forests in the south-western region. We aimed to identify the actions required to ensure the survival of a treasured part of the state's natural landscape and to enable a sustainable future for the forestry industry and local communities.

To maintain the independence and integrity of our advice, we consulted many experts to gain a rigorous, scientific understanding of natural processes essential to the long-term health of the forests. We also consulted widely to obtain a rich understanding of the environmental, heritage, economic and social values people in local communities and across NSW place on these forests. In making our recommendations, we aimed to balance these diverse values while ensuring our advice was consistent with the scientific evidence.

The Government's acceptance of our findings and key recommendations on the river red gum forests resulted in a landmark decision to protect over 100,000 hectares of river red gum as national and regional parks, and Indigenous protected areas in the Riverina bioregion, and to adopt new principles for managing the forest ecosystems in a drying

climate. It also resulted in the allocation of some \$97 million to support the structural adjustment of the timber industry, fund community assistance and development programs, and implement our other recommendations.

Personally, I found our work on forest assessments energising and inspiring—especially our work with industry and local and Indigenous communities to identify pathways towards sustainable futures for all. I recognise that the changes flowing from our recommendations will require considerable change and adaptation from the people in the region. Therefore, it is important that the Government continues to support regional development over the long term.

In many ways, the natural resource management issues we encountered in the forest assessments are typical of those that other communities and industries in the state will face in the coming years. To improve or maintain the condition of the natural resource base on which we rely for food, fibre and other basic needs, we cannot continue with 'business as usual'. The current generation must confront and address the negative impacts of previous generations' decisions regarding this resource base, as well as the future impacts of climate change.

The NRC's commitment and ability to provide independent advice that reflects the best-available scientific information and best-practice natural resource management means we are uniquely well placed to help the Government and the people of NSW with this challenge.

John Williams

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## Section 01

# Our purpose, people and partners



## Section 01: Our purpose, people and partners

*Providing timely, evidence-based advice on complex issues to help the Government improve natural resource management policies, plans and outcomes*

### 1.1 Our purpose

The Natural Resources Commission (NRC) was established under the *Natural Resources Commission Act 2003* (the NRC Act) to provide credible, independent advice to the NSW Government on managing the state's natural resources in an integrated manner, to maintain landscapes that are resilient, function effectively, and support environmental, economic, social and cultural values.

The NRC advises the Government on scientific, strategic and technical issues related to natural resources management (NRM) in NSW. We also play a vital role in the regional model for NRM in NSW by supporting continuous improvement in NRM processes and outcomes, and by establishing and applying quality-control mechanisms.

#### 1.1.1 Advising on NRM issues

NRM is a complex field, with many stakeholders and competing interests. The NRC's role is to assist the Government to make sound decisions in this difficult area. At the Government's request, we conduct independent reviews and provide credible, timely advice that is based on scientific evidence and takes account of the broad range of stakeholder views. For example, in the past few years we have investigated and made recommendations on a range of strategic and technical issues, including the future of river red gum forests in the Riverina bioregion and of the south-western cypress state forests, and the benefits of developing 'landscape-scale' native vegetation management plans. We have also reviewed and provided advice on the scientific basis of the Lower Lachlan Groundwater Sharing Plan, and the optimal allocation of Government funding to catchment management authorities (CMAs) to maximise NRM outcomes.

#### 1.1.2 Providing quality assurance in the regional model for NRM

The regional model for NRM includes 13 regional CMAs, which are responsible for working in partnership with their communities to plan and coordinate investments at a regional scale in NRM. They are responsible for prioritising these investments to achieve maximum improvements in natural resource condition; however, successful implementation of the model requires integrated action by all communities, industry and governments over many years.

To guide and support this process, the NRC developed and recommended the Standard for Quality Natural Resource Management (the Standard) and the state-wide targets for NRM, which have been adopted by the Government.

The Standard defines the key components of high-quality practice in NRM and is designed to be applied by NRM practitioners at all scales, including at the state, regional or catchment, local and property levels.

The targets define what we need to achieve if we are to enjoy healthy, functioning landscapes and communities in the future, and thus provide a common focus for NRM activity and investment, while also supporting accountability and allowing for local input. The targets cover biodiversity, land, water and community themes.

The CMAs are required to work in partnership with their regional communities and government agencies to lead the development and implementation of a 10-year whole-of-government catchment action plan for their region. These plans set out the long-term direction for community and government investment and action in NRM. They must be developed and implemented in compliance with the Standard, and contribute to the achievement of state-wide targets.

The NRC assures the quality of this planning and implementation in all regions. We review new and upgraded catchment action plans, and recommend whether they should be approved by the Government on the basis of their compliance with the Standard and contribution to the targets. We also conduct ongoing audits of the effectiveness of catchment action plan implementation. In addition, we periodically report on NSW's progress towards the state-wide targets.



## 1.2 Our people and leadership structure

The Natural Resources Commission comprises the Commissioner and an Assistant Commissioner. The Commissioner is responsible for ensuring we fulfil our functions under the NRC Act.

The Assistant Commissioner and Executive Director support the Commissioner in formulating the NRC's advice. The Executive Director leads a small team of staff and is responsible for implementing the Commission's programs, and administrative and financial affairs in accordance with the Standard.

**Dr John Williams**  
**BSc Agr (Hons), PhD**  
**Commissioner**

John is one of Australia's most respected scientists and has led the national debate about sustainable land management. Prior to joining the NRC in 2006, he was Chief Scientist and Chair of the Department of Natural Resources' Science and Information Board, and Adjunct Professor in Agriculture and Natural Resource Management at Charles Sturt University. Before that he was Chief of Land and Water at the CSIRO. In 2005, he was awarded the prestigious Farrer Memorial Medal for achievement and excellence in agricultural science. John has extensive experience in providing national and international thought leadership in NRM, particularly in agriculture production and its environmental impact.

**Mr Brian Gilligan**  
**BA, DipEd, MA, FAICD**  
**Assistant Commissioner**

Brian joined the NRC as Assistant Commissioner in August 2009. He is currently a Director of Sydney Water, and a Director of the Hunter Valley Research Foundation. He has also been the Director-General of the National Parks and Wildlife Service of NSW, and brings 33 years of working in environment protection and education roles in NSW government agencies. Brian has led inquiries and evaluations advising governments in various jurisdictions on contentious planning and policy issues, making recommendations for improvements in program delivery.

**Mr Alex McMillan**  
**BEC (Hons), LLB**  
**Executive Director**

Alex specialises in leading innovation in natural resources policy and environmental management. He has a track record in integrating multiple scientific disciplines to solve complex environmental issues. He has established governance standards and auditing techniques to drive improvements in how NSW Catchment Management Authorities perform, and has led a wide range of public reviews including native forest assessments, water sharing plans, and Cloud Seeding in the Snowy Mountains. Prior to establishing the NRC in 2004, Alex was founding General Manager of the NSW Greenhouse Gas Reduction Scheme, one of the first carbon dioxide emission trading schemes in the world. With a background in economics and law, Alex also has diverse experience in public policy and utility regulation, including irrigation and urban water supply, energy and public transport.



## 1.3 Our clients and stakeholders

The NRC reports independently to the NSW Premier. We also collaborate and engage with a range of agencies, organisations and stakeholders involved in the state's regional model for delivering NRM.

As noted above, the NSW and Commonwealth Governments devolve significant responsibilities and resources to 13 CMAs. The CMAs report to the Minister for Climate Change and the Environment and they receive policy guidance, scientific services and corporate support from the Department of Environment, Climate Change and Water.

The NRC works closely with the CMAs. We support them in using the Standard, audit their effectiveness in implementing their region's catchment action plans, and assess whether they are making progress towards achieving their region's NRM targets.

We also engage with a range of other government agencies, including:

- the Department of Environment, Climate Change and Water, the lead agency responsible for delivering on the targets for NRM within the NSW State Plan
- the Department of Premier and Cabinet, to help achieve a whole-of-government response to NRM
- other government agencies, including the Department of Industry and Investment, the Department of Planning, NSW Treasury and federal NRM agencies.

We attend the NSW Government's Natural Resource Management Senior Officer Group with the above agencies and CMA representatives to encourage whole-of-government collaboration, planning, and monitoring, evaluation and reporting.

In addition, we engage with other important stakeholders, including farming and environmental groups, private landholders, the Natural Resources Advisory Council, the Local Government and Shires Association, and regional and local organisations.

In 2009–10, our Commissioner gave presentations at a variety of conferences and seminars, including the Hunter Valley Research Foundation Annual Lecture Series, the Environmental Institute of Australia and New Zealand event, the Annual Water Leaders Congress 2010 and the Urban Salt 2010 Conference.

To best understand the nature of the issues with which we deal and to develop our advice, we use transparent consultation and collaborative approaches, and access the best-available knowledge across a variety of fields, including leading academics, scientists and the broader scientific community.

All our reports are published on our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)) to help us engage with the broader public.





## Section 02

# Summary of our achievements in 2009–10





## Section 2: Summary of our achievements in 2009–10

*Assisting the Government to make sound decisions on managing the state's natural resource assets by providing credible, independent advice that is based on sound science and aims to reconcile the competing needs of diverse stakeholders.*

### 2.1 Recommending actions to ensure a sustainable future for river red gum and cypress forests

In 2009–10, we conducted major reviews of the river red gum and woodland forests in the Riverina bioregion and the south-western cypress state forests. The aim was to assist the NSW Government in determining how best to manage the forests – both to conserve a treasured part of the state's natural landscape and to ensure a sustainable future for the forestry industry and local communities.

The Government accepted our findings and recommendations on the river red gum forests. As a result, it made a landmark decision to protect over 100,000 hectares of river red gum as national and regional parks, and Indigenous protected areas. In addition, the Government has allocated up to \$97 million to support the structural adjustment of the timber industry, fund community assistance and development programs, manage the new parks and implement our other recommendations. The Government is considering our findings and recommendations on the south-western cypress state forests.

### 2.2 Supporting CMAs in upgrading catchment action plans

In 2009–10, we developed a framework to guide CMAs in upgrading their region's catchment action plans. The upgraded whole-of-government and community plans would spatially express regional priorities and help build resilient landscapes that function effectively at all scales. Central West and Namoi CMAs piloted the development of upgraded catchment action plans in collaboration with their communities, government partners and the NRC.

In addition, we coordinated a project to integrate water and catchment planning, to improve aquatic ecosystem health. The project demonstrated that some elements of water and catchment planning, such as integration of existing datasets held by agencies to determine index of river condition, can be integrated with minimal additional investment.

### 2.3 Auditing CMAs' effectiveness in implementing catchment action plans

In 2009–10, we conducted audits of a further six CMAs' implementation of their region's catchment action plans. This completed the first round of all 13 CMA audits.

Overall, our audits found that all CMAs showed strong performance in achieving on-ground results and in effectively engaging their communities. Some CMAs were applying the best-practice adaptive management to their business practices, and a few CMAs were still developing their prioritisation system which was hampering their ability to get the best possible return on investments.

We also identified specific actions for CMAs to improve their organisational performance and the delivery of NRM outcomes—many of which have now been taken.

### 2.4 Reporting on progress towards the native vegetation target

One of the NRC's roles is to report to the Government on progress being made towards achieving the state-wide targets for NRM. This advice provides a sound basis for reviewing and (if necessary) revising the current policy settings to increase the probability of meeting the targets.

In 2009–10, we reported on the native vegetation extent and condition target, which is: "By 2015 there is an increase in native vegetation extent and an improvement in native vegetation condition". Our report found that there was no net change in the extent of woody native vegetation across the state between 2002 and 2008. However, baselines for native vegetation extent and condition have been established for 2006, which will help to improve the accuracy of future reporting of progress against this target.

### 2.5 Advising on complex scientific and technical issues

Part of the NRC's role is to provide independent and objective advice to the Government on NRM issues and policy settings, particularly complex scientific and technical issues.

In 2009–10, we provided advice on:

- the proposed amendments to Chapter 7 (Invasive Native Scrub Assessment) of the methodology for assessing native vegetation clearance applications recommending their approval as they were based on sound science and reflected the best practice
- seven coastal development applications ensuring they addressed the aims and objectives of the State Environmental Planning Policy No. 71 – Coastal Development.

## Section 03

# Recommending actions to ensure a sustainable future for river red gum and cypress forests





## Section 3: Recommending actions to ensure a sustainable future for river red gum and cypress forests

### *Conducting independent, timely investigations to provide the knowledge needed for the Government to determine a sustainable future for forests, the forestry industry and local communities*

In August 2009, the NSW Government asked the NRC to assess the river red gum and woodland forests in the Riverina bioregion and the south-western cypress state forests, and to recommend:

- conservation, protection, economic and ecological sustainable use of public land in these forests
- water management and flooding requirements to sustain the forests and identify values and uses under the range of projected impacts of climate change.

Our assessments and recommendations provided a sound basis on which the Government could make forest agreements, and determine conservation outcomes and a sustainable future for the forests, the forestry industry and the local communities. The process we used was designed to engage with a broad range of experts, stakeholders and local communities, to ensure that our advice was based on a thorough, scientific understanding of the issues as well as a rich appreciation of the needs of the people who live and work near the forests and the diverse values they place on them.

We provided our assessment on the river red gum forests in December 2009 and on the south-western cypress state forests in May 2010. The Government accepted our findings and recommendations on the river red gum forests in April 2010 and is considering our assessment and recommendations on the south-western cypress state forests.

