

2011–12

Annual Report

Department of Energy and Water Supply

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Limited printed copies are available by calling 13 QGOV (13 74 68).

Enquiries about this publication should be directed to the Director, Strategic Planning and Performance, DEWS, contact_us@dews.qld.gov.au, 07 3033 0530 (phone), 3330 5038 (fax).

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Contents

Contents	ii
Letter of compliance	1
Director-General's message	2
About the Department of Energy and Water Supply (DEWS)	4
Our strategy.....	4
Our vision	4
Our purpose	4
Our objectives	4
Our service areas	5
Our performance.....	6
Our operating environment	11
Financial summary.....	14
Chief Finance Officer statement	15
Governance – structure and management	16
Organisational structure	16
Executive Management Team.....	16
EMT profiles	16
Audit and Risk Committee	18
Committees	19
Business and Corporate Partnership Public Sector Renewal Board.....	19
Governance – risk management and accountability	20
Risk management	20
Internal audit.....	20
External scrutiny	21
Governance – human resources	22
Our people.....	22
Workforce planning, attraction and retention.....	22
Early retirement, redundancy and retrenchment	26
Voluntary Separation Program	26
<i>Public Sector Ethics Act 1994</i>	26
Disclosure of additional information	28
Financial statements	29
Appendix 1 Legislation.....	86
Appendix 2 Schedule of statutory authorities or instrumentalities	87
Appendix 3 Schedule of Government Owned Corporations	88
Appendix 4 Performance statement	89

Appendix 5 Report of the Regulator's activities under the <i>Water Supply (Safety and Reliability) Act 2008</i>	91
DEWS Annual Report 2011-12 Compliance Checklist	95
Glossary and acronyms	97
Contact	99

Letter of compliance

The Honourable Mark McArdle MP
Minister for Energy and Water Supply
PO Box 15458
City East Qld 4002

Dear Minister

I am pleased to present the Annual Report 2011-2012 and financial statements for the Department of Energy and Water Supply.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found at page 95 of this annual report.

Sincerely

Jonathan (Jon) PC Black
Director-General
Department of Energy and Water Supply

Enc

Director-General's message

Despite only being established on 3 April 2012, the Department of Energy and Water Supply (DEWS) has moved quickly to launch a significant reform agenda to lower the cost of living for Queenslanders.

As a new agency, we have the opportunity to consider our state's regulatory and planning solutions with a fresh set of eyes. I'm proud to say that this ability to work innovatively has been a significant feature of our short time as a department.

In our first 100 days we acted quickly to deliver on some of the government's major election commitments, these included:

- freezing the standard domestic electricity tariff (Tariff 11) for one year to lower the cost of living for families
- putting the cost of the Carbon Tax on electricity bills to ensure that electricity customers were aware of the impact that the Australian Government's carbon cost has on their bills
- introduced amendments to the *Electricity Act 1994* to prohibit retailers from charging early termination fees if they raise electricity prices above the regulated notified price for customers on market contracts
- starting the process to merge South-East Queensland's bulk water entities to put downward pressure on water prices
- established an \$80 water rebate for household water bills to be applied from 1 January 2013
- commenced a review of SunWater's channel irrigation scheme
- taking steps to abolish the Queensland Water Commission and the Office of Clean Energy.

We have also spearheaded a major independent review of the electricity sector, the outcomes of which will guide the state's first 30 year energy plan. This review is looking at all aspects of the sector that impact on electricity costs, including energy supply, network costs and retail competition.

DEWS has also started work on a 30 year strategy for Queensland's water sector that will provide a long-term plan that balances the challenges of providing safe and secure water supplies, while protecting the environment.

Water is a complex issue that requires a multi-agency response. DEWS is working across government and in partnership with the community, business and the agricultural sector to develop a strategy that deals with all of the issues, not just infrastructure solutions.

Reliable energy and water supplies form the backbone of our society, and through these major reviews and planning projects, our department has already identified synergies which will deliver better service and outcomes for Queenslanders.

