



Natural Resources Commission



**ANNUAL REPORT
2014-15**

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Letter of transmittal

21 October 2015

The Hon. Mike Baird
Premier of NSW
52 Martin Place
SYDNEY NSW 2000

Dear Premier

Letter of transmittal
Natural Resources Commission – Annual Report 2014-15

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 2015.

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



Dr John Keniry AM
Commissioner

Commissioner's message



Welcome to the Annual Report of the Natural Resources Commission for fiscal 2015.

During the year, we completed our review of the potential environmental and socioeconomic impacts of undertaking active and adaptive management of cypress forests in the Brigalow and Nandewar State Conservation Areas. Our final report proposed a number of reforms to improve management of these forests, including active interventions such as ecological thinning, targeted grazing, controlled burning and pest management. Government is yet to respond to our recommendations.

We also worked on a number of areas with Local Land Services with a view to assisting that new organisation to bed down systems and processes. Those areas included development of a Performance Standard and an organisational risk assessment to identify priority areas for operational audits. The first of those audits, covering governance, is underway and will be reported on formally in October.

At the request of the Minister for Primary Industries, we facilitated a collaborative process to design a new approach to unlocking the potential of Landcare volunteers.

At the request of the Office of Environment and Heritage, we undertook reviews of some Environmental Trust projects and initiated a review of the extent to which funding provided to Local Land Services under the Waste and Environment Levy Envelope has been applied on ground to meet investment objectives.

We also continued our evaluation of the Government's three year trial of using skilled volunteers for supplementary pest control in 12 national parks and reserves across NSW. An evaluation of the trial design found that the trial was well designed, and is consistent with the program approved by government. An interim report evaluating the effectiveness and efficiency of the program will be submitted in early 2016.

In the coming year, there will be a review of the Natural Resources Commission Act, which will seek submissions from both government and non-government bodies. Such a review is timely, in light of the many changes that have occurred since the establishment of the Commission in relation to catchment management bodies, water administration and, presently, the biodiversity and coastal management legislation.

The review will provide an opportunity for Government to consider, in light of the changed legislative environment, the importance to government of the three principal services provided by the Commission:

- firstly, the value of an independent advisory body that can provide evidence based thought leadership on NRM issues
- secondly, the value of program evaluations and audits to transparently demonstrate what outcomes are being achieved and drive improved performance
- thirdly, independent mediation and advice in contested policy areas.

Dr John Keniry AM
Commissioner

What we do

Providing practical solutions that have triple bottom line outcomes

The Natural Resources Commission (the Commission) is an independent body that helps the NSW Government find evidence-based solutions to complex natural resource problems. In providing its advice, the Commission aims to improve production, biodiversity and community well-being across the state.

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

By delivering credible and objective advice, the Commission aims to:

- develop practical solutions that have triple-bottom-line outcomes
- promote performance, good governance and accountability
- support evidence-based decision making.

The Commission's general advisory function is supported by specific functions, including:

- auditing, evaluating and reviewing plans, programs and organisational performance – for example, auditing performance of Local Land Services
- reviewing complex, scientific and policy issues under legislation or as requested by Government – for example, forest assessments and reviews of water sharing plans

- evaluating trials of new Government initiatives – for example, supplementary pest control in national parks
- promoting and enabling best practice – for example, setting standards and targets.

The Commission also provides ongoing scientific and technical advice under other legislation. For example, advising on sensitive coastal developments under the *State Environmental Planning Policy No 71 – Coastal Protection*.

The Commission draws on best available data, expert opinion, and views of the community and stakeholders in developing its advice.



Achievements in 2014-15

Developing evidence-based solutions for Government

- Assessed the potential environmental and socioeconomic impacts and benefits of undertaking active and adaptive management of cypress forests in the Brigalow and Nandewar State Conservation Areas. We found that the state conservation areas contain some large areas of relatively dense white cypress pine which can impact on the ecological health of these forests. Our final report outlines a number of proposed reforms to improve management of these forests, including active management interventions, such as ecological thinning, targeted grazing, controlled burning and pest management.

Promoting performance improvement, governance and accountability

- Evaluated the design of the NSW Government's three-year supplementary pest control trial and found that the trial is well-designed and is consistent with the program approved by Government.
- Developed the Performance Standard for Local Land Services, which was approved by the Minister for Primary Industries. The Standard seeks to provide assurance to investors, ratepayers and other stakeholders that Local Land Services will deliver practical landscape management outcomes that reflect regional priorities and

provide a triple-bottom-line return on investment.

- Developed a model to deliver the NSW Government's \$15 million commitment to unlock the full potential of Landcare volunteers. Our funding model aims to build community capacity through helping volunteer groups to become self-sustaining.
- Undertook a comprehensive assessment of risks to Local Land Services that identified priority areas to focus audits for the next two years. This informed the audit plan for 2015-2017 which was endorsed by the Minister.
- Commenced the initial audit of Local Land Services on governance. Our audits will deliver accountability of service delivery, drive improved performance, and engender community and investor confidence in Local Land Services activities.
- Recommended an allocation profile for Catchment Action NSW funding to Local Land Services for 2015-16 and 2016-17 based on a multi-criteria analysis approach. Our recommendation was used to allocate funds to Local Land Services.
- Evaluated the NSW Environmental Trust's Roadside Vegetation Implementation Project and identified priorities for potential future investment in roadside reserves. We also provided advice to the Trust on priorities for the Environmental Research Program. The Trust used our work to guide the 2015 grants.

- Commenced reviews of seven water sharing plans in the Murray-Darling Basin to help NSW Office of Water deliver 22 water resource plans by 2019 to comply with the Basin Plan 2012.
- Provided a submission to the Independent Biodiversity Legislation Review Panel outlining our views on a model that addresses the principles and objectives of the Panel's review, and is likely to result in more strategic and enduring outcomes for biodiversity in NSW.
- Commenced an independent review of Local Land Services' delivery of Catchment Action NSW funding from the Waste and Environment Levy Envelope. We will advise the Minister on whether Local Land Services' investment in on-ground activities is meeting the intent of the Government's funding program, and is delivering the intended outcomes.
- Developed a framework to examine the compliance of a Local Land Services strategic plan with legislative requirements, and the quality of plan using the Performance Standard for Local Land Services as a guide.
- Provided advice on whether six coastal development proposals were consistent with the requirements of *State Environmental Planning Policy No. 71—Coastal Protection*.

Developing evidence-based solutions for Government

Developing evidence-based solutions for Government that have triple-bottom-line outcomes

The Natural Resources Commission develops evidence-based solutions to complex scientific and policy issues under legislation or in response to the directions set by the Government in its Terms of Reference.

In 2014-15, we completed a major review of cypress forest management in the Brigalow and Nandewar State Conservation Areas.

Actively managing Brigalow and Nandewar State Conservation Areas for better ecological outcomes

Through a Terms of Reference, the NSW Premier requested that the Commission assess the potential environmental and socioeconomic impacts and benefits of undertaking active and adaptive management of cypress forests in the state conservation areas of the Brigalow and Nandewar Community Conservation Area.

The Commission delivered a final report to Government in 2014 detailing the findings and recommendations of our review. Government is considering our recommendations.

In summary, we found that while small patches of dense vegetation provide habitat for native flora and fauna within a landscape mosaic, large areas of dense vegetation are likely to have negative impacts on a range of ecological values, including biodiversity.

We recommended that Government actively manage large stands of increasingly dense vegetation where it has potential to impact ecological values in the Brigalow and Nandewar State Conservation Areas.

In particular, we identified a range of active management options - including ecological thinning, prescribed burning and targeted grazing – that could be applied strategically by reserve managers to deliver desired ecological outcomes.

To better support active management in these areas, we advised that new management plans be developed based on contemporary best practice adaptive management. These plans should give land managers the flexibility to test, evaluate and improve management strategies and actions over time.

We also recommended that Government identify and apply alternative funding, cost sharing and cost recovery models for active and adaptive management in these areas.

The final report was informed by:

- 175 public submissions on the draft report
- targeted consultation with industry, Aboriginal, environment and community groups
- regional tours of 18 State Conservation Areas and 10 other forests, parks and reserves
- regional meetings with stakeholders
- 36 initial submissions in response to the Terms of Reference
- new spatial analysis.

Next steps

- Conduct state-wide review of pest animal management.

Promoting performance improvement, governance and accountability

Promoting excellence to help Government maximise its return on investment

The Natural Resources Commission contributes to wider natural resource management by reviewing regional plans, undertaking risk assessments, auditing plan implementation and reporting progress across NSW.

In 2014-15, we:

- provided a preliminary evaluation report on the design of supplementary pest control trial program
- developed the Performance Standard for Local Land Services
- recommended NSW Local Landcare Coordinators Initiative funding delivery model to the Minister

- undertook a comprehensive assessment of risks to Local Land Services service delivery to identify priorities for the two year audit plan
- commenced the initial performance audit of Local Land Services on governance
- recommended Catchment Action NSW funding allocations to Local Land Services
- advised the NSW Environmental Trust on natural resource management evaluation and project design
- commenced reviews of water sharing plans
- provided a submission to the Biodiversity Legislation Review Panel
- commenced an evaluation of the Waste and Environment Levy funding to Local Land Services
- commenced reviewing Local Land Services strategic plans
- advised on coastal development proposals.

Evaluation of supplementary pest control trial

The NSW Government is undertaking a supplementary pest control trial program in national parks and other reserves using volunteer shooters who work under the direct supervision of the National Parks and Wildlife Service.

The Premier and the Minister for the Environment requested that the Commission evaluate the trial program to inform the Government's decision on whether to proceed with the program beyond the three-year trial period.