We acknowledge the contribution of many agencies, individuals, local communities, industry and organisations that provided information, data and views for our assessment, in particular Forests NSW and the Department of Environment, Climate Change and Water.

### 3.1 Assessment of river red gum forests

Over a period of five months, we undertook extensive consultation to seek input and gain an understanding of the breadth and depth of values people place on the forests. We visited the region nine times, held four public forums and visited 50 state forests. We called for two rounds of public submissions and received over 5,000 submissions, of which 259 were unique and the rest were form letters or emails. In addition, we established a Technical Review Panel to provide a scientifically robust and credible report that underpinned our recommendations.



Figure 3.1 illustrates the different forest tenures we have recommended for the 83 current state forests that contain red gum forests in the Riverina bioregion.

Figure 3.1  
NRC Forest tenure recommendations

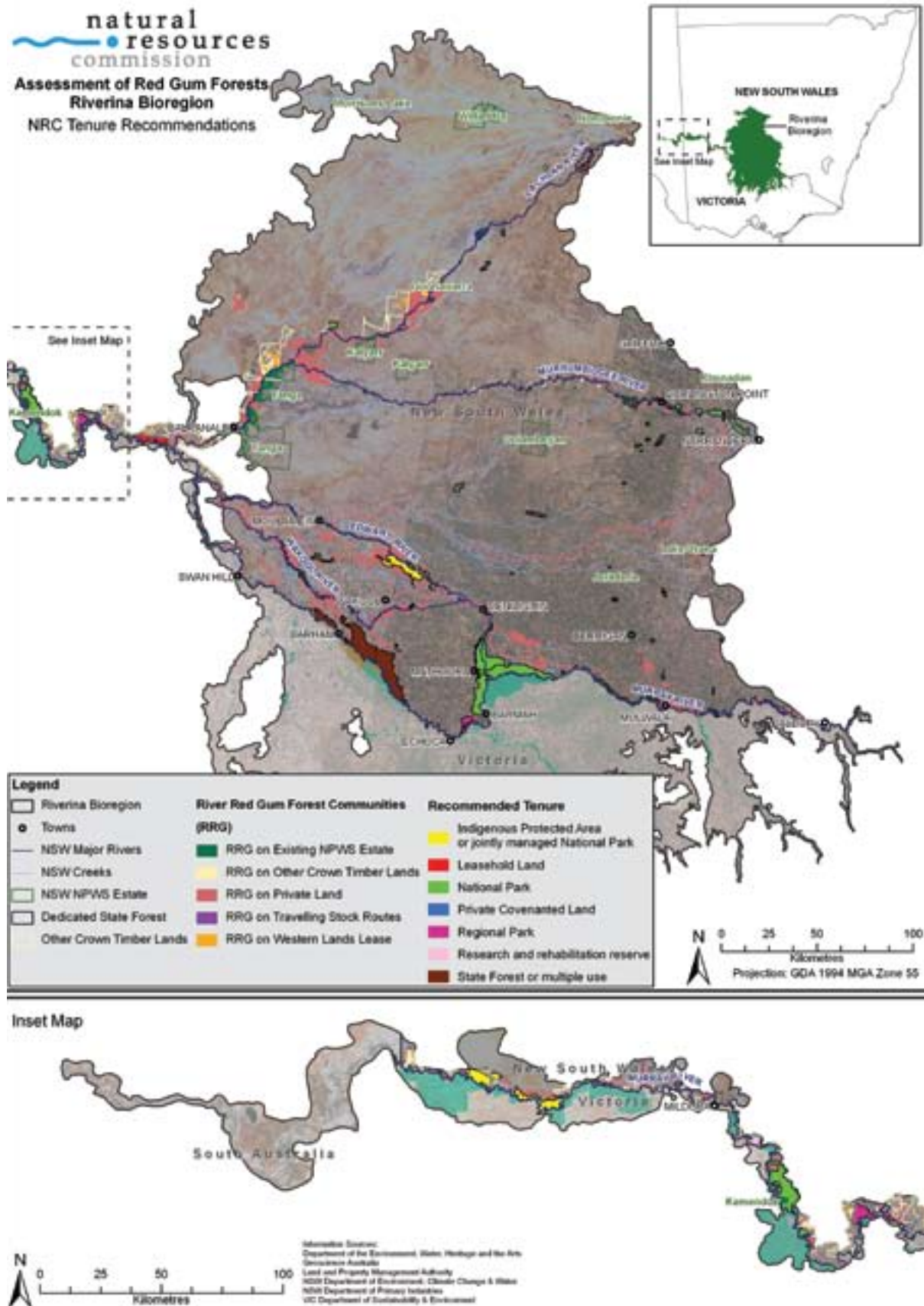
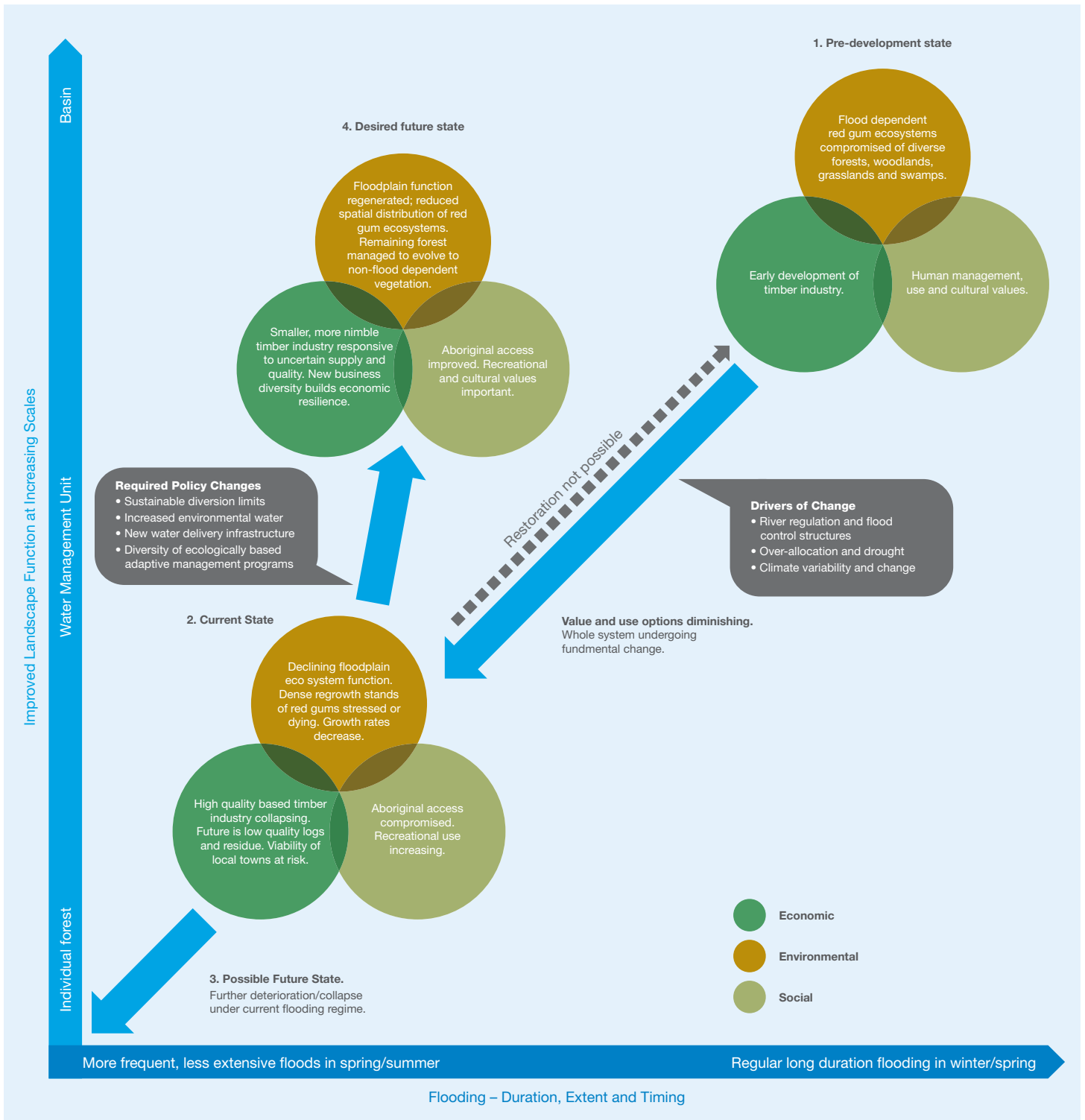


Figure 3.2 illustrates the historic, current and possible future states of the social, economic and ecological systems associated with these floodplain forest ecosystems. The horizontal axis represents the extent, duration and seasonally-appropriate timing of flood inundation.

The vertical axis represents the health of the floodplain ecosystem functions at different scales: from the smallest scale of individual forests stands, up through forest groups in different water management units, and finally up to the Basin and river system scale.

**Figure 3.2**  
Landscape change in the river red gum ecosystems of the Riverina bioregion





Overall, our assessment found that the river red gum forests and the industries and social systems they support are in decline due to river regulation, over-allocation of water and drought. This decline is predicted to worsen under climate change. Even with ambitious water reforms there will not be enough water to restore all the red gum forests to health.

The future health of the river red gum forests will depend on whether the particular forest stands can be artificially flooded and how they are managed, including appropriate thinning.

Those forests that are more readily flooded may retain their current form and ecological functions if key elements of the natural flooding regime can be restored with artificial watering. Other red gum forests are already changing, but may be able to be managed to retain some aspects of their structure and ecosystem functions, albeit in a different form. The most rapidly drying red gum forests will inevitably cease to be red gum forests, and be replaced by other vegetation communities.

We called for the NSW Government to decide whether to let this decline take its course, or act to manage the forests to create new, more sustainable ecological, economic and social futures. Managing the forest ecosystems through such a transition will require significant water reform, including increasing existing adaptive environmental water entitlements by 1,200 gigalitres, new water-delivery infrastructure, and ecologically based silvicultural systems designed to support long-term forest regeneration, health and sustainability.

Our assessment also found that despite the decline in forest health, some red gum forests are large and diverse enough to sustain conservation values and be managed in ways that will maintain key ecological functions while also supporting a boutique timber industry. A sustainable forestry industry would make wise use of the available timber resources, marketing the distinctive character of red gum wood, and underpinning the resilience of local communities and a region facing the challenges of a drier future.

Our report made the following 16 recommendations that the Government is implementing:

1. Undertake collaborative water reform
2. Complete water delivery infrastructure at Koondrook-Perricoota
3. Implement forest management principles across all forests
4. Trial ecological thinning on a large scale
5. Codify forest management operations
6. Employ a diversity of management approaches
7. Implement transparent governance
8. Prioritise additions to the National Reserve System
9. Establish trans-border iconic national parks
10. Implement an adaptive management strategy
11. Enhance ecological connectivity
12. Find a new way to govern and fund multiple-use forests

13. Provide exit assistance and support the forest industry to adapt
14. Engage communities in managing forests
15. Empower Indigenous communities to manage some forests, and
16. Identify and fund regional development opportunities.

Further details and the rationale for these recommendations are available in our final assessment report and recommendations report, which are available from our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)).

## 3.2 Assessment of south-western cypress state forests

Our assessment covered 197 south-western cypress state forests. These forests comprise a range of vegetation types and this diversity contributes to their ecological value.

We consulted with a diverse range of groups and individuals who have an interest in the south-western cypress state forests. To gain further information and insight that could contribute to the assessment, we released a summary of available information on the forests and received 75 submissions. We visited 57 state forests, travelling stock routes and private properties to better understand the issues facing the forests and the communities that rely on them. In addition, we established a Technical Review Panel to provide a scientifically robust and credible report that underpinned our recommendations.

Our assessment found that the south-western cypress state forests support a variety of environmental, social, cultural and economic values. It is practical to continue to manage these forests for timber and environmental values, as well as other social and cultural uses.

However, scientific information about the condition and functions of the south-western cypress state forests and their management is limited. It is essential that this information be improved and made available to inform forest management planning and future wood supply agreements.