As well as delivering our own agenda, our agency plays a critical role in delivering the Queensland Government's pledges, particularly:

- growing a four pillar economy
- lowering the cost of living for families
- delivering better infrastructure and better planning and
- restoring accountability in government.

This document provides further detail on those key activities and initiatives commenced since DEWS started in April 2012, and also outlines performance information from relevant sections of the former departments – Department of Employment, Economic Development and Innovation (DEEDI) and Department of Environment and Resource Management (DERM).

There have been challenges during our formation, but this is also a time to reflect with anticipation and optimism about the financial year ahead.

In the next 12 months I see our department working in partnership with our stakeholders to develop and deliver the innovative solutions required to transform this state's important energy and water supply sectors.

Jonathan (Jon) P.C. Black

Director-General
Department of Energy and Water Supply

About the Department of Energy and Water Supply (DEWS)

The Queensland Government established DEWS on 3 April 2012 through machinery of Government changes including:

- energy functions from the former DEEDI, including the Office of the Queensland Energy Regulator and the associated executive support services and the Office of the Gas Commissioner
- water supply functions from the former DERM, including policy and associated planning and regulation.

In addition, in recognition of the government's intention to abolish the Queensland Water Commission, 61 staff were transferred from the Commission into the department on 1 July 2012.

Our strategy

DEWS benefits Queenslanders by delivering a sound policy, planning and regulatory environment to support cost-effective energy and water supply services that underpin economic and social prosperity. This will be achieved by:

- creating and enabling recognised and fit for purpose energy and water supply and sewerage services with a bias for innovation
- providing the policy, planning and legislative framework for the delivery of safe, secure and reliable energy and water supplies to meet Queensland's economic and lifestyle aspirations
- identifying and implementing strategies to address cost pressures on energy and water prices
- adopting and ensuring the application of streamlined and efficient planning, regulatory and commercial frameworks to provide better value for money
- implementing an integrated, whole-of-supply chain approach to realise better synergies and interdependencies
- creating a skilled, adaptive and resilient workforce.

Our vision

Reduced cost of living pressures through innovative and efficient energy and water supply services.

Our purpose

Develop and deliver innovative policy, planning and regulatory solutions in partnership with our stakeholders.

Our objectives

To deliver our vision and purpose, the department has five strategic objectives:

- cost-effective, safe, secure and reliable energy and water supply
- effective reform
- engaged stakeholders
- optimise shareholder value
- a capable, flexible and proud workforce.

Our service areas

The **energy** service area is responsible for reforming, regulating and assisting in the development of the Queensland energy sector, including market development and end-use energy, facilitating access to funding for emerging technologies and red tape reduction, and implementing the government's decision to conduct a major review of the electricity sector to address cost of living pressures and sustainability of the sector.

The Queensland energy sector comprises:

- more than two million residential and small business electricity and gas customers
- 21,000 large electricity customers
- five energy government owned corporations (GOCs) providing generation, transmission and distribution infrastructure worth \$29.9 billion
- 20 private entities operating 25 privately owned generators
- 18 active electricity and gas retailers
- the highest rates of overall and peak electricity demand growth in Australia.

The **water supply and sewerage services** area is responsible for strategic planning for sourcing of urban and regional water supplies and the policies and regulation associated with water supply and sewerage services in Queensland so that agriculture, mining, industry and urban communities have access to safe, secure and sustainable water supply. It is also responsible for planning and implementing the reform of the South East Queensland (SEQ) water sector to address cost of living pressures.

The Queensland water industry comprises 162 water and sewerage service providers, with 96 per cent of the state's population serviced by reticulated water and 93 per cent serviced by sewerage services.