We delivered a preliminary evaluation report in December 2014.

Overall, we found that the design of the trial is sound and consistent with the program approved by Government. Our report identifies some potential areas for improvement within the trial design, including focusing on building local relationships, trialling alternative supervision arrangements, and exploring the potential of night shooting.

We will deliver an interim evaluation report in 2015-16 assessing the effectiveness of the program at the mid-point of the trial, and a final evaluation of the program in May 2017 with advice on whether the program should continue.

Performance Standard for Local Land Services

The Commission has a role in auditing, and reviewing plans, programs and organisational performance of Local Land Services.

We developed the Performance Standard for Local Land Services which was approved by the Minister for Primary Industries.

The Standard seeks to provide assurance to investors, ratepayers and other stakeholders that Local Land Services' investment of funds will deliver practical landscape management outcomes that reflect regional priorities and provide a triple-bottom-line return on investment.

The Standard is part of the state-wide targets, standards and priorities that are collectively defined as the "state priorities for Local Land Services" in the *Local Land Services Act 2013*.

The Standard will be an essential element in the scope of the Commission's audit of Local Land Services.

This Standard has been developed specifically for Local Land Services. Other organisations providing services to land managers and local communities, particularly partner organisations of Local Land Services, will also benefit from using this Standard.

NSW Local Landcare Coordinators' Initiative

The Minister for Primary Industries asked the Commission to collaboratively develop a model to deliver the NSW Government's \$15 million commitment over four years to unlock the full potential of Landcare volunteers in NSW.

The Commission facilitated a roundtable process with Landcare NSW, Local Land Services and other key stakeholders and developed a funding model. The model aims to maintain and build community capacity across NSW through a network of locally based coordinators to enable groups and networks to work towards becoming self-sustaining.

Audits of Local Land Services

The Minister for Primary Industries asked the Commission to be the auditor of Local Land Services.

Our audits offer independent assurance to the Minister and the community that public money has been spent wisely and that the results meet the Government's expectations. They also recognise management initiatives and successes and are a catalyst for continuous improvement.

We released an audit strategy outlining our risk-based approach to auditing outcomes, including audits of strategic plans and activities of Local Land Services in accordance with state priorities.

Our audit strategy builds on our experience of 17 audits of the implementation of catchment action plans developed by the previous Catchment Management Authorities.

In May 2015, we provided the Minister with our two-year audit plan for Local Land Services. This plan outlines the priority areas for audit and was informed by a comprehensive risk assessment of Local Land Services.

The Minister endorsed the audit plan in principle and requested that the Commission complete the top two priority audits on governance and communications.

We commenced an audit of governance with Local Land Services.

Funding allocations to Local Land Services

Catchment Action NSW is the NSW Government's regionally-delivered project funding to address the state's natural resource management priorities.

The Local Land Services Board of Chairs asked the Commission to review funding allocation best practice and identify options for the future allocation of Catchment Action NSW funds across Local Land Services regions.

We recommended funding allocation of \$50.5 million to Local Land Services for 2015-16 and 2016-17.

Advice to the Environmental Trust

The NSW Environmental Trust requested that the Commission provide advice on the Trust's Environmental Research Program and the Roadside Vegetation Implementation Project.

For priorities for the Environmental Research Program, we recommended 21 priority themes, grouped under seven broader research categories. These themes were used by the Trust to guide the 2015 grant application round.

We conducted an evaluation of Stages 1 and 2 of the Roadside Vegetation Implementation Project as well as provided advice on investment priorities for a potential Stage 3 of the project. The Trust has accepted or partially accepted all of our recommendations, and informed that our advice will inform the design of Stage 3 of the project.

Review of water sharing plans

The Commission and the NSW Office of Water commenced independent reviews of seven water sharing plans.

As these plans apply to water sources in the Murray-Darling Basin, these plans will not be extended but will be remade as the NSW Office of Water aims to deliver 22 water resource plans by 2019 to comply with the Basin Plan 2012.

The reviews by the Commission and the Office of Water will focus on different issues but are being undertaken in parallel.

Review of biodiversity legislation

The Independent Biodiversity Legislation Review Panel has presented its final report to Government recommending major reform to the legislation and policy framework for biodiversity conservation and native vegetation management in NSW.

Our submission to the Independent Panel outlined our views on an approach that would result in more strategic and enduring outcomes for biodiversity in NSW.

Review of Waste and Environment Levy funding to Local Land Services

The Commission has commenced an independent review of Local Land Services' delivery of Catchment Action NSW funding from the Waste and Environment Levy Envelope.

In 2014-15, Catchment Action NSW funding was provided under a funding agreement between Local Land Services and the Office of Environment and Heritage.

Under the Agreement, Local Land Services are required to invest in activities that align with state and regional priorities.

The Office of Environment and Heritage has asked the Commission to provide advice on whether Local Land Services' investment in on-ground activities is meeting the intent of the Government's four-year funding program, and the likelihood of that investment achieving the desired outcomes.



Review of Local Land Services' strategic plans

Local Land Services are required to prepare a State Strategic Plan as well as Local Strategic Plans for each of the 11 regions.

We developed an assessment framework to guide our review and liaised with Local Land Services as they drafted their strategic plans.

Our review will examine the degree of legislative compliance and the quality of plans based on the extent to which they meet the Performance Standard for Local Land Services.

Advice on coastal development proposals

The *State Environmental Planning Policy No. 71 – Coastal Protection* aims to protect and manage the state's coast, marine environment, native coastal vegetation and cultural heritage.

The Policy requires that a master plan be prepared for land development before development consent can be granted. The Minister responsible for planning must consult with the Commission before approving a master plan or waiving the need for a master plan.

We provided advice on six coastal development proposals.

Our advice helps promote the aims of the Policy and encourages greater connection between natural resource management and planning processes.

Next steps

- Conduct performance audits of Local Land Services on governance and communications.
- Conduct a mid-term evaluation of the supplementary pest control trial program.
- Review Local Land Services' Local Strategic Plans.
- Complete the evaluation of the Waste and Environment Levy funding to Local Land Services.
- Complete the reviews of water sharing plans
- Continue to provide advice on sensitive coastal development proposals.

Building the capability of our people and systems to deliver our goals

Improving the capability of our people and support systems to deliver our goals

As an independent agency, the Commission aims to be a role model of good governance, especially in being transparent, accountable and continually building the capacity and commitment of our people.

In 2014-15, we:

- completed team-wide governance and risk assessment training
- reviewed and updated 22 plans, policies and procedures
- updated the Commission's Code of Conduct to include all aspects of the Public Sector Code of Ethics and Conduct which supports the Commission's good governance policy principles.

Decision-making structure and roles

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

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

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

The Director Corporate Services

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

Program Directors report to the Executive Director and are responsible for managing agreed programs.

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

Commissioner and executives

Commissioner

Dr John Keniry AM

BSc (Hons), PhD, FAICD, FTSE, FRACI

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

Executive Director

Mr Bryce Wilde

BA(Hons), ExecMPA

Bryce has 20 years of experience in natural resource management, public policy, strategic planning and organisational development. He has been at the Commission since 2005 where he has led major reviews including review of weed management in NSW, management of cypress forests in Brigalow and Nandewar

State Conservation Areas, review of river red gum and woodland forests in the Riverina bioregion. Prior to joining the Commission, Bryce was a senior manager at the Department of Juvenile Justice. He has provided consultancy services to NSW, Australian and local governments, and non-government organisations, particularly in the human services field.

Audit and risk management

Our internal audit program helps to ensure our programs and processes comply with legislation and management best practice.

We continued participating in the shared services agreement with the Department of Premier and Cabinet. The Department appoints the Chief Audit Executive and our Audit and Risk Management Committee ensured compliance with requirements of Treasury Policy TPP 09-05. The Committee met quarterly, and officers from the Audit Office of NSW attended meetings as observers.

In 2014-15:

- Deloitte conducted an internal audit of our travel expenses and rated the overall assessment as "excellent".
- Deloitte conducted an internal audit of our records management and rated the overall assessment as "excellent".
- The Institute of Internal Audits completed a review on our internal audit quality assurance process and found our internal audit is operating effectively and the internal audit services provided to the Commission are achieving the expectations of the Audit and Risk Management Committee and the Commission.

Values

The NSW public sector values are integrity, trust, service and accountability. The Commission interprets these values through the following behaviours:

- We aim high and never stop learning, discovering, adapting and growing.
- We work collaboratively both inside and outside the Commission.
- We ask and listen to our clients, landholders and farmers.
- We show respect by validating and affirming others.
- We discuss and share issues and challenges.

Corporate initiatives

In 2014-15, we delivered the following corporate projects:

- Commenced fit out of the Commission offices at 52 Martin Place, Sydney.
- Commenced migration plans with information technology service provider to comply with the whole-of-government policies.
- Launched the Commission's new website that complies with Government requirements.
- Rolled over the Enterprise Agreement for further three years.
- Provided training for all staff in:
 - digital information security
 - fraud and corruption prevention
 - governance, strategic planning and risk management
 - interpretation and evaluation of science and lines of evidence.

- Transitioned all staff role descriptions and capability mapping to comply with the *Government Sector Employment Act 2013* requirements.
- Reviewed all non-executive roles for work value against wider public sector.
- Recruited a Program Director and two Natural Resource Analysts.
- Planned for handover of the existing Commission offices at 15 Castlereagh Street, Sydney.