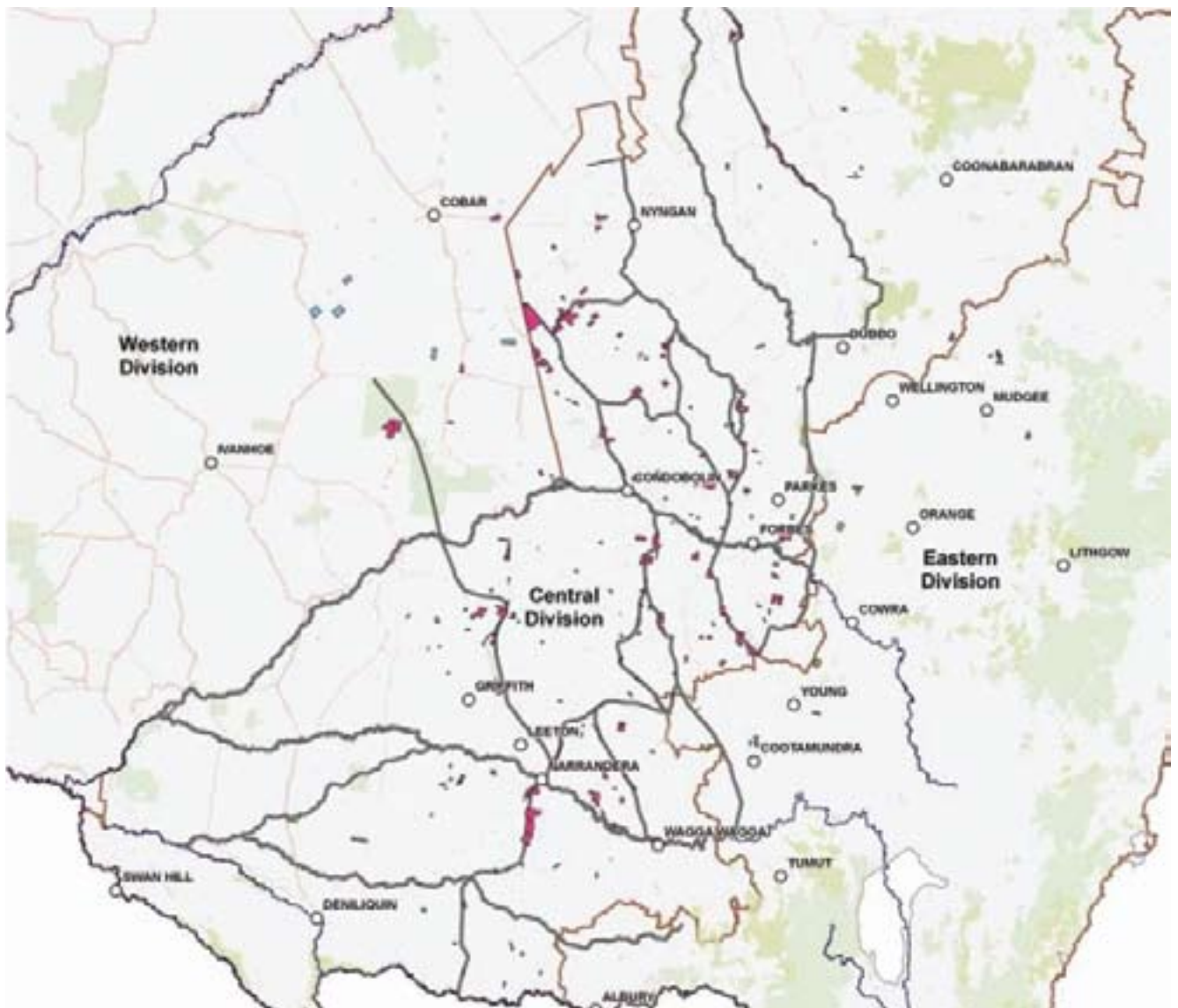
Based on the best available scientific information, we recommended that of the 197 cypress state forests, 168 forests that are valued particularly for their timber resources, environmental values and contribution to landscape function should remain as state forests. These forests should be specifically managed to maintain these values. The remaining 29 cypress state forests, which are valued more highly for environmental and other values than for their timber resources, should be managed primarily for conservation.

We noted that the management of cypress forests on other land tenures, as well as of state forests, will be important for maintaining biodiversity, helping species adapt to climate change and supporting a sustainable future for the forestry industry in the region.

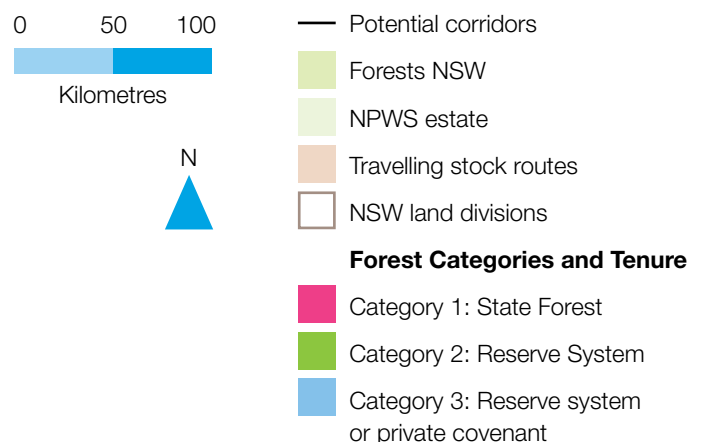
We made the following 10 recommendations for sustainable management of the south-western cypress state forests:

1. Actively and adaptively manage all cypress forests
2. Review forest management zoning and operational management protocols
3. Invest in silvicultural thinning
4. Review management and tenure of state forests to maintain multiple values
5. Manage specific threats to more vulnerable forests
6. Improve ecological connectivity
7. Refine policy settings to enhance management of cypress forests on private and leasehold tenures
8. Conduct research to support ecologically sustainable forest management, and
9. Improve information about the cypress resource.

The Government is considering the above recommendations.



**Figure 3.3**  
Suggested tenure arrangements for south-western cypress state forests





## Section 04

# Supporting CMAs in upgrading catchment action plans





## Section 4: Supporting CMAs in upgrading catchment action plans

### *Setting expectations and supporting others in continually improving the quality of natural resource management processes and outcomes*

Catchment action plans are a primary mechanism for delivering on the state-wide targets for NRM. The state's 13 regional CMAs take the lead in developing these plans in partnership with the local communities in their region. The NRC is required to review the plans to determine whether they are consistent with the Standard and the state-wide targets for NRM and, on this basis, recommend whether or not the Government should approve them.

CMAs are currently leading the implementation of their region's first catchment action plans, which were developed and approved between 2006 and 2008. Although these plans have a 10-year timeframe, there is an expectation that they will be periodically updated, in line with an adaptive management approach.

There have been substantial changes in NRM in NSW since the first catchment action plans were developed, which means it is now an appropriate time to upgrade catchment action plans.

In 2009–10, we:

- developed a framework to guide CMAs in upgrading their region's catchment action plans
- supported a pilot process by Central West and Namoi CMAs to test the new framework
- coordinated a project to demonstrate the potential of whole-of-government catchment action plans through aligning water and catchment planning.

The framework to upgrade catchment action plans sets out attributes of good catchment action plans and the NRC's criteria for assessment and recommendation of plans for approval.

These plans are a significant step change in catchment planning as they:

- align whole-of-government policies and plans with regional community values
- spatially represent landscape priorities and values
- have a structured adaptive learning approach whilst still meeting government investment needs.

The framework specifies the use of 'resilience' as a conceptual framework to guide catchment action plan development. Resilience is a relatively new concept with considerable potential value to NRM planning and decision making.

The application of the concept was tested in the Namoi and Central West pilots. These pilots are at the forefront of the application of regional NRM strategic planning. We provided and resourced expert guidance in the application of resilience thinking and the preliminary results of the pilots are very promising.

We coordinated the submission of a project proposal to the National Water Commission to align water and catchment planning. The project was based on the Hunter Central Rivers CMA area and project partners included the Department of Environment, Climate Change and Water and the NSW Office of Water. The project recognised that water sharing plans and catchment action plans, while overlapping, serve different purposes, and that large-scale institutional change would be required to bring both of these plans into one combined process. Therefore, the project focused on improving alignment of existing processes with minimal change to institutions and legislation. The project demonstrated that some processes, such as integrating existing datasets held by partner agencies to determine an index of river condition, can be integrated with minimal additional investment.

### Next steps

In the coming financial year, we will evaluate the pilots of Central West and Namoi Catchment Action Plans and refine the framework based on the experience and feedback of CMAs. We will also assess the submitted catchment action plans in line with the framework and provide advice to the Government regarding their approval. We will then ask the remaining CMAs to upgrade their catchment action plans using the refined framework.

## Section 05

# Auditing CMAs' effectiveness in implementing catchment action plans





## Section 5: Auditing CMAs' effectiveness in implementing catchment action plans

### *Providing a quality assurance mechanism within the regional model to improve landscape function across NSW*

The NRC's independent audit program is a vital part of the regional model for NRM in NSW. Together with the Standard and state-wide targets, it supports flexible and innovative regional decision making while also building consistency, rigour and accountability for NRM.

Our audits assess whether each catchment action plan is being implemented effectively, in a way that complies with the Standard and helps achieve the state-wide targets for NRM.

The audits aimed to provide evidence on whether CMAs are working effectively to engage and empower regional communities to deliver on-ground projects that improve landscape function. They also aimed to identify specific actions CMAs could take to lift their performance and improve NRM outcomes in their region.

Our audits focused on the following four lines of inquiry:

- effective prioritisation to ensure investment decisions are guided by the catchment action plan and investments are targeted to areas in the catchment that will achieve the best possible NRM results
- effective community engagement to ensure processes are in place to identify and foster partnerships, leverage continued participation and build community capacity
- achievement of on-ground results to ensure projects are delivering their intended outcomes and are contributing to longer-term targets
- use of adaptive management principles and practices to continually improve and become more efficient.

For each line of inquiry, we assessed whether the CMAs are doing the activity and doing it effectively – that is, by applying the most relevant elements of the Standard and achieving the required outcomes of the Standard. We believe a CMA that is doing each of these four activities in a way that achieves the relevant required outcomes of the Standard, has the greatest chance of achieving multiple NRM outcomes and making the best possible contribution towards the NRM targets.

In 2009–10, we completed a further six audits of the Lachlan, Murrumbidgee, Namoi, Northern Rivers, Southern Rivers and Sydney Metropolitan CMAs. This completed the first round of all 13 audits.

Overall, our audits found that:

- All CMAs showed strong performance in achieving on-ground results. For example, over 90 percent of all projects had achieved their expected short-term outputs.
- All CMAs showed strong performance in effectively engaging their communities, particularly engaging landholders through training and on-ground activities.
- Even though all CMAs understand the basic elements of adaptive management principles, many were not applying the best-practice adaptive management to their business practices.
- A few CMAs were still developing their prioritisation system which was hampering their ability to get the best possible return on investments.

Since the audits, the CMAs have implemented many of the NRC's suggested actions to improve organisational performance and the delivery of NRM outcomes.

### Next steps

In 2010–11, we will review our audit program to capture the lessons learned from the first round of audits and improve our audit process. We will also plan our next audit program.



## Section 06

# Reporting on progress towards the native vegetation target





## Section 6: Reporting on progress towards the native vegetation target

### *Providing evidence on whether there is progress towards the state-wide targets for natural resource management*

The NSW Government has adopted 13 state-wide targets for NRM, covering the themes of biodiversity, land, water and community. The targets define what we need to achieve if we are to enjoy healthy, functioning landscapes and communities in the future. As such, they provide a common focus for NRM activity and investment, while also supporting accountability and allowing for local input.

One of the NRC's roles is to report to the Government on the progress being made towards achieving these targets. Our advice provides a sound basis for reviewing and (if necessary) revising the current policy settings to increase the probability of meeting the targets.

In 2009–10, we reported on the progress towards the native vegetation extent and condition target, which is: *“By 2015 there is an increase in native vegetation extent and an improvement in native vegetation condition”*.

To evaluate the progress being made towards the target, we collated information from state and federal agencies, including the Department of Environment, Climate Change and Water; the Native Vegetation Monitoring, Evaluation and Reporting Theme Team; CMAs; and federal agencies. A panel of recognised experts in NRM independently analysed and verified the collated information.

Our report found that:

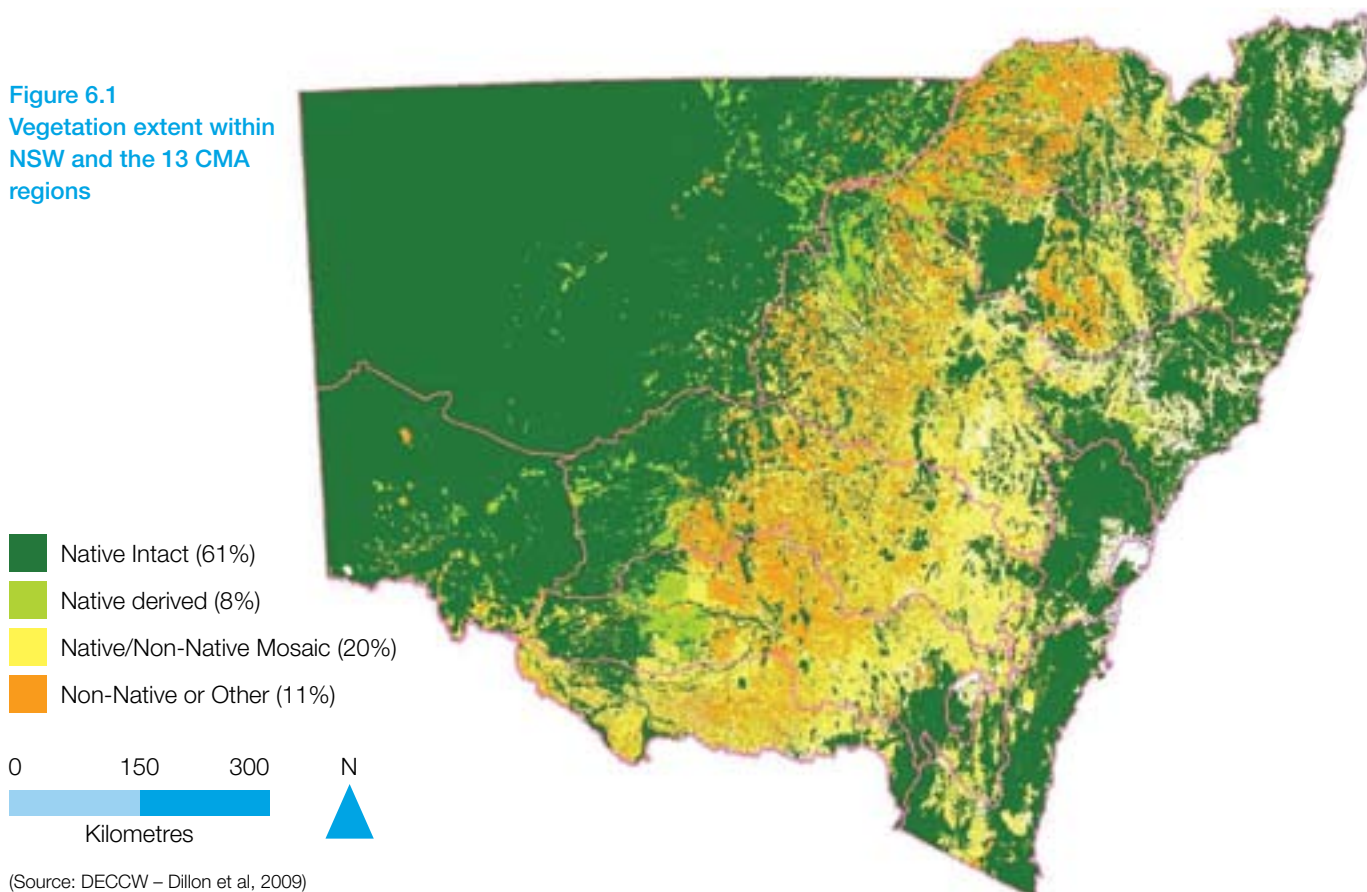
- there has been no net change in the extent of woody native vegetation across the state between 2002 and 2008
- baselines for native vegetation extent and condition have been established for 2006
- the extent of native vegetation cover across the state in 2006 was 19–23 percent woody and 40–64 percent non-woody vegetation
- the condition of vegetation across the state in 2006 was 68 percent native and 32 percent non-native.