Link between government objectives and agency objectives and services

With the change of government in March 2012, the department has focussed its efforts on implementing the incoming government's objectives for the community:

- **grow a four pillar economy** through effective policy, planning and regulation to support cost-effective, safe, secure and reliable energy and water supply; providing evidence-based advice on management of the impacts of Coal Seam Gas (CSG) extraction on underground water resources; and reducing regulatory burden
- **lower the cost of living for families** by identifying and implementing strategies to address cost pressures on electricity and water prices and implementing energy and water sector reform
- **deliver better infrastructure and better planning** by developing and implementing 30 year strategies for Queensland's energy and water supply sectors and implementing relevant Queensland Floods Commission of Inquiry recommendations
- **restore accountability in government** through effective stakeholder engagement, optimising shareholding value in government owned entities, and streamlining regulatory requirements.

Legislation administered

Legislation administered by DEWS as at 30 June 2012 in accordance with *Administrative Arrangements Order (No. 4) 2012* is listed at **Appendix 1**.

Statutory authorities and instrumentalities

A schedule of statutory authorities and instrumentalities, including their reporting arrangements is listed at **Appendix 2**.

Government owned corporations

A schedule of GOCs, including their reporting arrangements is listed at **Appendix 3**.

Our performance

This section highlights the department's key achievements in delivering on government commitments since DEWS was established in April 2012. It also highlights a selection of achievements against relevant 2011–12 strategic plan objectives from the former DEEDI and DERM. Performance against 2011-12 Service Delivery Statement (SDS) measures is outlined in **Appendix 4**.

Since the establishment of DEWS, the department has revised its strategic objectives, strategies and performance indicators to align with the new government's objectives for the community and priorities.

Delivering on government commitments

The department has moved quickly to deliver on the government's objectives for the community and specific election commitments. As at 30 June 2012, the department had delivered on the following government commitments:

Energy:

- as part of the government's commitment to reduce waste and improve efficiency, achieved savings of \$580,000 from the cancellation of a communications program and adjustments to the National Strategy on Energy Efficiency work program
- commenced closure of various clean energy programs including the Queensland contribution to the Solar Flagships project, Queensland Renewable Energy Fund, Solar Initiatives Package, Solar Hot Water Rebate Scheme, Solar Atlas, Cloncurry Solar Thermal Trial Site Remediation, Bright Thing Campaign, Renewable Energy Industry Development Plan, and the Climate Smart Business Service
- acted to put the cost of the carbon tax on electricity bills to ensure that customers are aware of the impact that the Commonwealth Government's carbon price has on residential customers' electricity bills
- introduced amendments to the Electricity Act 1994 to prohibit retailers from charging early termination fees if they raise electricity prices above the regulated notified price for customers on market contracts. This will encourage consumers to review their bills regularly and gives them the option of reverting to the notified price or switching retailers without incurring extra charges
- delivered a freeze on the standard domestic electricity tariff (Tariff 11) for one year from 1 July 2012 in order to assist households with the rising cost of living. A subsidy of approximately \$63 million will be paid to retailers in 2012–13 to compensate them for revenue foregone as a result of the freeze
- continued the Solar Bonus Scheme which pays householders a feed-in tariff for any surplus energy generated by their rooftop solar photovoltaic panel system that is exported back to the electricity grid at a reduced tariff rate
- continued to fund the Queensland Geothermal Energy Centre of Excellence, Coastal Geothermal Energy Initiative, Kogan Creek Carbon Pollution Reduction Project, Fraser Coast Community Solar Farm and Mackay Sugar Cogeneration Plant.

Water Supply and Sewerage Services:

In response to the Government's Four Point Water Plan:

- established a project team and an Interdepartmental Committee on Water Supply Reform to meet the Government's commitment to address cost of living pressures
- commenced the merging of the South East Queensland bulk water entities
- established an \$80 water rebate for households, to be applied from 1 January 2013
- completed planning to transfer Queensland Water Commission staff into the department's interim structure and put arrangements in place to ensure the Commission can continue to deliver its statutory obligations until abolished
- commenced the review of Options for the Gold Coast Desalination Plant and Western Corridor Recycled Water Scheme
- commenced a review of SunWater's channel irrigation scheme.