Next steps

- Complete relocation of Commission office to 52 Martin Place, Sydney.
- Handover the existing Commission office at 15 Castlereagh Street, Sydney.
- Migrate all information technology services to shared corporate services provider.
- Complete executive service transition plan.
- Complete internal audit on projects as per audit plan.
- Move into Government data centre to reduce electricity consumption.
- Move to centrally managed print services at 52 Martin Place to reduce printing costs.
- Move to central electricity contract, including efficient lighting, at 52 Martin Place to reduce electricity costs.



Financial reporting and statements

for the year ended 30 June 2015

Natural Resources Commission and its Controlled Entity

Statement on behalf of the Commission and Staff Agency

Independent Auditor's Report

Statutory Audit Report

Statement of Attestation - internal audit and risk management

Statement of Attestation - digital information security

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Natural Resources Commission and Staff Agency

Independent Auditor's Report

Statutory Audit Report

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Natural Resources Commission and its Controlled Entity

Statement on behalf of the Commission and Staff Agency



15 September 2015

**Statement on behalf of
Natural Resources Commission and
Natural Resources Commission Staff Agency**

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, the requirements of the *Public Finance and Audit Act 1983* and the Public Finance and Audit regulation 2015, the Financial Reporting Code for Budget Dependent General Government Sector Agencies and Treasurers Directions;
- b) The financial statements exhibit a true and fair view of the financial position of both the Natural Resources Commission and the Natural Resources Commission Staff Agency as at the 30 June 2015 and the operations for the year then ended;
- c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Dr John Keniry AM
Commissioner



Maree Leonard
Director Corporate Services

Natural Resources Commission and its Controlled Entity

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Natural Resources Commission

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Natural Resources Commission (the Commission), which comprise the statement(s) of financial position as at 30 June 2015, the statement(s) of comprehensive income, statement(s) of changes in equity, statement(s) of cash flows and notes comprising a summary of significant accounting policies and other explanatory information of 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.

Opinion

In my opinion, the financial statements:

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

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

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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the members of the Commission, 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 it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



Caroline Karakatsanis
Director, Financial Audit Services

21 September 2015
SYDNEY

Natural Resources Commission and its Controlled Entity

Statutory Audit Report



Dr John Keniry AM
Commissioner
Natural Resources Commission
Level 10, 15 Castlereagh Street
SYDNEY NSW 2000

Contact: Caroline Karakatsanis
Phone no: 9275 7143
Our ref: D1526818/1285

21 September 2015

Dear Commissioner

STATUTORY AUDIT REPORT

for the year ended 30 June 2015

Natural Resources Commission

I have audited the financial statements of Natural Resources Commission (the Commission) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2015, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Commission. The PF&A Act requires that I send this report to the Commission, the Minister and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Commission's financial statements. I enclose the Independent Auditor's Report, together with the Commission's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

I expressed an unmodified opinion on the Commission's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the Financial Statements

I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes will be reported in the Statutory Audit Report
- the Auditing Standards require me to bring matters of governance interest and significant misstatements identified during the audit to the attention of those charged with governance
- where misstatements resulted from, or were not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Commission, I will report these in accordance with my statutory obligations.

The financial statements contained misstatements which are listed in the attached Appendix. The Appendix explains the nature and impact of the misstatements in the Commission's financial statements.

- Table One reports significant corrected misstatements individually greater than \$6,809.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Commission's financial statements. This includes testing whether the Commission has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

Quality and Timeliness of Financial Reporting

Treasury Circular TC 15/02 'Mandatory Early Close Procedures for 2014-15' required the Commission to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team. Treasury Circular TC 15/11 'Agency guidelines for the 2014-15 Mandatory Annual Returns to Treasury' required the Commission to submit its year-end information to Treasury and its financial statements to the Audit Office on 27 July 2015.

The Commission completed the mandatory early close procedures set out in TC 15/02 and supplied the outcomes to the audit team before the specified timeframe. The Commission also submitted financial information to Treasury and the financial statements and supporting working papers to the audit team by the due dates.

Auditor-General's Report to Parliament

Volume Five of the 2015 Auditor-General's Report to Parliament will incorporate the results of the audit.

Acknowledgment

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

Yours sincerely

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

Caroline Karakatsanis
Director, Financial Audit Services

APPENDIX

Table One: Corrected Monetary Misstatements and Disclosure Deficiencies

Corrected Monetary Misstatements

Management corrected the following misstatements in the current year's financial statements. I agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

Description	Assets	Liabilities	Retained earnings/Equity	Comprehensive income
Effect of correction	Increase/ (Decrease) \$'000	(Increase)/ Decrease \$'000	(Increase)/ Decrease \$'000	(Increase)/ Decrease \$'000
Factual misstatements				
Fit out costs advanced by GPNSW incorrectly classified as a liability instead of revenue.		761		(761)
Subtotal		761		(761)
Total impact of corrected misstatements		761		(761)

Corrected Disclosure Deficiencies

Management corrected minor disclosure changes identified in the financial statements.

Uncorrected Monetary Misstatements

I did not detect any monetary misstatements that remain uncorrected in the financial statements.

Uncorrected Disclosure Deficiencies

I did not detect any disclosure deficiencies that remain uncorrected in the financial statements.

Statement of Attestation - internal audit and risk management



Internal Audit and Risk Management statement for the 2014- 2015 financial year for the Natural Resources Commission

I, Dr John Keniry, am of the opinion that the Natural Resources Commission has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*. These processes provide a level of assurance that enables the senior management of the Natural Resources Commission to understand, manage and satisfactorily control risk exposures.

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

- Department of Premier and Cabinet

I, Dr John Keniry, am of the opinion that the Audit and Risk Management Committee for the Natural Resources Commission is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

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

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

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

A handwritten signature in black ink that reads 'J Keniry'.

Dr John Keniry AM
Commissioner

30 June 2015

Statement of Attestation - digital information security



Digital Information Security Annual Attestation Statement for the 2014-2015 Financial Year for Natural Resources Commission

I, Dr John Keniry, Commissioner of Natural Resources Commission, am of the opinion that Natural Resources Commission had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Dr John Keniry, Commissioner of Natural Resources Commission, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems of Natural Resources Commission are adequate for the foreseeable future.

I, Dr John Keniry, Commissioner of Natural Resources Commission, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, compliance with AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements had been maintained by all or part of Natural Resources Commission.

A handwritten signature in black ink, appearing to read 'J Keniry'.

Dr John Keniry AM
Commissioner
30 June 2015

Natural Resources Commission and its Controlled Entity

Statement of comprehensive income for the year ended 30 June 2015

	Notes	Consolidated		Actual 2014 \$'000	Commission		Actual 2014 \$'000
		Actual 2015 \$'000	Budget 2015 \$'000		Actual 2015 \$'000	Budget 2015 \$'000	
Expenses excluding losses							
Operating expenses							
Employee related	2(a)	2,946	3,299	3,180	-	-	-
Other operating expenses	2(b)	1,550	1,604	1,833	1,550	1,604	1,833
Depreciation and amortisation	2(c)	43	32	41	43	32	41
Personnel services	2(d)	-	-	-	2,869	3,260	3,122
Total Expenses excluding losses		4,539	4,935	5,054	4,462	4,896	4,996
Revenue							
Investment revenue	3(a)	33	27	18	33	27	18
Grants and contributions	3(b)	4,329	4,942	4,853	4,329	4,942	4,853
Acceptance by the Crown Entity of employee benefits and other liabilities	3(c)	77	39	58	-	-	-
Other revenue	3(d)	897	-	225	897	-	225
Total Revenue		5,336	5,008	5,154	5,259	4,969	5,096
Gain / (loss) on disposal	4	-	-	(3)	-	-	(3)
Net result		797	73	97	797	73	97
Other comprehensive income							
Total other comprehensive income		-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		797	73	97	797	73	97

The accompanying notes form part of these financial statements.

Natural Resources Commission and its Controlled Entity

Statement of financial position as at 30 June 2015

	Notes	Consolidated		Actual 2014 \$'000	Commission		Actual 2014 \$'000
		Actual 2015 \$'000	Budget 2015 \$'000		Actual 2015 \$'000	Budget 2015 \$'000	
ASSETS							
Current Assets							
Cash and cash equivalents	6	955	685	788	945	685	788
Receivables	7	129	44	42	129	44	42
Total Current Assets		1,084	729	830	1,074	729	830
Non-Current Assets							
Plant and equipment							
Plant and Equipment	8	39	93	20	39	93	20
Leasehold Improvements	8	616	5	17	616	5	17
Total plant and equipment	8	655	98	37	655	98	37
Intangible assets	9	-	-	2	-	-	2
Total Non-Current Assets		655	98	39	655	98	39
Total assets		1,739	827	869	1,729	827	869
LIABILITIES							
Current Liabilities							
Payables	10	462	191	287	452	191	287
Provisions	11	272	229	265	272	229	265
Total Current Liabilities		734	420	552	724	420	552
Non-Current Liabilities							
Provisions	11	5	102	114	5	102	114
Total Non-Current Liabilities		5	102	114	5	102	114
Total Liabilities		739	522	666	729	522	666
Net Assets		1,000	305	203	1,000	305	203
EQUITY							
Accumulated funds		1,000	305	203	1,000	305	203
Total Equity		1,000	305	203	1,000	305	203

The accompanying notes form part of these financial statements.