Figure 6.1 shows the extent of native vegetation within NSW and the 13 CMA regions.

### Next steps

The calendar year 2010 marks the mid way point in the timeframe for meeting the state-wide targets. Therefore, over the coming 12 months we plan to continue assessing and reporting on the state's progress in achieving the targets and identify how progress can be improved.

**Figure 6.1**  
Vegetation extent within NSW and the 13 CMA regions



(Source: DECCW – Dillon et al, 2009)

## Section 07

# Advising on complex scientific and technical issues





## Section 7: Advising on complex scientific and technical issues

### *Delivering evidence-based advice to the Government on complex issues to provide a sound basis for decision making and policy setting*

Part of the NRC's ongoing role is to provide independent and objective advice to the NSW Government on NRM issues and policy settings, particularly complex scientific and technical issues. In some cases, we are asked to review and provide advice on specific terms of reference, such as the forest assessments discussed earlier in this report. In other cases, we have a legislative responsibility to undertake regular review functions, such as those discussed below.

In 2009–10, we reviewed and provided advice on whether:

- proposed changes to the Environmental Outcomes Assessment Methodology for assessing native vegetation clearance applications should be adopted
- proposals for coastal development were consistent with planning requirements.

#### 7.1 Changes to the methodology for assessing native vegetation clearance applications

One of the key objectives of the *Native Vegetation Act 2003* is to end broadscale clearing of native vegetation in NSW, except where the clearing will improve or maintain environmental outcomes. To help meet this objective, the *Native Vegetation Regulation 2005* provides that landholders that want to undertake such clearing must first apply to and receive approval from their region's CMA.

This Regulation also provides for the Environmental Outcomes Assessment Methodology, which is the system CMAs must use in assessing and deciding whether or not to approve such applications. In addition, it provides that in considering proposals to amend this Assessment Methodology or the databases that support it, the Minister for Climate Change and the Environment must seek advice from the NRC. Our independent advice provides the Government with assurance that there is sound scientific and social evidence underpinning proposed amendments.

In 2009–10, we reviewed proposed amendments to Chapter 7 (Invasive Native Scrub Assessment) of the Environmental Outcomes Assessment Methodology. An invasive native scrub is a plant species that invades vegetation communities where it has not been known to occur previously, or a species that regenerates densely following natural or artificial disturbance. The invasion or dense regeneration of the species results in change of structure and composition of the vegetation community.

We recommended that the Minister for Climate Change and the Environment adopt all of the proposed amendments with certain provisions on the types of clearing permitted for two invasive native species: *Acacia farnesiana* and *Acacia stenophylla*. The proposed amendments extended the area in which these two species are considered invasive native scrub and recommended the type of clearing permitted to better manage these species.

We invited public submissions on the proposed amendments and received five submissions from key stakeholders and the community to inform our assessment.

#### 7.2 Proposals for coastal development

The NRC has established an internal committee and a rigorous assessment system to provide advice to the Minister for Planning on whether coastal developments comply with the *State Environmental Planning Policy No. 71—Coastal Protection* (SEPP 71), including addressing all the aims and objectives of this policy.

Our advice helps to promote the aims of SEPP 71 – to protect and manage the NSW coast, marine environment, native coastal vegetation and the Indigenous cultural heritage – and encourages greater connection between planning processes and NRM.

In 2009–10, we provided advice on seven coastal development applications to ensure that the developments promoted the aims and objectives of SEPP 71.

#### Next steps

In 2010–11, we will continue to provide advice on scientific and technical issues referred to us by the Government, including reviewing the multi-criteria funding methodology, and recommending a funding profile for allocating Catchment Action NSW funds between the CMAs for 2011–12 and 2012–13.

## Section 08

# How we achieve our results





## Section 8: How we achieve results

*Our work is guided by the values we hold of independence, quality, innovation, commitment, vibrant workplace and working together as a high-performing team*

We have a small, professional team of managers, analysts and administrative staff members that support the Commissioner. We also work with relevant experts to ensure that the advice we provide and the approach to developing that advice are of the highest standard.

To be successful, we need to maintain effective systems and processes, and to fully leverage the skills and knowledge of our team and our partners. Our project teams use peer reviewers to seek advice on whether our work represents best practice, and on how to improve the quality of our reporting and advice. When our staff members work with external consultants, one of our objectives is to capture and transfer the consultants' expertise not only for the benefit of the project but also for our team and organisation.

In 2009–10, we:

- updated our governance policy to drive further improvements in our governance
- reviewed our strategic plan to focus on better integrating water management within the regional NRM model to achieve resilient landscapes
- ensured our internal audit and risk-management processes comply with relevant government requirements and enable us to understand, manage and control risk exposures
- enhanced our computer systems and infrastructure to improve efficiency
- recruited staff who have the right mix of skills and motivation to achieve
- supported a range of professional development opportunities targeted to the needs of individuals.

### 8.1 Governance

In February 2010, we updated our governance policy that maps our current governance systems and demonstrates how we aim to meet the Standard within our own governance system.

The Commissioner is now supported by:

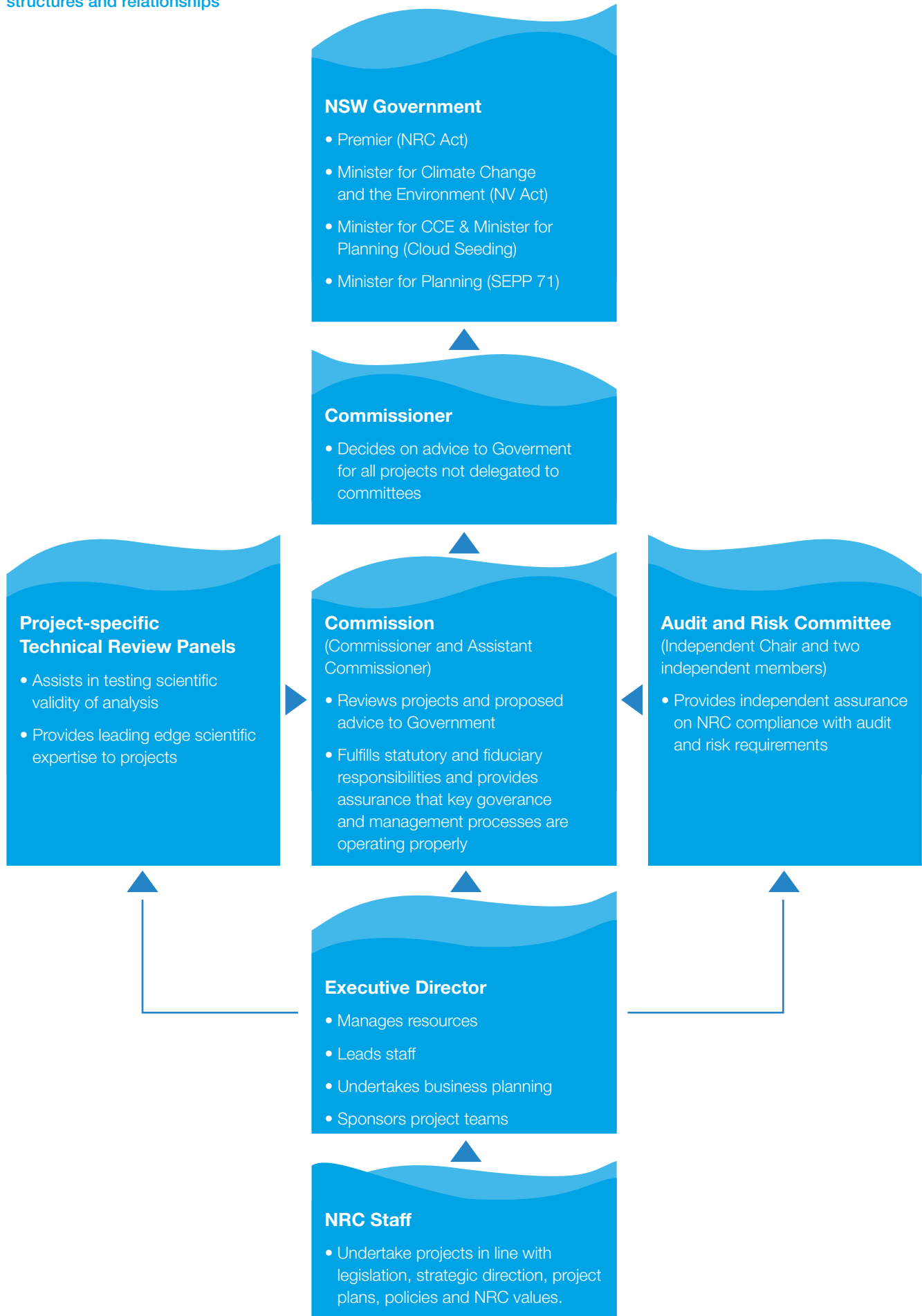
- an Assistant Commissioner who reviews projects and proposed advice to the Government
- project-specific Technical Review Panels that test scientific validity of analysis
- an Audit and Risk Committee that provides independent assurance on the NRC's compliance with audit and risk requirements
- an Executive Director, who manages resources, leads staff and undertakes business planning.

Figure 8.1 shows the NRC's governance model.

We apply the Standard to our planning and business systems to ensure that the Commissioner receives quality advice in relation to legislative responsibilities, referrals from the Premier and NRC programs. We are committed to ongoing review and improvement of our performance and organisational culture.



**Figure 8.1**  
Key decision-making  
structures and relationships





## 8.2 Strategic planning

In April 2010, we reviewed and revised our strategic plan to reflect our priorities. The four main areas of our work are:

- recommending standards, targets and approval of catchment action plans
- reporting on the effectiveness of catchment action plan implementation with regard to compliance with the Standard and NRM targets
- arranging for information to be gathered and disseminated on NRM issues
- completing reviews under any new terms of reference from the Premier, or providing ongoing scientific and technical advice under other legislation.

## 8.3 Internal audit and risk management

Our internal audit and risk management processes, in all material respects, comply with the core requirements set out in the Treasury Circular NSW TC 09/08 (Internal Audit and Risk Management Policy). These processes provide a level of assurance that enables us to understand, manage and satisfactorily control risk exposures.

Our Audit and Risk Committee operates in accordance with the independence and governance requirements of the Treasury Circular NSW TC 09/08.

We have considered all relevant factors and models in establishing an internal audit function. Our internal audit function is provided through an out sourced service delivery model by an appropriately qualified third-party provider and the contracted services are project managed in-house.

### Next steps

In 2010–11 we will:

- review our employee position descriptions and capability maps to improve the NRC's overall performance and assist in staff members' career development
- review our risk management framework to improve consideration and management of all identifiable risks and impacts
- continue to improve our business systems, including the procurement process, and employee recruitment, induction and retention procedures.



## Section 09

# Financial statements for the year ended 30 June 2010

### Consolidated

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9.1	Independent auditor's report
9.2	Statement on behalf of the Natural Resources Commission
9.3	Statement of comprehensive income
9.4	Statement of changes in equity
9.5	Statement of financial position
9.6	Statement of cash flows
9.7	Summary of compliance with financial directives
9.8	Notes to the financial statements

### Natural Resources Commission Division

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9.9	Independent auditor's report
9.10	Statement on behalf of the Natural Resources Commission Division
9.11	Statement of comprehensive income
9.12	Statement of changes in equity
9.13	Statement of financial position
9.14	Statement of cash flows
9.15	Notes to the financial statements





GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

#### Natural Resources Commission and Controlled Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Natural Resources Commission (the Commission), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entities it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Commission and the consolidated entity as at 30 June 2010, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

#### Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. My opinion does *not* provide assurance:

- about the future viability of the Commission or consolidated entity
- that they have carried out their activities effectively, efficiently and economically
- about the effectiveness of their internal controls.

#### **Independence**

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



M T Spriggins  
Director, Financial Audit Services

20 October 2010  
SYDNEY

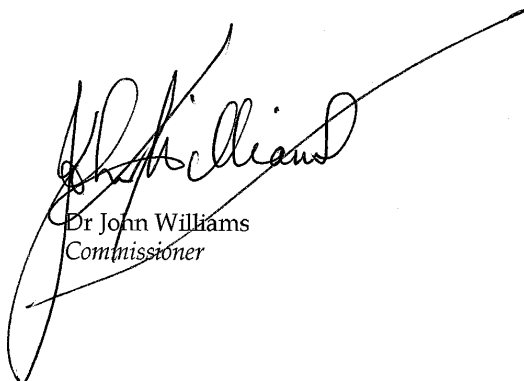




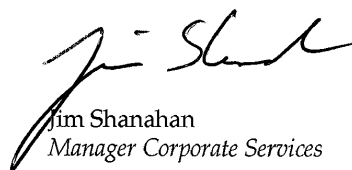
**STATEMENT ON BEHALF OF THE  
NATURAL RESOURCES COMMISSION**

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

- a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000, the Financial Reporting Code for Budget Dependent Central Government Sector Agencies and Treasurer's Directions;
- b) the financial statements exhibit a true and fair view of the financial position of the Natural Resources Commission of New South Wales as at 30 June 2010 and the operations for the period then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Dr John Williams  
Commissioner



Jim Shanahan  
Manager Corporate Services

20 October 2010

# Natural Resources Commission

## Financial statements for the year ended 30 June 2010

### 9.3 Statement of comprehensive income for the year ended 30 June 2010

	Notes	Consolidated			NRC		
		Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
<b>Expenses excluding losses</b>							
Operating expenses							
Employee related		2,507	2,707	2,480	-	-	-
Other operating expenses	2(a)	4,347	1,862	2,002	4,347	1,862	2,002
Depreciation and amortisation	2(b)	53	98	311	53	98	311
Personnel services	2(c)	-	-	-	2,507	2,707	2,480
<b>Total expenses excluding losses</b>	<b>2(d)</b>	<b>6,907</b>	<b>4,667</b>	<b>4,793</b>	<b>6,907</b>	<b>4,667</b>	<b>4,793</b>
<b>Revenue</b>							
Sale of goods and services	3(a)	32	-	8	32	-	8
Investment revenue	3(b)	38	23	13	38	23	13
Total Revenue		70	23	21	70	23	21
<b>Net Cost of Services</b>		<b>(6,837)</b>	<b>(4,644)</b>	<b>(4,772)</b>	<b>(6,837)</b>	<b>(4,644)</b>	<b>(4,772)</b>
<b>Government Contributions</b>							
Recurrent appropriations	4	6,721	4,548	4,497	6,721	4,548	4,497
Capital appropriations	4	296	309	-	296	309	-
Acceptance by the Crown Entity of employee benefits and other liabilities	5	63	55	57	63	55	57
<b>Total Government Contributions</b>		<b>7,080</b>	<b>4,912</b>	<b>4,554</b>	<b>7,080</b>	<b>4,912</b>	<b>4,554</b>
<b>Surplus /(Deficit) For The Year</b>		<b>243</b>	<b>268</b>	<b>(218)</b>	<b>243</b>	<b>268</b>	<b>(218)</b>
Other comprehensive income for the year		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>243</b>	<b>268</b>	<b>(218)</b>	<b>243</b>	<b>268</b>	<b>(218)</b>

The accompanying notes form part of these financial statements.



## Natural Resources Commission

### 9.4 Statement of changes in equity for the year ended 30 June 2010

Consolidated and NRC	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2009		(6)	(6)
Surplus / (deficit) for the year		243	243
Total comprehensive income for the year		–	–
<b>Balance at 30 June 2010</b>		<b>237</b>	<b>237</b>
Balance at 1 July 2008		212	212
Surplus / (deficit) for the year		(218)	(218)
Total comprehensive income for the year		–	–
<b>Balance at 30 June 2010</b>		<b>(6)</b>	<b>(6)</b>

# Natural Resources Commission

## 9.5 Statement of financial position as at 30 June 2010

	Notes	Consolidated			NRC		
		Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	7	277	167	110	277	167	110
Receivables	8	225	102	102	225	102	102
<b>Total Current Assets</b>		<b>502</b>	<b>269</b>	<b>212</b>	<b>502</b>	<b>269</b>	<b>212</b>
<b>Non-Current Assets</b>							
Property Plant and Equipment	9	289	254	43	289	254	43
Intangible assets	10	4	-	-	4	-	-
Total Non-Current Assets		293	254	43	293	254	43
<b>Total Assets</b>		<b>795</b>	<b>523</b>	<b>255</b>	<b>795</b>	<b>523</b>	<b>255</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Payables	11	121	58	58	282	58	196
Provisions	12	160	138	138	-	138	-
Other	13	212	1	1	212	1	1
<b>Total Current Liabilities</b>		<b>493</b>	<b>197</b>	<b>197</b>	<b>494</b>	<b>197</b>	<b>197</b>
<b>Non-Current Liabilities</b>							
Provisions	12	65	64	64	64	64	64
Total Non-Current Liabilities		65	64	64	64	64	64
Total Liabilities		558	261	261	558	261	261
<b>Net Assets</b>		<b>237</b>	<b>262</b>	<b>(6)</b>	<b>237</b>	<b>262</b>	<b>(6)</b>
<b>EQUITY</b>							
Accumulated funds		237	262	(6)	237	262	(6)
<b>Total Equity</b>		<b>237</b>	<b>262</b>	<b>(6)</b>	<b>237</b>	<b>262</b>	<b>(6)</b>

The accompanying notes form part of these financial statements.



# Natural Resources Commission

## 9.6 Statement of cash flows for the year ended 30 June 2010

	Notes	Consolidated			NRC		
		Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Budget 2010 \$'000	Actual 2009 \$'000
<b>Cash Flows From Operating Activities</b>							
<b>Payments</b>							
Employee related		(2,410)	(2,652)	(2,476)	(2,410)	(2,652)	(2,476)
Other		(4,765)	(1,862)	(2,305)	(4,765)	(1,862)	(2,305)
<b>Total Payments</b>		<b>(7,175)</b>	<b>(4,514)</b>	<b>(4,781)</b>	<b>(7,175)</b>	<b>(4,514)</b>	<b>(4,781)</b>
<b>Receipts</b>							
Interest received		16	23	42	16	23	42
Other		400	-	234	400	-	234
<b>Total Receipts</b>		<b>416</b>	<b>23</b>	<b>276</b>	<b>416</b>	<b>23</b>	<b>276</b>
<b>Cash Flows From Government</b>							
Recurrent appropriation		6,933	4,548	4,497	6,933	4,548	4,497
Capital appropriation		296	309	-	296	309	-
Cash transfers to the Consolidated Fund		-	-	(5)	-	-	(5)
<b>Net Cash Flows From Government</b>		<b>7,229</b>	<b>4,857</b>	<b>4,492</b>	<b>7,229</b>	<b>4,857</b>	<b>4,492</b>
<b>Net cash flows from operating activities</b>	<b>17</b>	<b>470</b>	<b>366</b>	<b>(13)</b>	<b>470</b>	<b>366</b>	<b>(13)</b>
<b>Cash Flows From Investing Activities</b>							
Purchases of Property, Plant and Equipment		(299)	(309)	-	(299)	(309)	-
Payment for intangibles		(4)	-	-	(4)	-	-
<b>Net cash flows from investing activities</b>		<b>(303)</b>	<b>(309)</b>	<b>-</b>	<b>(303)</b>	<b>(309)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>167</b>	<b>57</b>	<b>(13)</b>	<b>167</b>	<b>57</b>	<b>(13)</b>
Opening cash and cash equivalents		110	196	123	110	196	123
<b>Closing cash and cash equivalents</b>	<b>7</b>	<b>277</b>	<b>253</b>	<b>110</b>	<b>277</b>	<b>253</b>	<b>110</b>

The accompanying notes form part of these financial statements.

# Natural Resources Commission

## 9.7 Summary of compliance with financial directives

	2010			2009				
	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure / Net Claim on Consolidated Fund \$'000
<b>ORIGINAL BUDGET APPROPRIATION / EXPENDITURE</b>								
• Appropriation Act	4,548	4,536	309	296	4,499	-	4,499	-
	<b>4,548</b>	<b>4,536</b>	<b>309</b>	<b>296</b>	<b>4,499</b>	-	<b>4,499</b>	-
<b>OTHER APPROPRIATIONS / EXPENDITURE</b>								
• Adjustment: Saving for payroll tax	-	-	-	-	(3)	-	(3)	-
• Section 28 of the Appropriation Act, 2009	2,385	2,185	-	-	-	-	-	-
• Transfers to / from another agency (s31 of the Appropriation Act)	-	-	-	-	1	-	1	-
	<b>2,385</b>	<b>2,185</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>	<b>-</b>
<b>Total Appropriations / Expenditure / Net Claim on Consolidated Fund (includes transfer payments)</b>	<b>6,933</b>	<b>6,721</b>	<b>309</b>	<b>296</b>	<b>4,497</b>	<b>-</b>	<b>4,497</b>	<b>-</b>
<b>Amount drawn down against Appropriation</b>		<b>6,933</b>		<b>296</b>			<b>4,497</b>	
<b>Liability to Consolidated Fund*</b>		<b>(212)</b>		<b>-</b>			<b>-</b>	

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

\* Liability to Consolidated Fund represents the difference between the "Amount drawn down against Appropriation" and the "Total Expenditure / Net Claim on Consolidated Fund". The Liability to Consolidated Fund is attributable to the following Ministerial appropriations:

The Minister for Climate Change and Minister for Commerce incurred a liability of 200k. The Premier incurred a liability of 12K

# Natural Resources Commission

## 9.8 Notes to the financial statements for the year ended 30 June 2010

### 1. Summary of Significant Accounting Policies

#### (a) Reporting entity

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

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

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

The 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.

The consolidated financial Statements for the year ended 30 June 2010 has been authorised for issue by the Commissioner on 20 October 2010.

#### (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 the Public Finance and Audit Regulation 2010; and
- the Financial Reporting Directions published in the Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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

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

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

#### (c) Statement of compliance

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

#### (d) Administered activities

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

#### (e) 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.



**(f) 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
- receivables and payables are stated with the amount of GST included.

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

**(g) 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 revenue 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. Appropriations are not recognised as revenue in the following circumstances:

- Unspent appropriations are recognised as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund.
- The liability is disclosed in Note 13 as part of Current liabilities-Other. The amount will be repaid and the liability will be extinguished next financial year.

(ii) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the 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 (based on labour hours incurred to date).

(iv) Investment revenue

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

**(h) Assets**

(i) Acquisitions of assets

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

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

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

(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...Continued

### (iii) 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 07-1). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

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

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

### (iv) Impairment of property, plant and equipment

As a not-for-profit entity with no cash generating units, the Commission is effectively exempted from AASB 136 Impairment of Assets and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

### (v) Depreciation of property, plant and equipment

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

Depreciation Rates	% Rate
Plant & Equipment	
Office furniture and fittings	10
Computer equipment and software	33
General plant and equipment	25
Leasehold improvements – over the period of the leasee	–

### (vi) Restoration costs

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

### (viii) 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.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial. Hence, the Commission is effectively exempted from impairment testing.

### (viii) Loans and receivables

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

### (i) Liabilities

#### (i) Payables

These amounts represent liabilities for goods and services provided to the Commission 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.

#### (ii) Employee Benefits

Salaries and wages, annual leave, sick leave and on-costs

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

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

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

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

- (b) Long service leave and superannuation

The Commission's liabilities for long service leave and superannuation 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".

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 09/04) 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 (ie Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

- (c) Personnel Services

The Personnel Services are provided by the Natural Resources Commission Division according to Part 3, Schedule 1 to the Public Sector Employment and Management Act 2002 as amended in 2006.



## 1...Continued

### (j) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s21A, s24 and / or s26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the statement of comprehensive income and the statement of cash flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the statement of financial position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts; i.e. per the audited financial statements (rather than carried forward estimates).

### (k) 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.

### (l) New Australian Accounting Standards issued but not effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 9 and AASB 2009-11 regarding financial instruments (Jan 2013)
- AASB 2009-5 regarding annual improvements (Jan 2010)
- AASB 2009-9 regarding first time adoption (Jan 2010)
- AASB 2009-10 regarding classification of rights (Feb 2010)
- AASB 124 and AASB 2009-12 regarding related party transactions (Jan 2011)
- Interpretation 19 and AASB 2009-13 regarding extinguishing financial liability with equity instruments (Jul 2010)
- AASB 2009-14 regarding prepayments of a minimum funding requirement (Jan 2011)
- AASB 2010-1 regarding AASB 7 comparatives for first time adopters (Jul 2010)
- AASB 2010-2 and AASB 105 (July 2013) regarding application of Tiers of Australian Accounting Standards.