Natural Resources Commission and its Controlled Entity

Statement of change in equity for the year ended 30 June 2015

Consolidated and Commission	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014	203	203
Net result for the year	797	797
Total comprehensive income for the year	797	797
Balance at 30 June 2015	1,000	1,000
Balance at 1 July 2013	106	106
Net result for the year	97	97
Total comprehensive income for the year	97	97
Balance at 30 June 2014	203	203

Natural Resources Commission and its Controlled Entity

Statement of cash flows for the year ended 30 June 2015

Notes	Consolidated			Commission		
	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000	Actual 2015 \$'000	Budget 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee related	(2,834)	(3,277)	(3,117)	(2,844)	(3,277)	(3,113)
Other	(1,765)	(1,608)	(1,937)	(1,765)	(1,608)	(1,937)
Total Payments	(4,599)	(4,885)	(5,054)	(4,609)	(4,885)	(5,050)
Receipts						
Interest received	21	27	21	21	27	21
Grants and contributions	4,329	4,942	4,853	4,329	4,942	4,853
Other	1,042	-	420	1,042	-	420
Total Receipts	5,392	4,969	5,294	5,392	4,969	5,294
NET CASH FLOWS FROM OPERATING ACTIVITIES	793	84	240	783	84	244
15						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of plant and equipment and intangibles	(626)	(98)	(32)	(626)	(98)	(32)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(626)	(98)	(32)	(626)	(98)	(32)
NET INCREASE / (DECREASE) IN CASH						
Opening cash and cash equivalents	788	699	580	788	699	576
CLOSING CASH AND CASH EQUIVALENTS	955	685	788	945	685	788
6						

The accompanying notes form part of these financial statements.

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies

(a) Reporting entity

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

The Commission, as a reporting entity, comprises all the entities under its control, namely the Natural Resources Commission Staff Agency. The Natural Resources Commission Staff Agency (Staff Agency) is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the NRC Division established under the former Public Sector Employment and Management Act 2002). All employee provisions are now held within the Staff Agency, and are shown in the consolidated section of these statements.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

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

These consolidated financial statements for the year ended 30 June 2015 have been authorised for issue by the Commissioner on 15 September 2015.

(b) Basis of preparation

The Commission's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

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

Plant and equipment at fair value through profit and loss and available for sale are measured at fair value. Other financial statements items are prepared in accordance with the historical cost convention except where specified otherwise.

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

(d) Insurance

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

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies (cont'd)

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

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

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

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

(f) Income recognition

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

(i) Parliamentary Appropriations and Contributions

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.

(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*.

(g) Assets

(i) Acquisitions of assets

Assets acquired are initially recognised at cost. 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 is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

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

(ii) Capitalisation thresholds

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

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies (cont'd)

(g) Assets (cont'd)

(iii) Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement and AASB 116 Property, Plant and Equipment.

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

(iv) Impairment of plant and equipment

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

(v) Depreciation of plant and equipment

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

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

Depreciation Rates

% Rate

Plant & Equipment

Office furniture and fittings	33
Computer equipment and software	33
General plant and equipment	25
Leasehold improvements	over the period of the lease

(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.

(vii) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(viii) Leased assets

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies (cont'd)

(g) Assets (cont'd)

(ix) 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.

The useful lives of intangible assets are assessed to be finite.

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.

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

(x) Receivables

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.

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

(h) 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. Subsequent measurement is at amortised cost using the effective interest method.

(ii) Employee Benefits and other provisions

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

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

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

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

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies (cont'd)

(h) Liabilities (cont'd)

(ii) Employee Benefits and other provisions (cont'd)

(b) Long service leave and superannuation

The Commission's liabilities for long service leave are assumed by the Crown Entity. The entity 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 14/04) 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 (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

(c) Consequential on-costs

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

(d) Personnel Services

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

(e) Revision of estimates

As a result of a recent actuarial valuation of long service leave performed by Treasury's actuary (NSWTC 15-09), the Commission has adjusted defined benefit superannuation on-cost as well as the defined contribution superannuation on-cost for 2014-15. The factor for defined benefit superannuation on-cost and for defined contribution superannuation on-cost is changed to 1.2% (2013-14: 2.4%) and to 3.8% (2013-14: 3.15%) respectively. The impact of this change on 2014-15 financial statements is:

- Decrease in employee related expenses by \$2,313
- Decrease in revenue (liabilities assumed by the Crown) by \$4,736
- An increase in provision by \$2,229 (current) and \$194 (non-current) for defined contribution superannuation on-cost.

(iii) Other Provisions

Other provisions exist when: the Commission has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when an entity has a detailed formal plan and the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

(i) Fair value hierarchy

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

Natural Resources Commission and its Controlled Entity

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

1 Summary of Significant Accounting Policies (cont'd)

(j) Equity

Accumulated Funds

The category 'Accumulated Funds' includes all current and prior period retained funds.

(k) Budgeted amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 15.

(l) 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.

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

(i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except for the following standards adopted for the first time in 2014-15. The impact of these Standards in the period of initial application is not material.

- AASB 10 Consolidated Financial Statements
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2013-1 Amendments to AASB 1049 Relocation of Budgetary Reporting Requirements
- AASB 2013-8 Amendments to Australian Accounting Standards Australian Implementation Guidance for Not for Profit Entities Control and Structured Entities
- AASB 2013-9 Regarding the Conceptual Framework, Materiality and Financial Instruments (Part B)

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective (NSW TC 15/03).

- AASB 9, AASB 2013 9 (Part C), AASB 2014 1 (Part E), AASB 2014 7 and AASB 2014 8 Financial Instruments
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (operative 1 Jan 2018)
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation (operative 1 Jan 2016)
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012 2014 cycle (operative 1 Jan 2016)
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives (operative 1 Jan 2016)
- AASB 2015-3 regarding materiality (operative 1 July 2016)
- AASB 2015 5 regarding amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] (operative 1 Jan 2016)
- AASB 2015 6 regarding amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049] (operative 1 Jul 2016)
- AASB 2015 7 regarding amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13] (operative 1 Jul 2016)

Management cannot assess and determine the impact of these new Standards and Interpretations to the Commission's financial statements.

Natural Resources Commission and its Controlled Entity

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

2 Expenses Excluding Losses

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Employee related expenses				
Salaries and wages (including annual leave)	2,548	2,797	-	-
Superannuation - defined contribution plans	188	190	-	-
Long service leave	77	58	-	-
Workers compensation insurance	9	11	-	-
Payroll tax and fringe benefit tax	117	117	-	-
On-costs - annual leave and long service leave	7	7	-	-
	2,946	3,180	-	-

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(b) Other operating expenses include the following:				
Auditor's remuneration - audit or review of the financial statements	19	17	19	17
Consultancy costs	591	900	591	900
Insurance	4	6	4	6
Operating lease rental expense - minimum lease payments	427	328	427	328
Postage and telephone	22	25	22	25
Advertising, Printing and Publication	15	70	15	70
Training (staff development)	78	54	78	54
Travel	79	109	79	109
Corporate services	137	129	137	129
Administration Expenses	77	105	77	105
ICT expenses	101	90	101	90
	1,550	1,833	1,550	1,833
<i>* Reconciliation - Total maintenance</i>				
Maintenance expense - contracted labour and other (non-employee related), as above	-	-	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	-	-	-	-

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(c) Depreciation and amortisation expense				
Depreciation				
Plant and Equipment	7	10	7	10
Total Depreciation	7	10	7	10
Amortisation				
Leasehold improvements	34	28	34	28
Intangible	2	3	2	3
Total depreciation and amortisation	43	41	43	41

Natural Resources Commission and its Controlled Entity

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

2 Expenses Excluding Losses (cont'd)

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(d) Personnel services				
Paid to the Natural Resources Commission Staff Agency	-	-	2,869	3,122
	<u>-</u>	<u>-</u>	<u>2,869</u>	<u>3,122</u>

3 Revenue

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Investment revenue				
Interest revenue from financial assets not at fair value through profit or loss	33	18	33	18
	<u>33</u>	<u>18</u>	<u>33</u>	<u>18</u>

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(b) Grants and contributions				
Transfer payment from Department of Premier and Cabinet	4,329	4,853	4,329	4,853
	<u>4,329</u>	<u>4,853</u>	<u>4,329</u>	<u>4,853</u>

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(c) Acceptance by the Crown Entity of employee benefits and other liabilities				
Long Service Leave	77	58	-	-
	<u>77</u>	<u>58</u>	<u>-</u>	<u>-</u>

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(d) Other revenue				
Fitout costs from GPNSW	761	-	761	-
Consultancies recoveries	136	225	136	225
	<u>897</u>	<u>225</u>	<u>897</u>	<u>225</u>

4 Gain / (Loss) On Disposal

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Gain / (loss) on disposal of plant and equipment				
Proceeds from disposal	-	-	-	-
Written down value of assets disposed	-	(3)	-	(3)
Net gain / (loss) on disposal of plant and equipment	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>

Natural Resources Commission and its Controlled Entity

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

5 Service Group of the Commission

Natural Resources Commission

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

6 Current Assets - Cash and Cash Equivalents

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and on hand	955	788	945	788
	955	788	945	788

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

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

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash and cash equivalents (per statement of financial position)	955	788	945	788
Closing cash and cash equivalents (per statement of cash flows)	955	788	945	788

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

7 Current Assets - Receivables

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Goods and Services Tax recoverable from ATO	108	26	108	26
Accrued Interest	21	9	21	9
Prepayments	-	7	-	7
	129	42	129	42

Details regarding credit risk, liquidity risk and market risk are disclosed in Note 16.