## 2. Expenses Excluding Losses

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
<b>(a) Employee related expenses</b>				
Salaries and wages (including recreation leave)	2,193	2,149	–	–
Superannuation defined contribution plans	151	155	–	–
Long service leave	63	57	–	–
Workers compensation insurance	–	20	–	–
Payroll tax and fringe benefit tax	100	99	–	–
	<b>2,507</b>	<b>2,480</b>	<b>–</b>	<b>–</b>
<b>(b) Other operating expenses include the following:</b>				
Auditor's remuneration audit or review of the financial reports	14	14	14	14
Consultancy costs	2,267	446	2,267	446
Contractors	547	631	547	631
Insurance	7	8	7	8
Postage and telephone	93	58	93	58
Advertising, Printing and Publication	307	38	307	38
Rental expense relating to operating leases	278	274	278	274
Training (staff development)	130	65	130	65
Travel	320	143	320	143
Special Functions/Events	28	21	28	21
Corporate services	108	110	108	110
Administration Expenses	168	139	168	139
EDP expenses	64	36	64	36
Maintenance expenses	16	19	16	19
	<b>4,347</b>	<b>2,002</b>	<b>4,347</b>	<b>2,002</b>
Maintenance expense contracted labour and other (non employee related), as above	16	19	16	19
Total maintenance expenses included in Note 2(a) + 2(b)	<b>16</b>	<b>19</b>	<b>16</b>	<b>19</b>
<b>(c) Depreciation and amortisation expense</b>				
Depreciation				
Plant and Equipment	40	109	40	109
Total Depreciation	40	109	40	109
Amortisation	13	202	13	202
Leasehold improvements	–	–	–	–
Intangible	<b>53</b>	<b>311</b>	<b>53</b>	<b>311</b>
<b>(d) Personnel services</b>				
Paid to the Natural Resources Commission Division	–	–	2,507	2,480
	<b>–</b>	<b>–</b>	<b>2,507</b>	<b>2,480</b>

### 3. Revenue

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
<b>(a) Sale of goods and services</b>				
Sale of goods and services	32	8	32	8
	<b>32</b>	<b>8</b>	<b>32</b>	<b>8</b>
<b>(b) Investment revenue</b>				
Interest	38	13	38	13
	<b>38</b>	<b>13</b>	<b>38</b>	<b>13</b>

### 4. Appropriations

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
<b>Recurrent appropriations</b>				
Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)	6,933	4,497	6,933	4,497
Less: Liability to Consolidated Fund (per Summary of Compliance)	212	–	212	–
	<b>6,721</b>	<b>4,497</b>	<b>6,721</b>	<b>4,497</b>
Comprising:				
Recurrent appropriations (per Statement of comprehensive income)	6,721	4,497	6,721	4,497
	<b>6,721</b>	<b>4,497</b>	<b>6,721</b>	<b>4,497</b>
<b>Capital appropriations</b>				
Total capital drawdowns from NSW Treasury (per Summary of Compliance)	296	–	296	–
	<b>296</b>	<b>–</b>	<b>296</b>	<b>–</b>
Comprising:				
Capital appropriations (per Statement of comprehensive income)	296	–	296	–
	<b>296</b>	<b>–</b>	<b>296</b>	<b>–</b>

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## 5. Acceptance by the Crown Entity of Employee Benefits and Other Liabilities

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

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Long Service Leave	63	57	63	57
	<b>63</b>	<b>57</b>	<b>63</b>	<b>57</b>

## 6. Service Groups of the Agency

### (a) Service Group 1 Natural Resources Commission

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

## 7. Current Assets – Cash and Cash Equivalent

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Cash at bank and on hand	277	110	277	110
	<b>277</b>	<b>110</b>	<b>277</b>	<b>110</b>
Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of the financial year to the statements of cash flows as follows:				
Cash and cash equivalents (per statement of financial position)	277	110	277	110
<b>Closing cash and cash equivalents (per statements of cash flows)</b>	<b>277</b>	<b>110</b>	<b>277</b>	<b>110</b>

Refer to Note 18 for details regarding credit risk, liquidity risk, and market risk arising from financial instruments.

## 8. Current Assets – Receivables

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Goods and Services Tax recoverable from ATO	101	39	101	39
Other debtors	61	14	61	14
Prepayments	63	49	63	49
	<b>225</b>	<b>102</b>	<b>225</b>	<b>102</b>

Details regarding credit risk, liquidity risk and market risk including financial assets that are either past due or impaired, are disclosed in Note 18.

## 9. Non-Current Assets – Plant and Equipment

	Plant and Equipment \$'000
<b>Consolidated</b>	
<b>At 1 July 2009 fair value</b>	
Gross carrying amount	1,365
Accumulated depreciation and impairment	(1,322)
Net carrying amount	43
<b>At 30 June 2010 fair value</b>	
Gross carrying amount	1,644
Accumulated depreciation and impairment	(1,355)
Net carrying amount	289
<b>Reconciliation</b>	
A reconciliation of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting year is set out below.	
<b>Year ended 30 June 2010</b>	
Net carrying amount at start of year	43
Additions	299
Disposals	(19)
Depreciation and amortisation expense	(53)
Write back on disposals	19
Net carrying amount at end of year	289
<b>At 1 July 2008 – fair value</b>	
Gross carrying amount	1,368
Accumulated depreciation and impairment	(1,014)
Net carrying amount	354
<b>At 30 June 2009 – fair value</b>	
Gross carrying amount	1,365
Accumulated depreciation and impairment	(1,322)
Net carrying amount	43
<b>Reconciliation: Year ended 30 June 2009</b>	
Net carrying amount at start of year	354
Disposals	(4)
Depreciation and amortisation expense	(311)
Other movements	4
Net carrying amount at end of year	43

	Plant and Equipment \$'000
<b>NRC</b>	
<b>At 1 July 2009 – fair value</b>	
Gross carrying amount	1,365
Accumulated depreciation and impairment	(1,322)
Net carrying amount – at fair value	43
<b>At 30 June 2010 – fair value</b>	
Gross carrying amount	1,644
Accumulated depreciation and impairment	(1,355)
Net carrying amount – at fair value	289
<b>Reconciliation</b>	
A reconciliation of the carrying amount of each class plant and equipment at the beginning and end of the current reporting year is set out below.	
<b>Year ended 30 June 2010</b>	
Net carrying amount at start of year	43
Additions	299
Disposals	(19)
Depreciation and amortisation expense	(53)
Write back on disposals	19
Net carrying amount at end of year	289
<b>At 1 July 2008 – fair value</b>	
Gross carrying amount	1,368
Accumulated depreciation and impairment	(1,014)
Net carrying amount	354
<b>At 30 June 2009 – fair value</b>	
Gross carrying amount	1,365
Accumulated depreciation and impairment	(1,322)
Net carrying amount	43
<b>Year ended 30 June 2009</b>	
Net carrying amount at start of year	354
Additions	–
Disposals	(4)
Depreciation and amortisation expense	(311)
Write back on disposals	4
Net carrying amount at end of year	43



## 10. Intangible Assets

Software  
\$'000

Consolidated	
<b>At 1 July 2009</b>	
Cost (gross carrying amount)	-
Accumulated amortisation and impairment	-
Net carrying amount	-
<b>At 30 June 2010</b>	
Cost (gross carrying amount)	4
Accumulated amortisation and impairment	-
Net carrying amount	4
<b>Year ended 30 June 2010</b>	
Net carrying amount at start of year	-
Additions	4
Net carrying amount at end of year	4
NRC	
<b>At 1 July 2009</b>	
Cost (gross carrying amount)	-
Accumulated amortisation and impairment	-
Net carrying amount	-
<b>At 30 June 2010</b>	
Cost (gross carrying amount)	4
Accumulated amortisation and impairment	-
Net carrying amount	4
<b>Year ended 30 June 2010</b>	
Net carrying amount at start of year	-
Additions	4
Net carrying amount at end of year	4

## 11. Current Liabilities – Payables

	Notes	Consolidated		NRC	
		Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Accrued salaries, wages and on costs		53	42	-	-
Creditors		68	16	68	16
Personnel services		-	-	214	180
		<b>121</b>	<b>58</b>	<b>282</b>	<b>196</b>

Details regarding credit risk, liquidity risk and market risk including a maturity analysis of the above payables are disclosed in Note 18.

## 12. Current/Non-Current Liabilities – Provisions

	Notes	Consolidated		NRC	
		Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
<b>Current</b>					
<b>Employee benefits and related on costs</b>					
Recreation leave		136	118	-	-
Long service leave on costs		9	7	-	-
Payroll tax		15	13	-	-
		160	138	-	-
<b>Total current provisions</b>		<b>160</b>	<b>138</b>	<b>-</b>	<b>-</b>
<b>Non-Current</b>					
<b>Employee benefits and related on costs</b>					
Long service leave on costs		1	-	-	-
		<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other provisions</b>					
Restoration costs		64	64	64	64
<b>Total non-current provisions</b>		<b>65</b>	<b>64</b>	<b>64</b>	<b>64</b>
Personnel Services received from the Natural Resources Commission Division.					
<b>Aggregate employee benefits and related on costs</b>					
Provisions current		160	138	-	-
Provisions non current		1	-	-	-
Accrued salaries, wages and on costs (Note 11)		53	42	-	-
		<b>214</b>	<b>180</b>	<b>-</b>	<b>-</b>

All current provisions are expected to be settled within the next 12 months.

## 13. Current/Non-Current Liabilities – Other

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Other current liabilities				
Liability to consolidated fund	212	–	212	–
Lease incentive	–	1	–	1
	<b>212</b>	<b>1</b>	<b>212</b>	<b>1</b>

## 14. Commitments for Expenditure

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
<b>(a) Other Expenditure Commitments</b>				
Aggregate other expenditure for the acquisition of goods and services contracted for at balance date and not provided for:				
Not later than one year	436	516	436	516
<b>Total (including GST)</b>	<b>436</b>	<b>516</b>	<b>436</b>	<b>516</b>
Commitments include GST of \$39,600 (\$46,900 for 2009) which is expected to be recovered from the Australian Taxation Office (ATO).				
<b>(b) Operating Lease Commitments</b>				
Future non cancellable operating lease rentals not provided for and payable				
Not later than one year	310	321	310	321
Later than one year and not later than five years	955	1283	955	1283
Later than five years	–	26	–	26
<b>Total (including GST)</b>	<b>1,265</b>	<b>1630</b>	<b>1,265</b>	<b>1630</b>

Commitments include GST of \$115,000 (\$129,000 for 2009) which is expected to be recovered from the Australian Taxation Office (ATO).

## 15. Contingent Liabilities and Contingent Assets

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

## 16. Budget Review

### Net cost of services

Net cost of services was \$2.193M above budget. Total expenses were \$2.24 million above budget due to expenditure incurred on the assessment of the River Red Gum forests and the South Western Cypress forests of the Riverina. This expenditure was not included in the original budget appropriations but was provided for via supplementation of \$2.385 million, under section 28 of the Appropriation Act, 2009, to recurrent allocation. The projects were completed within budget and the under-expenditure of \$200,608 will be returned to the Environmental Trust.

### Assets and liabilities

Current Assets are \$233,000 higher than budget due an increase of \$110,000 in cash held at end of financial year and increased receivables of \$123,000

Non Current Assets were \$39,000 higher than budget due to increased capital expenditure.

Current Liabilities were \$296,000 higher than budget due mainly to \$212,000 liability to consolidated fund and \$84,000 increase in payables and provisions.

Non Current Liabilities were \$1,000 higher than budget due to long term salary on costs.

### Cash flows

Cash flows from Operating Activities was \$104,000 higher than budget due to higher payments and receipts resulting from the Red Gum and Cypress forests operations

## 17. Reconciliation of Cash Flows from Operating Activities to Net Cost of Services

	Consolidated		NRC	
	Actual 2010 \$'000	Actual 2009 \$'000	Actual 2010 \$'000	Actual 2009 \$'000
Net cash used on operating activities	470	(13)	470	(13)
Cash flows from Government / Appropriations	(7,229)	(4,497)	(7,229)	(4,497)
Acceptance by the Crown Entity of employee benefits and other liabilities	(63)	(57)	(63)	(57)
Depreciation	(53)	(311)	(53)	(311)
Decrease / (increase) in provisions and other liabilities	(22)	52	1	-
Increase / (decrease) in prepayments and other assets	123	(17)	123	(17)
Decrease / (increase) in creditors	(63)	71	(86)	123
<b>Net cost of services</b>	<b>(6,837)</b>	<b>(4,772)</b>	<b>(6,837)</b>	<b>(4,772)</b>



## 18. 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 Commission's operations. The Commission does not enter into or trade financial instruments for speculative purposes. The Commission does not use financial derivatives. Financial Instruments: Disclosures, AASB 132 Financial Instruments: Presentation and AASB 139 Financial Instruments: Recognition and Measurement.

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 2010 \$'000	Carrying Amount 2009 \$'000
<b>Class: Consolidated</b>				
Cash and cash equivalents	7	N/A	277	110
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost)	61	14
Consolidated				
Payables <sup>2</sup>	11	Financial liabilities measured at amortised cost	121	58
<b>Class: NRC</b>				
Cash and cash equivalents	7	N/A	277	110
Receivables <sup>1</sup>	8	Loans and receivables (at amortised cost)	61	14
Payables <sup>2</sup>	11	Financial liabilities measured at amortised cost	282	196

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)

## 18...Continued

### (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 and receivables. 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. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury in paragraph (d) .

### Receivables trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility 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.

The Commission 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 whose terms have been renegotiated.

### (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. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There was no penalty interest paid in 2009/10 (Nil in 2008/09).

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

## 18...Continued

### Maturity Analysis and interest rate exposure of financial liabilities

	\$'000 Interest Rate Exposure		Maturity Dates
	Nominal Amount	Non interest bearing	< 1 yr
<b>Consolidated</b>			
<b>2010 Payables</b>			
Accrued salaries, wages and on costs	53	53	53
Creditors	68	68	68
	<b>121</b>	<b>121</b>	<b>121</b>
<b>2009 Payables</b>			
Accrued salaries, wages and on costs	42	42	42
Creditors	16	16	16
	<b>58</b>	<b>58</b>	<b>58</b>
<b>NRC</b>			
<b>2010 Payables</b>			
Accrued salaries, wages and on costs	214	214	214
Creditors	68	68	68
	<b>282</b>	<b>282</b>	<b>282</b>
<b>2009 Payables</b>			
Accrued salaries, wages and on costs	180	180	180
Creditors	16	16	16
	<b>196</b>	<b>196</b>	<b>196</b>

#### (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's exposures to market risk are primarily through interest rate risk on the Commission's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Commission has 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 balance date. The analysis is performed on the same basis for 2010. The analysis assumes that all other variables remain constant.

#### (e) Interest rate risk

Exposure to interest rate risk arises primarily through the Commission's interest bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. 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.

## 18...Continued

	Carrying Amount	\$'000		\$'000	
		-1%		+1%	
		Profit	Equity	Profit	Equity
<b>Consolidated</b>					
<b>2010 Financial Assets</b>					
Cash and cash equivalents	277	(3)	(3)	3	3
Receivables	61	-	-	-	-
Financial assets at fair value	-	-	-	-	-
Other financial assets	-	-	-	-	-
Financial liabilities					
Payables	121	-	-	-	-
	<b>459</b>	<b>(3)</b>	<b>(3)</b>	<b>3</b>	<b>3</b>
<b>2009 Financial Assets</b>					
Cash and cash equivalents	110	(1)	(1)	1	1
Receivables	14	-	-	-	-
Financial liabilities					
Payables	58	-	-	-	-
	<b>181</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>1</b>
<b>NRC 2010 Financial Assets</b>					
<b>2010 Financial Assets</b>					
Cash and cash equivalents	277	(3)	(3)	3	3
Receivables	61	-	-	-	-
Financial liabilities					
Payables	282	-	-	-	-
	<b>620</b>	<b>(3)</b>	<b>(3)</b>	<b>3</b>	<b>3</b>
<b>2009 Financial Assets</b>					
Cash and cash equivalents	110	(1)	(1)	1	1
Receivables	14	-	-	-	-
Financial liabilities					
Payables	196	-	-	-	-
	<b>320</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>1</b>

### (f) Fair Value

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.

## 19. After Balance Date Events

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

### End of audited financial statements.





GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Natural Resources Commission Division

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Natural Resources Commission Division (the Division), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the Division as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010

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

#### The Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. My opinion does *not* provide assurance:

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

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence 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, but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



M T Spriggins  
Director, Financial Audit Services

20 October 2010  
SYDNEY



**STATEMENT ON BEHALF OF THE  
NATURAL RESOURCES COMMISSION DIVISION**

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

- a) the accompanying financial statements have been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2000, the Financial Reporting Code for Budget Dependent Central Government Sector Agencies and Treasurer's Directions;
- b) the financial statements exhibit a true and fair view of the financial position of the Natural Resources Commission of New South Wales as at 30 June 2010 and the operations for the period then ended;
- c) there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

A large, stylized handwritten signature in black ink, appearing to read "John Williams".

Dr John Williams  
Commissioner

A handwritten signature in black ink, appearing to read "Jim Shanahan".

Jim Shanahan  
Manager Corporate Services

20 October 2010

## Natural Resources Commission Division

### 9.11 Statement of comprehensive income for the year ended 30 June 2010

Revenue	Notes	Actual 2010 \$'000	Actual 2009 \$'000
Personnel services		2,507	2,480
Total Revenue		<b>2,507</b>	<b>2,480</b>
Expenses excluding losses			
Employee related expenses	2(a)	2,507	2,480
Total expenses excluding losses		<b>2,507</b>	<b>2,480</b>
Net Cost of Services		-	-
SURPLUS / (DEFICIT) FOR THE PERIOD		-	-
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

The accompanying notes form part of these financial statements.

### 9.12 Statement of changes in equity for the year ended 30 June 2010

Consolidated	Notes	Accumulated Funds \$'000
<b>Balance at 1 July 2009</b>		
Surplus / (deficit) for the year		-
Other comprehensive income:		
Total other comprehensive income		-
Total comprehensive income for the year		-
<b>Balance at 30 June 2010</b>		-
<b>Balance at 1 July 2008</b>		
Surplus / (deficit) for the year		-
Other comprehensive income:		
Total other comprehensive income		-
Total comprehensive income for the year		-
<b>Balance at 30 June 2009</b>		-



## Natural Resources Commission Division

### 9.13 Statement of financial position as at 30 June 2010

ASSETS	Notes	Actual 2010 \$'000	Actual 2009 \$'000
<b>Current Assets</b>			
Receivables	3	214	180
<b>Total Current Assets</b>		<b>214</b>	<b>180</b>
<b>Total Assets</b>		<b>214</b>	<b>180</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	4	53	42
Provisions	5	160	138
<b>Total Current Liabilities</b>		<b>213</b>	<b>180</b>
<b>Non Current Liabilities</b>			
Provisions	5	1	-
<b>Total Non Current Liabilities</b>		<b>1</b>	<b>-</b>
<b>Total Liabilities</b>		<b>214</b>	<b>180</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Natural Resources Commission Division

### 9.14 Statement of cash flows for the year ended 30 June 2010

	Actual 2010 \$'000	Actual 2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Payments</b>		
Employee related	(2,473)	(2,534)
<b>Total Payments</b>	<b>(2,473)</b>	<b>(2,534)</b>
<b>Receipts</b>		
Other	2,473	2,534
<b>Total Receipts</b>	<b>2,473</b>	<b>2,534</b>
<b>Net Cash Flows From Government</b>	-	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
<b>NET INCREASE /(DECREASE) IN CASH</b>	-	-
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		-

The accompanying notes form part of these financial statements.

# Natural Resources Commission Division

## 9.15 Notes to the financial statements for the year ended 30 June 2010

### 1. Summary of Significant Accounting Policies

#### (a) Reporting entity

The Natural Resources Commission Division is a Division of the Government Service, established pursuant to Part 3 of Schedule 1 to the Public Sector Employment and Management Act 2002 as amended in 2006. It is a not for profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 10, 15 Castlereagh Street, Sydney 2000.

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

The financial statements was authorised for issue by the Commissioner on 20 October 2010.

#### (b) Basis of preparation

The Division's financial statements is a general purpose financial report which has 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 Regulation; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer.

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

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

#### (c) Statement of compliance

The Division'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. Additional comments regarding the accounting policies for the recognition of income are discussed below.

The Personnel Services are provided to the Natural Resources Commission according to the Public Sector Employment and Management Act 2002.

#### (e) Liabilities

##### (i) Employee benefits

Salaries and wages, annual leave, sick leave and on costs

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

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

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

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

Long service leave and superannuation

## 1...Continued

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

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 09/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

### (ii) Payables

These amounts represent liabilities for goods and services provided to the Division 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.

### (f) New Australian Accounting Standards issued but not effective

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 9 and AASB 2009 11 regarding financial instruments (Jan 2013)
- AASB 2009 5 regarding annual improvements (Jan 2010)
- AASB 2009 9 regarding first time adoption (Jan 2010)
- AASB 2009 10 regarding classification of rights (Feb 2010)
- AASB 124 and AASB 2009 12 regarding related party transactions (Jan 2011)
- Interpretation 19 and AASB 2009 13 regarding extinguishing financial liability with equity instruments (Jul 2010)
- AASB 2009 14 regarding prepayments of a minimum funding requirement (Jan 2011)
- AASB 2010 1 regarding AASB 7 comparatives for first time adopters (Jul 2010)
- AASB 2010-2 and AASB 105 (July 2013) regarding application of Tiers of Australian Accounting Standards.

## 2. Expense Excluding Losses

	Actual 2010 \$'000	Actual 2009 \$'000
<b>(a) Employee related expenses</b>		
Salaries and wages (including recreation leave)	2,193	2,149
Superannuation defined contribution plans	151	155
Long service leave	63	57
Workers compensation insurance	–	20
Payroll tax and fringe benefit tax	100	99
	2,507	2,480



### 3. Current/Non-Currents Assets – Receivables

Current Receivables		
Personnel services	214	18
	<b>214</b>	<b>18</b>

### 4. Current Liabilities – Payables

Accrued salaries, wages and on costs	<b>53</b>	<b>42</b>
	<b>53</b>	<b>42</b>

### 5. Current / Non- Current Liabilities – Provisions

Employee benefits and related on costs		
Recreation leave	136	119
Long service leave	9	7
Payroll tax	15	13
<b>Total provisions</b>	<b>160</b>	<b>139</b>

Non current		
Employee benefits and related on costs	1	–
Long service leave	1	–
<b>Total provisions</b>	<b>1</b>	<b>–</b>

Aggregate employee benefits and related on costs		
Provisions – current	160	138
Provisions – non current	1	–
Accrued salaries, wages and on costs (Note 4)	53	42
	<b>214</b>	<b>180</b>

## 6. Contingent Liabilities and Contingent Assets

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

## 7. Financial Instruments

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

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

### (a) Financial instrument categories

Financial Assets Class:	Note	Category	Carrying Amount	Carrying Amount
			2010 \$'000	2009 \$'000
Receivables <sup>1</sup>	3	Loans and receivables (at amortised cost)	214	180

Financial Assets Class:	Note	Category	Carrying Amount	Carrying Amount
			2010 \$'000	2009 \$'000
Payables <sup>2</sup>	4	Financial liabilities measured at amortised cost	53	42

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 Division's debtors defaulting on their contractual obligations, resulting in a financial loss to the Division. 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 Division, including cash, receivables and authority deposits. No collateral is held by the Division. The Division has not granted any financial guarantees.

#### Receivables trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectibility 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.

The Division 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 whose terms have been renegotiated

### (c) Liquidity risk

Liquidity risk is the risk that the Division will be unable to meet its payment obligations when they fall due. The Division continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There was no penalty interest paid in 2009/10 (Nil in 2008/09).

## 7...Continued

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

### Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount	\$'000 Interest Rate Exposure		Maturity Dates
		Non interest bearing		< 1 yr
<b>2010 Payables</b>				
Accrued salaries, wages and on costs	53	53		53
	<b>53</b>	<b>53</b>		<b>53</b>
<b>2009 Payables</b>				
Accrued salaries, wages and on costs	42	42		42
	<b>42</b>	<b>42</b>		<b>42</b>

#### 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 Division's exposures to market risk are primarily through interest rate risk on the Division's borrowings and other price risks associated with the movement in the unit price of the Hour Glass Investment facilities. The Division has 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 Division 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 balance sheet date. The analysis is performed on the same basis for 2009. The analysis assumes that all other variables remain constant.

#### Interest rate risk

	Carrying Amount	\$'000			
		-1% Profit	Equity	+1% Profit	Equity
<b>2010 Financial assets</b>					
Receivables	214	-	-	-	-
Payables	53	-	-	-	-
	<b>267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2010 Financial assets</b>					
Receivables	180	-	-	-	-
Payables	42	-	-	-	-
	<b>222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### (e) Fair value

The amortised cost of financial instruments recognised in the balance sheet approximates the fair value, because of the short term nature of many of the financial instruments.

**End of audited financial statements.**

# Appendices 1–4





## Appendix 1 Legislative provisions

There were no changes in 2009-10 to the relevant sections of the legislation below.

Legislation	Relevant sections	Details
Natural Resources Commission Act 2003	Whole Act	Establishes the NRC, details its functions and includes operational provisions.
Catchment Management Authorities Act 2003	ss 22, 23, 26, 28	<p>The Minister is to seek advice from the NRC in assessing a draft catchment action plan and take account of that advice.</p> <p>Catchment action plans must be audited at least every five years by the NRC or an independent audit panel appointed by the Minister.</p> <p>The Minister may seek advice from the NRC on any annual implementation program submitted to the Minister.</p>
Native Vegetation Regulation 2005	Clauses 8, 17, 25	<p>The NRC may establish a requirement for information regarding the social and economic impacts of a draft Property Vegetation Plan.</p> <p>The Minister must consult with the NRC before listing a native species as a feral species.</p> <p>The Minister is to seek advice from the NRC regarding any proposed amendment to the Environmental Outcomes Assessment Methodology. The NRC may suggest amendments to the Assessment Methodology.</p>
Threatened Species Conservation Act 1995	ss 18, 21, 24, 25A, 90B, 126E, 128, 141B, 141C	<p>Establishes links between the NRC and the Threatened Species and Fisheries Scientific Committees and the Biological Diversity and Socio-Economic Advisory Councils.</p> <p>The NRC may provide advice on preparation or review of a priorities action statement.</p> <p>The Minister may suspend biodiversity certification based on the outcomes of any audit undertaken by the NRC.</p>
Water Management Act 2000	s 43A	The Minister may extend the duration of a water sharing plan on the recommendation of the NRC. The section includes provisions for the NRC's review and report.
Snowy Mountains Cloud Seeding Trial Act 2004	ss 6, 8	<p>The Ministers for Climate Change and the Environment, and Primary Industries must consult with the NRC about any proposed suspension or termination of the cloud seeding trial.</p> <p>The NRC is to supervise cloud seeding operations and report on the environmental impact of those operations.</p>
Forestry and National Park Estate Act 1998	ss 15, 25	A forest agreement can only be made after an assessment by the NRC.
State Environmental Planning Policy No 71 – Coastal Protection	ss 18, 21, 22	The Minister must consult with the NRC when considering approval of a master plan or waiving the need for a master plan.