Natural Resources Commission and its Controlled Entity

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

8 Non-Current Assets - Plant and Equipment

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Consolidated and Commission			
At 1 July 2014 - fair value			
Gross carrying amount	404	920	1,324
Accumulated depreciation and impairment	(384)	(903)	(1,287)
Net carrying amount	<u>20</u>	<u>17</u>	<u>37</u>
At 30 June 2015 - fair value			
Gross carrying amount	427	1,554	1,981
Accumulated depreciation and impairment	(388)	(938)	(1,326)
Net carrying amount	<u>39</u>	<u>616</u>	<u>655</u>

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2015			
Net carrying amount at start of year	20	17	37
Additions	26	633	659
Disposals	(2)	-	(2)
Depreciation expense	(7)	(34)	(41)
Write back on disposals	2	-	2
Net carrying amount at end of year	<u>39</u>	<u>616</u>	<u>655</u>

Natural Resources Commission and its Controlled Entity

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

8 Non-Current Assets - Plant and Equipment (cont'd)

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 1 July 2013 - fair value			
Gross carrying amount	426	903	1,329
Accumulated depreciation and impairment	(415)	(875)	(1,290)
Net carrying amount	11	28	39
At 30 June 2014 - fair value			
Gross carrying amount	404	920	1,324
Accumulated depreciation and impairment	(384)	(903)	(1,287)
Net carrying amount	20	17	37

Reconciliation

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

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2014			
Net carrying amount at start of year	11	28	39
Additions	22	17	39
Disposals	(44)	-	(44)
Depreciation expense	(10)	(28)	(38)
Write back on disposals	41	-	41
Net carrying amount at end of year	20	17	37

Natural Resources Commission and its Controlled Entity

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

9 Intangible Assets

	Software \$'000
Consolidated and Commission	
At 1 July 2014	
Cost (gross carrying amount)	18
Accumulated amortisation and impairment	<u>(16)</u>
Net carrying amount	<u>2</u>
At 30 June 2015	
Cost (gross carrying amount)	18
Accumulated amortisation and impairment	<u>(18)</u>
Net carrying amount	<u>-</u>
Year ended 30 June 2015	
Net carrying amount at start of year	2
Amortisation (recognised in 'depreciation and amortisation')	<u>(2)</u>
Net carrying amount at end of year	<u>-</u>
	Software \$'000
At 1 July 2013	
Cost (gross carrying amount)	13
Accumulated amortisation and impairment	<u>(13)</u>
Net carrying amount	<u>-</u>
At 30 June 2014	
Cost (gross carrying amount)	18
Accumulated amortisation and impairment	<u>(16)</u>
Net carrying amount	<u>2</u>
Year ended 30 June 2014	
Net carrying amount at start of year	-
Additions	5
Amortisation (recognised in 'depreciation and amortisation')	<u>(3)</u>
Net carrying amount at end of year	<u>2</u>

10 Current Liabilities - Payables

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Accrued salaries, wages and on-costs	79	64	-	-
Creditors	383	223	368	219
Personnel services	-	-	84	68
	<u>462</u>	<u>287</u>	<u>452</u>	<u>287</u>

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

Natural Resources Commission and its Controlled Entity

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

11 Current / Non-Current Liabilities - Provisions

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current				
Employee benefits and related on-costs				
Annual leave	213	211	-	-
Long service leave on-costs	30	26	-	-
Payroll tax	29	28	-	-
Personnel services	-	-	272	265
	<u>272</u>	<u>265</u>	<u>272</u>	<u>265</u>
Non-current				
Employee benefits and related on-costs				
Long service leave on-costs	3	1	-	-
Payroll tax	2	1	-	-
Personnel services	-	-	5	2
	<u>5</u>	<u>2</u>	<u>5</u>	<u>2</u>
Other provisions				
Restoration costs (Make good - 15 Castlereagh Street provision)	-	112	-	112
	<u>-</u>	<u>112</u>	<u>-</u>	<u>112</u>
Total provisions	<u>5</u>	<u>114</u>	<u>5</u>	<u>114</u>

Aggregate employee benefits and related on-costs				
Provisions - current	272	265	-	-
Provisions - non-current	5	2	-	-
Accrued salaries, wages and on-costs (Note 10)	79	64	-	-
	<u>356</u>	<u>331</u>	<u>-</u>	<u>-</u>

Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Restoration costs \$'000
Carrying amount at the beginning of financial year	112
Additional provisions recognised	33
Settlement of make good obligation	(145)
Carrying amount at end of financial year	<u>-</u>

The make good obligation of Level 10, 15 Castlereagh Street, Sydney (premises) was settled for \$145,000 plus GST on 30 June 2015.

Natural Resources Commission and its Controlled Entity

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

12 Commitments for Expenditure

Consolidated		Commission	
2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000

(a) Operating Lease Commitments

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

Not later than one year	-	372	-	372
Later than one year and not later than five years	-	31	-	31
Total (including GST)	-	403	-	403

The Commission's lease at 15 Castlereagh Street expires 31 July 2015. The commission moved to 52 Martin Place on 20 July 2015 under an existing lease held by Government Property NSW. The lease expires 31 December 2015 and has an option to renew the lease for a further term of 10 years from 1 January 2016 to 31 December 2025 and therefore the Commission does not have a commitment until the tenancy agreement is finalised.

Commitments include GST of nil (\$36,617 for 2014) which is expected to be recovered from the Australian Taxation Office (ATO).

13 Contingent Liabilities and Contingent Assets

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

14 Budget Review

Net cost of services

The actual net cost of services was higher than budget by \$724K. Budget variance results are mainly due to funding of fitout costs received by GPNSW.

Assets and liabilities

Current assets are \$355k higher than budget due to an increase in cash held at end of financial year.

Non-Current assets are higher than the budget by \$557K mainly due to the Leasehold Improvements.

Current liabilities were \$314k higher than budget mainly due to increases in payables.

Non-current liabilities were \$97k lower than budget due to settlement of make good obligation.

Cash flows

Cash flows from Operating Activities were \$710K higher than budget due to additional funding received for fitout costs by GPNSW.

Natural Resources Commission and its Controlled Entity

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

15 Reconciliation of Cash Flows from Operating Activities to Net Result

	Consolidated		Commission	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net cash used on operating activities	793	240	783	244
Depreciation and amortisation	(43)	(41)	(43)	(41)
Decrease / (increase) in provisions	(10)	(4)	(10)	(4)
Increase / (decrease) in receivables	87	(1)	87	(1)
Decrease / (increase) in creditors	(175)	(94)	(165)	(98)
Other - settlement of make good obligation	145	-	145	-
Net gain / (loss) on sale of plant and equipment	-	(3)	-	(3)
Net result	797	97	797	97

16 Financial Instruments

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

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

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

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Consolidated				
Class				
Cash and cash equivalents	6	N/A	955	788
Receivables ¹	7	Receivables (at amortised cost)	21	9
Financial Liabilities				
Class:				
Payables ²	10	Financial liabilities measured at amortised cost	462	287

Natural Resources Commission and its Controlled Entity

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

16 Financial Instruments (cont'd)

Financial Assets	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Commission				
Class				
Cash and cash equivalents	6	N/A	945	788
Receivables ¹	7	Receivables (at amortised cost)	21	9
Financial Liabilities	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Payables ²	10	Financial liabilities measured at amortised cost	452	287

Notes:

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

(b) Credit Risk

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

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

Natural Resources Commission and its Controlled Entity

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

16 Financial Instruments (cont'd)

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.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

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 past due or impaired.

(c) Liquidity risk

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

During the current and prior years, no assets have been pledged as collateral. The Commission's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payment to other suppliers, The Commissioner (or a person appointed by the Commissioner) may automatically pay the supplier simple interest. No interest for late payment was paid during the year (2014 nil).

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

Natural Resources Commission and its Controlled Entity

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

16 Financial Instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	\$'000		Maturity Dates		
		Interest Rate Exposure Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs	
Consolidated 2015						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	79	79	79	-	-	
Creditors	<u>383</u>	<u>383</u>	<u>383</u>	-	-	
	<u>462</u>	<u>462</u>	<u>462</u>	-	-	

2014						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	64	64	64	-	-	
Creditors	<u>223</u>	<u>223</u>	<u>223</u>	-	-	
	<u>287</u>	<u>287</u>	<u>287</u>	-	-	

	Nominal Amount ¹	\$'000		Maturity Dates		
		Interest Rate Exposure Non-interest bearing	< 1 yr	1-5 yrs	> 5 yrs	
Commission 2015						
<i>Payables:</i>						
Personnel Services	84	84	84	-	-	
Creditors	<u>368</u>	<u>368</u>	<u>368</u>	-	-	
	<u>452</u>	<u>452</u>	<u>452</u>	-	-	

2014						
<i>Payables:</i>						
Personnel Services	68	68	68	-	-	
Creditors	<u>219</u>	<u>219</u>	<u>219</u>	-	-	
	<u>287</u>	<u>287</u>	<u>287</u>	-	-	

Note:

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

(d) Market risk

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

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Commission operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2014. The analysis assumes that all other variables remain constant.

Natural Resources Commission and its Controlled Entity

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

16 Financial Instruments (cont'd)

Interest rate risk

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

	Carrying Amount	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Consolidated 2015					
<i>Financial assets</i>					
Cash and cash equivalents	955	(10)	(10)	10	10
Total	955	(10)	(10)	10	10
2014					
<i>Financial assets</i>					
Cash and cash equivalents	788	(8)	(8)	8	8
Total	788	(8)	(8)	8	8
	Carrying Amount	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Commission 2015					
<i>Financial assets</i>					
Cash and cash equivalents	945	(9)	(9)	9	9
Total	945	(9)	(9)	9	9
2014					
<i>Financial assets</i>					
Cash and cash equivalents	788	(8)	(8)	8	8
Total	788	(8)	(8)	8	8

(e) Fair value measurement

Fair value compared to carrying amount

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

17 Events after the Reporting Period

The Commission has entered into a new occupancy agreement with Government Property NSW for premises at 52 Martin Place, Sydney, for a term of 10 years from 1 August 2015.

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

End of audited financial statements.