## Appendix 2

### Commitment to community values

#### Disability Action Plan

In 2009-10, we continued to implement our Disability Action Plan by:

- using an office that is accessible to people with disability
- choosing venues for public consultations, hearings and meetings that are accessible to people with disability and are close to accessible public transport
- ensuring all staff are familiar with internal policies on equal employment opportunities and those on discrimination, and respond sensitively to the needs of people with disability
- making any reasonable adjustment necessary for staff, contractors and visitors.

In 2010-11, we will continue to improve our awareness and accessibility.

#### Equal employment opportunity policies

In 2009-10, we reviewed and re-issued our policies on equal employment opportunities (EEO), grievance handling and harassment prevention. All new staff were inducted according to the policies on EEO, grievance handling and harassment prevention. Our commitment to EEO was also discussed with all new consultants and contractors who were temporarily based in the NRC's offices as part of their specialised induction program.

All staff are actively encouraged to balance work and family commitments through use of flexible work practices, including part-time work.

In 2010-11, we will continue to:

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

## Number of employees by category as at 30 June

Category	2006-07	2007-08	2008-09	2009-10
Commissioner (part-time)	1	1	1	1
Assistant Commissioners (part-time)	4	4	4	1
Executive Director	1	1	1	1
Commissioner Advisor	0	0	0	1
Manager, Corporate Services	1	1	1	1
Program Managers	1	3	2	3
Senior Advisor	1	0	1	1
Natural Resource Analyst	11	10	11	8
Executive Assistant	1	1	1	1
Administration Officer	1	1	1	2

## Trends in the representation of EEO groups

EEO Group	% of total staff (excluding casual staff)				
	Benchmark or target	2007	2008	2009	2010
Women	50%	55%	58%	60%	55%
Aboriginal people and Torres Strait Islanders	2.6% (*)	0%	0%	0%	0%
People whose first language was not English	19%	16%	6%	6%	5%
People with a disability	12%	0%	0%	0%	0%
People with a disability requiring work-related adjustment	7%	0%	0%	0%	0%

(\*) Minimum target by 2015

## Trends in the representation of EEO groups

EEO Group	Distribution index				
	Benchmark or target	2007	2008	2009	2010
Women	100	n/a	n/a	n/a	n/a
Aboriginal people and Torres Strait Islanders	100	n/a	n/a	n/a	n/a
People whose first language was not English	100	n/a	n/a	n/a	n/a
People with a disability	100	n/a	n/a	n/a	n/a
People with a disability requiring work-related adjustment	100	n/a	n/a	n/a	n/a

**Note:** A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. An index of more than 100 indicates that the EEO group is less concentrated at lower salary levels.

## Multicultural Policies and Services Plan (previously Ethnic Affairs Priority Statement)

Our activities are centred on providing independent advice to the Government. The NRC is not a direct service provider to the community, beyond consultation and information dissemination. Therefore, we have a reduced capacity to address Multicultural Policies and Services Plan (MPSP) issues.

In 2009–10, we continued to implement our MPSP. This plan sets out a series of strategies that ensure we continue to operate by the principles of multiculturalism.

We implemented the MPSP by:

- circulating information to all staff to ensure they are kept up to date on MPSP issues and their responsibility to implement these principles, where appropriate
- ensuring information on the MPSP is available to all prospective job applicants via the information pack and expanded careers website
- reviewing staff members' understanding and commitment to the principles of cultural diversity as they relate to the job, as part of their staff performance appraisal
- assessing applicants' knowledge, understanding and implementation of the principles of cultural diversity as they relate to the job as part of the recruitment process for all positions
- providing flexible work practices to enable individuals to fulfil personal, cultural or religious needs
- accommodating matters such as dietary requirements at functions in accordance with people's individual needs
- providing access to information and publications, including tender advertisements, via the internet.

In 2010–11, we will continue with the above initiatives and will also seek ways to further celebrate cultural diversity.

## Occupational health and safety

In 2009–10, we reviewed our program to improve occupational health and safety (OHS) outcomes in line with NSW Government policy on *Working Together – The Public Sector OHS and Injury Management Strategy for 2005–2008 and Taking Safety Seriously*.

We introduced a new Occupational Health and Safety – Injury Management System and revised our OHS procedures.

In addition, we:

- introduced Healthy Lifestyle programs, including presentations on healthy eating and time management
- made flu shots available to all staff on a voluntary basis
- provided free health checks
- organised a workshop and provided practical assistance to set up individual workstations and modifications to office furniture to facilitate safety and ease of use
- conducted hazard identification and risk assessment of our business to safeguard against staff injury risks and promote wellness
- included discussion of risk identification as part of regular team meetings
- reviewed, implemented and tested emergency evacuation procedures
- promoted a healthy and safe workplace culture and encouraged fitness activities
- trained First Aid Officers
- provided free telephone counselling services.

The NRC had no prosecutions under the Occupational Health and Safety Act 2000 during this year and no accidents or injuries were reported that resulted in lost work time.

## Privacy Management Plan

Our Privacy Management Plan complies with the *NSW Privacy Act and Personal Information Protection Act 1988*. It summarises information protection principles, policies and legislation dealing with personal information, and a management plan for implementing such policies and legislation.

We are committed to protecting the privacy of our stakeholders, business contacts and employees.

## Appendix 3

### Freedom of Information Act – Statement of Affairs

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

#### Availability of information

Copies of all documents in our public-access library are available for public inspection at the NRC office (Level 10, 15 Castlereagh Street, Sydney NSW 2000). Copies of all our publications are also available from our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)).

All appropriate services are delivered through our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)).

#### FOI procedures

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

Since many documents are readily accessible through our public access arrangements and our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)), it is advisable to check the general availability of the document before making an application under the *Freedom of Information Act 1989*.

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

Natural Resources Commission  
GPO Box 4206  
Sydney NSW 2001

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

#### FOI requests

In 2009–10, we received one request for access to documents under the *Freedom of Information Act 1989*.



## Appendix 4 Other reporting requirements

### Asset Management Plan

In 2009–10, we reviewed and implemented our Asset Management Plan.

### Consultants

Due to the need for high-level scientific, audit and NRM expertise, and the intensive effort required to achieve our deliverables, the NRC engaged many experts in 2009-10. Our expenditure on consultants for 2009-10 was \$2,267,479, which included \$718,964 relating to the assessment of river red gum forests in the Riverina bioregion and \$470,717 relating to the assessment of south-western cypress state forests.

The Government provided supplementary funds to help the NRC deliver advice, relating to the forest assessments, in a relatively short period of time. This expenditure was not included in the original budget appropriations but was provided via a supplementation of \$2.385 million, under section 28 of the Appropriation Act 2009. The forest assessments were completed within budget and the under-expenditure of \$200,608 was returned to the Environmental Trust.

In 2009–10, the NRC incurred expenditure over \$50,000 on the following consultancies:

Consultant	Amount	Service
Michael Williams & Associates Pty Ltd	\$54,767	Project Mentor for the assessment of south-western cypress state forests and provision of a comprehensive evaluation of the NRC's performance in delivering the river red gums assessment project.
Sheridan Coakes Consulting Pty Ltd	\$57,710	Provided social analysis for the assessment of south-western cypress state forests.
Institute for International Development	\$132,092	Audited CMAs' implementation of their catchment action plans and reported on the organisational effectiveness of CMAs.
GHD Pty Ltd	\$172,470	Provided assistance in our assessment of the south-western cypress state forests and undertook the role of lead auditor for the CMA audits.
Eco Logical Australia Pty Ltd	\$316,482	Reviewed environmental values of the south-western cypress state forests and provided geographical information system services.  Analysed the key drivers of landscape health across the state and determined whether NRM activities are addressing these drivers.
Silver Spirit Partners	\$351,137	Provided commercial and probity advice and direction as part of the audits of catchment action plan implementation, and for the reporting on progress towards targets project.  Project Director for the report on progress towards the native vegetation target of the NSW State Plan, and the Technology Refresh project.  Provided contract development and negotiations for the assessment of south-western cypress state forests.
Alluvium Consulting Pty Ltd	\$469,255	Managed all analysis on issues of science, provided input into developing decision criteria and delivered maps or summaries of data to support both science and policy issues for the assessment of river red gum forests.  Assisted in scoping the project requirements for the mid-term progress report.

In addition, there were 38 consultancy contracts valued at less than \$50,000 each, which totalled \$713,566.

## Consumer response

We did not receive any complaints in 2009–10.

## Credit card certification

We have two credit cards with a combined limit of \$30,000, which have been certified as complying with procedures contained in the *Public Finance and Audit Act 1983*.

## Details of annual report production

We print a minimum number of paper copies (on recycled paper) of our annual report that are distributed to various sections of government. An electronic copy of our annual report is also made available on our website ([www.nrc.nsw.gov.au](http://www.nrc.nsw.gov.au)).

## External committees

In 2009–10, we participated in the following external committees:

- the NSW Government's Natural Resource Management Senior Officer Group, which encourages whole-of-government collaboration, planning, and monitoring, evaluation and reporting
- the Data and Information Management Working Group, which facilitates the provision of natural resources, environment and planning data, information products and services to develop and foster data standards.

## Funds granted to non-government community organisations

In 2009–10, we did not grant any funds to non-government community organisations.

## Human resources

### Contract executive profile

We have two positions, one executive (the Executive Director) and one non-executive (the Commissioner) that are equivalent to SES level 1 or higher. Both positions were substantively filled by males in 2007–08 and 2008–09.

### Salaries of statutory appointees and contract executives

No performance-related payments (bonuses) were made.

### Assistant Commissioner

The Commissioner appointed an Assistant Commissioner with the concurrence of the Premier. The Assistant Commissioner works part-time and is paid at a daily rate.

### Industrial relations policies and practices

We have implemented our Enterprise Agreement, which was negotiated directly with all staff. The Agreement provides for a culture of ongoing achievement, skill enhancement and personal rewards for staff, and will play a major role in the success of the NRC in fulfilling its legislated obligations.

## Internal and external reviews

We engaged the Internal Audit Bureau (IAB) to assist us in achieving compliance with the Treasury Internal Audit and Management Policy TPP09-05 and Treasury Circular NSW TC 09/08. This included:

- an Internal Audit Manual, which was approved by the Commission
- a three-year Internal Audit plan
- a review of our compliance obligations and the preparation of a Compliance Register
- the establishment of an enterprise risk-management process, which complied with

ISO 3100:2009 Risk Management–Principles and Guidelines

## Overseas visits

The NRC staff neither undertook any overseas visits nor hosted any overseas visitors in 2009–10.

## Payment of accounts

In 2009–10, there were no instances where penalty interest was paid in accordance with s18 of the Public Finance and Audit (General) Regulation 1995. There were no significant events that affected payment performance during the reporting period. Accounting services were provided by ServiceFirst.

### Age analysis at the end of each quarter

Quarter	Current (i.e. within due date) (\$)	Less than 30 days overdue (\$)	Between 30 days and 60 days overdue (\$)	Between 60 days and 90 days overdue (\$)	More than 90 days overdue (\$)
September quarter	35,349	0	0	1,217	0
December quarter	32,599	0	0	0	1,217
March quarter	5,700	0	0	0	1,217
June quarter	68,000	0	0	0	0

### Accounts paid on time within each quarter

Quarter	Total accounts paid on time			
	Target	Actual	\$	Total Amount Paid (\$)
September quarter	88%	95%	802,724	894,248
December quarter	88%	96%	1,098,796	1,177,884
March quarter	88%	94%	982,232	1,186,410
June quarter	88%	94%	1,749,453	1,920,725

## Risk management and insurance

We have comprehensive coverage for workers' compensation, motor vehicle, property and public liability insurance, provided through the NSW Treasury Managed Fund. In 2009–10, we did not make any insurance claims.

Our information technology support contract provides for a rapid recovery service to replace critical equipment in the event of failure.

In 2009–10, we continued to implement our risk-management systems through the Audit and Risk Committee, which comprised an independent Chair, an independent member and a non-independent member, who liaise with the Commissioner, Executive Director and Manager Corporate Services. The Committee meets quarterly.

## Waste

We have an ongoing commitment to waste reduction and regularly review administrative processes to look for further opportunities in this regard. Our strategies to avoid waste and recover resources include:

- Reducing the generation of waste paper: We continue to release reports electronically via our website and email, with only a limited print of hard-copy reports. Multi-function office machines, which enable double-sided copying and printing, are also installed and their use is encouraged to reduce paper usage.
- Recovering resources: We re-use paper printed on one side for scribble pads and in personal laser printers for draft documents. A paper and cardboard recycling system is implemented by our staff and is managed through an organised building system. Empty toner cartridges are collected for recycling. All glass and plastic material is also recycled separately.
- Using recycled material: All our office paper, excluding our letterhead, is Green Wrap. This paper contains 50 percent recycled pulp, 10 percent waste products from the cotton industry and 40 percent content from sustainable managed plantations. We purchase other recycled paper products, such as notebooks and pads, wherever possible. We procure re-manufactured toner cartridges for use in all black-and-white printers.

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## Shortened forms

CMA	catchment management authority
EEO	equal employment opportunity
FOI	freedom of information
MPSP	Multicultural Policies and Services Plan
NRC	Natural Resources Commission
NRM	natural resource management
NSW	New South Wales
OHS	occupational health and safety
SEPP 71	State Environmental Planning Policy No. 71–Coastal Protection