Natural Resources Commission Staff Agency

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Natural Resources Commission Staff Agency

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Natural Resources Commission Staff Agency (the Agency), which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

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

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

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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 Agency
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



Caroline Karakatsanis
Director, Financial Audit Services

21 SEPTEMBER 2015
SYDNEY

Natural Resources Commission Staff Agency

Statutory Audit Report



Dr John Keniry AM
Commissioner
Natural Resources Commission
Level 10, 15 Castlereagh Street
SYDNEY NSW 2000

Contact: Caroline Karakatsanis
Phone no: 9275 7143
Our ref: D1526857/1285

21 September 2015

Dear Commissioner

STATUTORY AUDIT REPORT

for the year ended 30 June 2015

Natural Resources Commission Staff Agency

I have audited the financial statements of the Natural Resources Commission Staff Agency (the Staff Agency) as required by the *Public Finance and Audit Act 1983* (PF&A Act). This Statutory Audit Report outlines the results of my audit for the year ended 30 June 2015, and details matters I found during my audit that are relevant to you in your role as one of those charged with the governance of the Staff Agency. The PF&A Act requires that I send this report to the Staff Agency, the Premier and the Treasurer.

This report is not the Independent Auditor's Report, which expresses my opinion on the Staff Agency's financial statements. I enclose the Independent Auditor's Report, together with the Staff Agency's financial statements.

My audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify and report all matters you may find of governance interest. Therefore, other governance matters may exist, which have not been reported to you.

My audit is continuous. If I identify further significant matters, I will report these to you immediately.

Audit Result

I expressed an unmodified opinion on the Staff Agency's financial statements and I have not identified any significant matters since my previous Statutory Audit Report.

Misstatements in the Financial Statements

I have certain obligations for reporting misstatements:

- the PF&A Act requires agencies to obtain the Auditor-General's approval for all changes to the financial statements originally submitted for audit. The more significant/material changes will be reported in the Statutory Audit Report
- the Auditing Standards require me to bring matters of governance interest and significant misstatements identified during the audit to the attention of those charged with governance
- where misstatements resulted from, or were not detected because of failures in internal controls and/or systemic deficiencies which pose a significant risk to the Staff Agency, I will report these in accordance with my statutory obligations.

The financial statements did not contain any misstatements.

Compliance with Legislative Requirements

My audit procedures are targeted specifically towards forming an opinion on the Staff Agency's financial statements. This includes testing whether the Staff Agency has complied with legislative requirements that may materially impact on the financial statements. The results of the audit are reported in this context. My testing did not identify any reportable instances of non-compliance with legislative requirements.

Quality and Timeliness of Financial Reporting

Treasury Circular TC 15/02 'Mandatory Early Close Procedures for 2014-15' required the Staff Agency to prepare certain aspects of the financial statements before year-end and provide the outcomes to the audit team. Treasury Circular TC 15/11 'Staff Agency guidelines for the 2014-15 Mandatory Annual Returns to Treasury' required the Staff Agency to submit its year-end information to Treasury and its financial statements to the Audit Office on 27 July 2015.

The Staff Agency completed the mandatory early close procedures set out in TC 15/02 and supplied the outcomes to the audit team before the specified timeframe. The Staff Agency also submitted financial information to Treasury and the financial statements and supporting working papers to the audit team by the due dates.

Auditor-General's Report to Parliament

Volume Five of the 2015 Auditor-General's Report to Parliament will incorporate the results of the audit.

Acknowledgment

I thank the Staff Agency's staff for their courtesy and assistance.

Yours sincerely



Caroline Karakatsanis
Director, Financial Audit Services

APPENDIX

Corrected Monetary Misstatements and Disclosure Deficiencies

Corrected Monetary Misstatements

I did not detect any monetary misstatements in the financial statements.

Corrected Disclosure Deficiencies

There were minor disclosure changes corrected in the financial statements.

Uncorrected Monetary Misstatements and Disclosure Deficiencies

Uncorrected Monetary Misstatements

I did not detect any monetary misstatements that remain uncorrected in the financial statements.

Uncorrected Disclosure Deficiencies

I did not detect any disclosure deficiencies that remain uncorrected in the financial statements.

Natural Resources Commission Staff Agency

Statement of comprehensive income for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
Expenses excluding losses			
Operating expenses			
Employee related expenses	2(a)	<u>2,946</u>	3,180
Total Expenses excluding losses		<u>2,946</u>	3,180
Revenue			
Personnel services	3(a)	2,869	3,122
Acceptance by the Crown Entity of employee benefits and other liabilities	3(b)	<u>77</u>	58
Total Revenue		<u>2,946</u>	3,180
Net result		<u>-</u>	-
Other comprehensive income			
Total Other comprehensive income		<u>-</u>	-
TOTAL COMPREHENSIVE INCOME		<u>-</u>	-

The accompanying notes form part of these financial statements.

Natural Resources Commission Staff Agency

Statement of financial position as at 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	10	-
Receivables	5	360	335
Total Current Assets		<u>370</u>	<u>335</u>
Total Assets		<u>370</u>	<u>335</u>
LIABILITIES			
Current Liabilities			
Payables	6	93	68
Provisions	7	272	265
Total Current Liabilities		<u>365</u>	<u>333</u>
Non-Current Liabilities			
Provisions	7	5	2
Total Non-Current Liabilities		<u>5</u>	<u>2</u>
Total Liabilities		<u>370</u>	<u>335</u>
Net Assets		<u>-</u>	<u>-</u>
EQUITY			
Total Equity		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Natural Resources Commission Staff Agency

Statement of change in equity for the year ended 30 June 2015

	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2014	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2015	-	-
Balance at 1 July 2013	-	-
Net result for the year	-	-
Total comprehensive income for the year	-	-
Balance at 30 June 2014	-	-

Natural Resources Commission Staff Agency

Statement of cash flows for the year ended 30 June 2015

	Notes	Actual 2015 \$'000	Actual 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee related		<u>(2,834)</u>	<u>(3,117)</u>
Total Payments		<u>(2,834)</u>	<u>(3,117)</u>
Receipts			
Other		<u>2,844</u>	<u>3,114</u>
Total Receipts		<u>2,844</u>	<u>3,114</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	9	<u>10</u>	<u>(3)</u>
NET INCREASE /(DECREASE) IN CASH			
Opening cash and cash equivalents		<u>-</u>	<u>3</u>
CLOSING CASH AND CASH EQUIVALENTS	4	<u>10</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Natural Resources Commission Staff Agency

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

1 Summary of Significant Accounting Policies

(a) Reporting entity

The Natural Resources Commission Staff Agency (Staff Agency) is a public service agency established under the Administrative Arrangements Order 2014 and is pursuant to Part 2 of Schedule 1 of the Government Sector Employment Act 2013 (formerly the Natural Resources Commission Division established under the former Public Sector Employment and Management Act 2002). It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 10, 15 Castlereagh Street, Sydney 2000.

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

The financial statements for the year ended 30 June 2015 have been authorised for issue by the Commissioner on 15 September 2015.

(b) Basis of preparation

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

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

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

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

(c) Statement of compliance

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

(d) Income recognition

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

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

(e) Assets

(i) Receivables

Receivables 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 statement of comprehensive income when impaired, derecognised or through the amortisation process.

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

(f) Liabilities

(i) Payables

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

Natural Resources Commission Staff Agency

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

1 Summary of Significant Accounting Policies (cont'd)

(ii) Employee benefits

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

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

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

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

(b) Long service leave and superannuation

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

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on the application of certain factors (specified in NSWTC 15/09) to employees with five or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

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

(c) Consequential on-costs

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

(d) Personnel Services

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

(e) Revision of estimates

As a result of a recent actuarial valuation of long service leave performed by Treasury's actuary (NSWTC 15-09), the Staff Agency has adjusted defined benefit superannuation on-cost as well as the defined contribution superannuation on-cost for 2014-15. The factor for defined benefit superannuation on-cost and for defined contribution superannuation on-cost is changed to 1.2% (2013-14: 2.4%) and to 3.8% (2013-14: 3.15%) respectively. The impact of this change on 2014-15 financial statements is:

- Decrease in employee related expenses by \$2,313
- Decrease in revenue (liabilities assumed by the Crown) by \$4,736
- An increase in provision by \$2,229 (current) and \$194 (non-current) for defined contribution superannuation on-cost.

Natural Resources Commission Staff Agency

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

1 Summary of Significant Accounting Policies (cont'd)

(g) Equity

Accumulated Funds

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

(h) 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.

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

(i) Effective for the first time in 2014-15

The accounting policies applied in 2014-15 are consistent with those of the previous financial year except for the following standards adopted for the first time in 2014-15. The impact of these Standards in the period of initial application is not material.

- AASB 10 Consolidated Financial Statements
- AASB 1031 Materiality
- AASB 1055 Budgetary Reporting
- AASB 2013-1 Amendments to AASB 1049 Relocation of Budgetary Reporting Requirements
- AASB 2013-8 Amendments to Australian Accounting Standards Australian Implementation Guidance for Not for Profit Entities Control and Structured Entities
- AASB 2013-9 Regarding the Conceptual Framework, Materiality and Financial Instruments (Part B)

(ii) Issued but not yet effective

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

The following new Australian Accounting Standards have not been applied and are not yet effective (NSW TC 15/03).

- AASB 9, AASB 2013 9 (Part C), AASB 2014 1 (Part E), AASB 2014 7 and AASB 2014 8 Financial Instruments
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (operative 1 Jan 2018)
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Part C) operative 1 Jan 2015)
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation (operative 1 Jan 2016)
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012 2014 cycle (operative 1 Jan 2016)
- AASB 2015-2 regarding amendments to AASB 101 disclosure initiatives (operative 1 Jan 2016)
- AASB 2015-3 regarding materiality (operative 1 Jul 2016)
- AASB 2015-5 regarding amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] (operative 1 Jan 2016)
- AASB 2015-6 regarding amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049] (operative 1 Jul 2016)
- AASB 2015-7 regarding amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13] (operative 1 Jul 2016)

Management cannot assess and determine the impact of these new Standards and Interpretations to the Staff Agency's financial statements.

Natural Resources Commission Staff Agency

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

2 Expenses Excluding Losses

	2015 \$'000	2014 \$'000
(a) Employee related expenses		
Salaries and wages (including annual leave)	2,548	2,797
Superannuation - defined contribution plans	188	190
Long service leave	77	58
Workers compensation insurance	9	11
Payroll tax and fringe benefit tax	117	117
On-costs - annual leave and long service leave	7	7
	<u>2,946</u>	<u>3,180</u>

3 Revenue

	2015 \$'000	2014 \$'000
(a) Personnel services		
Personnel services	<u>2,869</u>	<u>3,122</u>
	<u>2,869</u>	<u>3,122</u>

	2015 \$'000	2014 \$'000
(b) Acceptance by the Crown Entity of employee benefits and other liabilities		
Long service leave	<u>77</u>	<u>58</u>
	<u>77</u>	<u>58</u>

4 Current Assets – Cash and Cash Equivalents

	2015 \$'000	2014 \$'000
Cash at bank and on hand	<u>10</u>	-
	<u>10</u>	-

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

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

	2015 \$'000	2014 \$'000
Cash and cash equivalents (per statement of financial position)	<u>10</u>	-
Closing cash and cash equivalents (per statement of cash flows)	<u>10</u>	-

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

Natural Resources Commission Staff Agency

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

5 Current Assets - Receivables

	2015 \$'000	2014 \$'000
Personnel services	360	335
	<u>360</u>	<u>335</u>

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

6 Current Liabilities - Payables

	2015 \$'000	2014 \$'000
Accrued salaries, wages and on-costs	79	64
Creditors	14	4
	<u>93</u>	<u>68</u>

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

7 Current / Non-Current Liabilities – Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits and related on-costs		
Annual leave	213	211
Long service leave	30	26
Payroll tax	29	28
	<u>272</u>	<u>265</u>
Total provisions	<u>272</u>	<u>265</u>

	2015 \$'000	2014 \$'000
Non-current		
Employee benefits and related on-costs		
Long service leave	3	1
Payroll tax	2	1
	<u>5</u>	<u>2</u>
Total provisions	<u>5</u>	<u>2</u>

Aggregate employee benefits and related on-costs

Provisions - current	272	265
Provisions - non-current	5	2
Accrued salaries, wages and on-costs (Note 6)	79	64
	<u>356</u>	<u>331</u>

Natural Resources Commission Staff Agency

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

8 Contingent Liabilities and Contingent Assets

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

9 Reconciliation of Cash Flows from Operating Activities to Net Result

	2015 \$'000	2014 \$'000
Net cash used on operating activities	10	(3)
Decrease / (increase) in provisions	(10)	(4)
Increase / (decrease) in receivables	25	8
Decrease / (increase) in creditors	(25)	(1)
Net result	<u>-</u>	<u>-</u>

10 Financial Instruments

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

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

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

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Cash and cash equivalents	4	N/A	10	-
Receivables ¹	5	Receivables (at amortised cost)	360	335
Financial Liabilities	Note	Category	Carrying Amount 2015 \$'000	Carrying Amount 2014 \$'000
Class:				
Payables ²	6	Financial liabilities measured at amortised cost	93	68

Notes:

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

(b) Credit Risk

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

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

Natural Resources Commission Staff Agency

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

10 Financial Instruments (cont'd)

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.

Receivables - trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

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

(c) Liquidity risk

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

During the current and prior years, no assets have been pledged as collateral. The Staff Agency's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made no later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payment to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. No interest for the late payment was paid during the year (2014 nil).

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

Natural Resources Commission Staff Agency

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

10 Financial Instruments (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

	Nominal Amount ¹	Interest Rate Exposure		Maturity Dates		
		Non-interest bearing		< 1 yr	1-5 yrs	> 5 yrs
2015						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	79	79	79	-	-	
Creditors	14	14	14	-	-	
	<u>93</u>	<u>93</u>	<u>93</u>	<u>-</u>	<u>-</u>	
2014						
<i>Payables:</i>						
Accrued salaries, wages and on-costs	64	64	64	-	-	
Creditors	4	4	4	-	-	
	<u>68</u>	<u>68</u>	<u>68</u>	<u>-</u>	<u>-</u>	

Note:

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

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

The Staff Agency has no borrowings, no exposure to foreign currency risk and does not enter into commodity contracts.

Interest rate risk

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

Natural Resources Commission Staff Agency

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

10 Financial Instruments (cont'd)

	Carrying Amount	Impact of 1% Increase Profit \$'000	Impact of 1% Increase Equity \$'000	Impact of 1% Decrease Profit \$'000	Impact of 1% Decrease Equity \$'000
2015					
<i>Financial assets</i>					
Cash and cash equivalents	10	-	-	-	-
Total	10	-	-	-	-
2014					
<i>Financial assets</i>					
Cash and cash equivalents	-	-	-	-	-
Total	-	-	-	-	-

(e) Fair value measurement

Fair value compared to carrying amount

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

11 Events after the Reporting Period

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

End of audited financial statements.

Appendix 1 – Operation and performance

Commission meetings

In 2014-15, the Commission held 11 meetings.

Dr John Keniry (Commissioner), Mr Bryce Wilde (Executive Director) and Ms Maree Leonard (Secretary) attended all meetings.

Community and stakeholder engagement

In 2014-15, the Commission completed a major review of cypress management in the Brigalow and Nandewar State Conservation Areas.

During this review, we consulted with:

- 7 government agencies and state owned corporations
- 2 local government organisations
- 10 environment groups
- 11 industry associations and businesses
- 9 Aboriginal groups.

Our consultation also included:

- 38 meetings with targeted stakeholders, including government agencies, local government, environment groups, industry associations and Aboriginal groups
- 28 visits to parks, reserves, forests, conservation areas and Aboriginal areas
- 175 formal submissions on a draft report.

External committees

The Commission staff and executives participated in the Department of Premier and Cabinet led Shared Audit and Risk Management Committee.

External presentations

Our Commissioner and Executive Director gave the following presentations to large audiences or at conferences.

Date	Event and venue	Topic
July 2014	19th Australian Weeds Conference, Hobart	Time to get serious – Review of weed management in NSW
October 2014	Institute of Foresters of Australia, Sydney	Effective monitoring, evaluation and reporting
October 2014	Sustainability, Science and the Law, Macquarie University	Natural resource management and the law
April 2015	8th ANZIF Conference, Creswick	Poster – Actively shaping forests for multiple outcomes

Publications

Date	Publications
Developing evidence-based solutions for Government	
September 2014	Final report – Brigalow and Nandewar State Conservation Areas – Actively managing for better ecological outcomes
September 2014	Submission to the biodiversity legislation review
November 2014	Fact sheet – Brigalow and Nandewar State Conservation Areas
Promoting performance improvement, governance and accountability	
July 2014	Audit strategy and approach
July 2014	Quick reference guide to the Commission's audits
July 2014	Brochure – Introducing audits of Local Land Services
August 2014	Overview and evaluation framework for the supplementary pest control trial program
November 2014	2015-2017 funding allocation to Local Land Services
December 2014	Advice on Environmental Trust's Roadside Vegetation Implementation Program
February 2015	Priorities for the Environmental Trust's Environmental Research Program
February 2015	Performance Standard for Local Land Services
March 2015	Quick reference guide to Commission's audit services
May 2015	Audit Plan 2015-2017 for Local Land Services
Building the capability of our people and systems to deliver our goals	
July 2014	Corporate credit card policy and procedures
July 2014	Disclosure log
July 2014	Government contracts register
July 2014	Legislative compliance register
July 2014	Remote working policy
August 2014	Equal opportunity management plan
September 2014	Record keeping procedure
September 2014	Records management policy
October 2014	Annual Report 2013-14
October 2014	Enterprise agreement
November 2014	Writing persuasive reports
December 2014	Project management system guidelines
December 2014	Strategic plan 2014-2015
February 2015	Internal audit charter
March 2015	Internal audit manual
March 2015	Risk management policy and framework
March 2015	Shared Audit and Risk Committee charter
April 2015	Code of conduct
April 2015	Corruption prevention and reporting policy
April 2015	Fraud control plan
April 2015	Governance policy
April 2015	Policy for managing external complaints and allegations

Appendix 2 – External liaison

Access to government information

In 2014-15, in accordance with the *Government Information (Public Access) Act 2009*, we:

- reviewed our program for the release of government information and proactively released information on our website. The publicly released documents are listed under Publications (Appendix 1) of this report. In addition, the documents available from our website include information guide, documents tabled in Parliament, policy documents, disclosure log of information released in response to access applications, and contracts register
- did not receive any formal access application
- did not refuse any formal access application
- do not need to provide any statistical information about formal access applications as we did not receive any application.

Annual report production

In accordance with the Premier's Memorandum 2013-09, we are committed to minimising the cost of producing our annual report, and did not incur any external costs to produce this report.

We designed the report in-house and printed two copies (on recycled paper) for the Premier for tabling in the Parliament. An electronic copy of the annual report will be made available on our website.

Consumer response

We did not receive any complaints in 2014-15.

Funds granted to non-government community organisations

We did not grant any funds to non-government community organisations in 2014-15.

Overseas visits

Our Commissioner and staff did not undertake any overseas visits in 2014-15.

Public interest disclosures

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

Effective implementation of our Corruption Prevention and Reporting Policy promoted an organisational culture of ethical conduct, and contributed towards maintaining public confidence in the integrity of the Commission.

Privacy and personal information

In 2014-15, we complied with the requirements of the *Privacy and Personal Information Protection Act 1998* through implementation of our Privacy Management Plan. The Plan demonstrates how we uphold and respect the privacy of our staff and others about whom we hold personal information. The Plan also acts as a reference tool for the staff to explain how we may best meet our privacy obligations under the Act.

In 2014-15, no internal review was conducted by or on behalf of the Commission under Part 5 of the *Privacy and Personal Information Protection Act 1998* in relation to entitlement of a person aggrieved by the Commission.

Statement of business ethics

Our statement of business ethics policy is available on our website, and is included in the request for quote to service providers.

Resource efficiency

We have an ongoing commitment to reducing our impact on the environment by using resources more efficiently and embedding environmentally sustainable business practices in our daily activities.

We comply with the procurement standards set out in the NSW Government Resource Efficiency Policy.

In 2014-15, we continued to adopt cost-effective technologies and practices through:

Saving energy

- We bought 100 percent green electricity and used energy efficient lighting.
- We minimised air and road travel as far as possible and used alternative means to convene meetings with stakeholders in remote locations.

Reducing the generation of waste paper

- We continued to release reports electronically, from our website and by email, with only limited in-house printing of paper copy reports.

Recovering resources

- We reused and recycled paper, cardboard, toners, glass and plastic material.

Using recycled material

- All our office paper was recycled. We continued to use A4 80 percent recycled paper and changed A3 from 80 percent to 100 percent recycled paper.
- We purchased other recycled paper products, such as notebooks and pads, wherever possible.
- We procured reconditioned toner cartridges for use in all black-and-white printers.

Resource efficiency reporting

Total consumption	2011-12	2012-13	2013-14	2014-15
Electricity	79,140 KWH	72,022 KWH	75,778 KWH	77,713 KWH
Gas	Not connected	Not connected	Not connected	Not connected
Water	No separate connection	No separate connection	No separate connection	No separate connection

Appendix 3 – Legislative provisions

The table shows the Commission's functions under the *Natural Resources Commission Act 2003* and certain functions under other legislation.

Legislation	Functions
<i>Natural Resources Commission Act 2003</i>	<p>Sections 3 and 12: Establish the Natural Resources Commission with broad investigating and reporting functions, and to provide independent advice to Government on natural resource management.</p> <p>Section 13: The Commission has specific functions, including recommending state-wide standards and targets, and undertaking audits, assessments, inquiries and helping reconcile complex issues, as required by the Minister.</p>
<i>Environmental Planning and Assessment Act 1979</i>	General awareness of obligations as part of overall responsibility when providing advice under the <i>Natural Resources Commission Act 2003</i> or other Acts (as relevant).
<i>Forestry Act 2012</i>	Section 69B: A forest agreement can only be made after an assessment by the Commission.
<i>Native Vegetation Regulation 2005</i>	<p>Clause 8: A draft Property Vegetation Plan may also provide information regarding the social and economic impacts (including on-farm impacts, impacts on regional community and implications for any socio-economic targets established by the Commission or Local Land Services) of any matters provided for in the draft Property Vegetation Plan.</p> <p>Clause 17 (2): The Minister may request the Commission to provide advice on proposed amendments to the Assessment Methodology.</p>
<i>Local Land Services Act 2013</i>	<p>Section 24: Local Land Services must be audited every five years to determine whether it is carrying out its functions effectively and efficiently and in accordance with State priorities, the State strategic plan and local strategic plans. The audit must be carried out by one or more persons/bodies, or persons/bodies of a class, prescribed by the regulations or appointed by the Minister.</p> <p>Section 40: In assessing the draft State strategic plan, the Minister must seek and take into account the advice of any person/body to which the plan must be referred under the regulations.</p> <p>Section 41: the Minister must not approve a draft strategic plan unless the Minister has sought the advice of any person/body engaged to carry out an independent audit of Local Land Services under Section 24.</p> <p>Section 44: The State strategic plan must be audited every five years by an independent person, body or panel appointed by the Minister.</p> <p>Section 50: In assessing draft local strategic plans, the Minister is to seek and take into account the advice of any person/body to which the plan must be referred under the regulations.</p> <p>Section 51: the Minister must not approve a draft local strategic plan unless the Minister has sought the advice of any person/body engaged to carry out an independent audit of Local Land Services under Section 24.</p> <p>Section 54: Local strategic plans must be audited every three years by an independent person, body or panel appointed by the Minister.</p>
<i>State Environmental Planning Policy no 71 – Coastal Protection</i>	Clauses 18, 21 and 22: The Minister must consult with the Commission and take into account its advice when considering approval of a master plan or waiving the need for a master plan.

Legislation	Functions
<i>Threatened Species Conservation Act 1995</i>	<p>Establishes links between the Commission and the Threatened Species and Fisheries Scientific Committees, and relevant advisory councils.</p> <p>Relevant sections: 18, 21, 24, 25A, 90B, 126E, 128, 141B and 141C</p>
<i>Fisheries Management Act 1994</i>	<p>The Commission 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 Commission.</p> <p>The Commission may give advice or make recommendations to the committees concerning listing, priorities and may give directions to undertake investigations for the purposes of identifying potentially threatened species, populations and communities.</p> <p>Relevant sections 220H, 220I, 220J, 220MA, 220NA, 220ZVB, 221ZB, 221Z</p>
<i>Water Management Act 2000</i>	<p>Section 43A: Before making a decision to extend or replace a water sharing plan, the Minister must consider a report provided by the Commission. This section includes provisions for the Commission's review and report.</p>

Appendix 4 – Staffing and consultants

Consultants

In 2014-15, the Commission engaged the following consultancies.

Consultant	Title/Nature	Cost (\$)
A. Consultancies equal to or more than \$50,000		
Eco Logical Australia Pty Ltd	Assist with the review of active and adaptive management of Brigalow and Nandewar State Conservation Areas through spatial analysis to predict location of black cypress pine, literature review of black cypress pine and bullock, and literature review of active management and ecological thinning.	57,042
Environment Risk Science Australia Pty Ltd	Assist with risk assessment for audits of Local Land Services, including development of risk assessment framework and collaborative risk assessment.	62,457
Grant Thornton Australia Ltd	Assist with planning for audits of Local Land Services, including analysis of multiple risk sources, development of risk rating, production of summary risk register and risk maps for inclusion in the audit plan.	79,652
	Subtotal (A)	199,151
B. Consultancies less than \$50,000		
Various		391,691
	Subtotal (B)	391,691
	Total (A+B)	590,842

Senior executive

The tables below provide senior executive profile for 2014-15.

Band	2014-15	
	Female	Male
Band 4 (Secretary)		1
Band 3 (Deputy Secretary)		
Band 2 (Executive Director)		1
Band 1 (Director)		
	Subtotal	2
	Total	2

Band	Range (\$)	Average remuneration
		2014-15 (\$)
Band 4 (Secretary)	422,501 – 490,000	301,704
Band 3 (Deputy Secretary)	299,751 – 422,500	0
Band 2 (Executive Director)	264,751 – 305,400	305,400
Band 1 (Director)	167,100 – 238,300	0

20.6% of the Commission's employee-related expenditure in 2014-15 was related to senior executives.

Credit card certification

We have seven 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*.

Disability plans

Small statutory bodies need to report on this matter on a triennial basis. We reported on this matter in 2013-14 and will report again in 2016-17.

Insurance

In 2014-15, the NSW Treasury Managed Fund provided our insurance for workers compensation, property and public liability. There were no claims except for workers compensation.

Multicultural policies and services program

Small statutory bodies need to report on this matter on a triennial basis. We reported on this matter in 2013-14 and will report again in 2016-17.

Workforce diversity

Small statutory bodies need to report on this matter on a triennial basis. We reported on this matter in 2013-14 and will report again in 2016-17.

Work health and safety

Small statutory bodies need to report on this matter on a triennial basis. We reported on this matter in 2013-14 and will report again in 2016-17.

Payment of accounts

In 2014-15, there were no instances where penalty interest was paid in accordance with s.18 of the *Public Finance and Audit (General) Regulation 1995*. In addition, there were no significant events that affected payment performance.

Aged analysis at the end of each quarter (all suppliers)

Quarter	Current (within due date)	Less than 30 days overdue	30-60 days overdue	61-90 days overdue	More than 90 days overdue
September	\$106,724	–	–	–	\$71
December	\$40,409	–	–	–	\$71
March	\$31,411	–	\$5,031	–	\$71
June	\$289,129	–	\$6,476	\$6,478	–

Measure	September 2014	December 2014	March 2015	June 2015
Number of accounts due for payment	116	114	107	146
Number of accounts paid on time	116	111	101	131
Actual percentage of accounts paid on time (based on number of accounts)	100.00%	97.37%	94.39%	89.73%
Dollar amount of accounts due for payment	\$367,319	\$310,026	\$274,984	\$1,436,128
Dollar amount of accounts paid on time	\$367,319	\$291,083	\$257,548	\$1,394,192
Actual percentage of accounts paid on time (based on dollars)	100.00%	93.89%	93.66%	97.08%

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Shortened form

LLS	Local Land Services
NRM	Natural resource management
NSW	New South Wales

Published by:

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Photos by: Natural Resources Commission, unless otherwise credited

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Document Number: D15/0516

ISBN: 978 1 925204 05 6

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