2011–12 Strategic objectives

Objective: Creating the conditions for business success

Shape Queensland and national policies to support a business-friendly environment, economic sustainability and globally competitive exports

The National Energy Customer Framework (NECF)

The Queensland Government made the decision to delay commencement of the NECF in order to consider the proposed legislative package, and to make sure that Queensland households and small businesses will enjoy the same or better levels of protection as a result of the new arrangements.

To avoid market disruptions, the department worked closely with the Queensland Competition Authority to make urgent changes to the Electricity and Gas Industry Codes and to revoke the Retail Billing Code. These changes align local Queensland arrangements more closely with the NECF while still working to ensure that the industry is properly regulated for the benefit of customers.

Copies of the amended Electricity and Gas Industry Codes can be found on the department's website. At the time of writing, the Queensland Government has not taken a decision, as yet, regarding a possible implementation date for NECF.

Sustainable gas supply and wind industries

The department worked to support sustainable gas supply and wind industries in Queensland by:

- undertaking a Gas Market Review to assess the supply/demand balance and inform Government of options to ensure adequate gas supply for domestic and export gas users in the light of the burgeoning liquefied natural gas (LNG) export industry, set to commence in 2014
- commencing work on developing strategies for a sustainable domestic gas supply industry in Queensland, which included taking a lead role in the Standing Committee on Energy and Resources' Gas Market Development work plan
- commencing a process to establish a gas supply hub at Wallumbilla, which aims to increase liquidity and transparency in the gas market and address gas pipeline and supply constraints
- commencing an evaluation of the impact of the Commonwealth Government's carbon pricing mechanism on the Queensland Gas Scheme
- administering the Queensland Gas Scheme which, since its commencement in 2005 and up to 30 June 2012, has registered gas electricity certificates equating to a total of 39,628,681 megawatt hours of gas-fired electricity. In this regard, the Scheme has been successful in boosting the state's gas industry and reducing greenhouse gas emissions
- commencing the development of a planning and assessment framework for wind farms in Queensland.

Integrate economic policy in planning and infrastructure priorities to strengthen Queensland's productivity, economy and regions

Uniform Tariff Policy

In 2011–12, the department administered the \$418 million Community Service Obligation for electricity under the Uniform Tariff Policy to ensure that most Queenslanders are able to pay the same amount for electricity regardless of their geographic location.

Work with industry, community and government to position Queensland for changes in business environments and community expectations

Interdepartmental Committee on Electricity Sector Reform

DEWS established an Interdepartmental Committee (IDC) on Electricity Sector Reform. The IDC was established to meet the government's commitment to address cost of living pressures, including commissioning an Independent Review Panel to provide advice on network costs (as the single largest contributor to energy prices).

The objectives of the IDC are to ensure that:

- electricity in Queensland is delivered in a cost-effective manner for consumers
- Queensland has a viable, sustainable and competitive electricity industry

- electricity is delivered in a financially sustainable manner from the Queensland Government's perspective.

The scope of the IDC program of works includes investigation of the short, medium and long term drivers of electricity prices in relation to network costs, energy supply, and retail competition. The IDC oversees an Independent Review Panel that provides specific recommendations on options to address the impact of the electricity network on retail prices in Queensland.

The IDC will make recommendations to the government to address the identified challenges in early 2013. In parallel with the outcomes of these review processes, DEWS is leading the development of a 30 year plan for Queensland's energy sector.

Reduced peak electricity demand

The department also contributed to reduced peak electricity demand in Queensland by working with Queensland's electricity distributors to develop a range of energy conservation and demand management measures in the residential, commercial and industrial sectors.

Simplify regulations to make them more consistent, fair and effective

Regulatory simplification initiatives

The department identified and commenced key regulatory simplification initiatives in 2011–12. The department actively managed the portfolio shareholding Minister's interests in government owned entities and streamlined reporting practices. In particular, the department introduced amendments to the Electricity Industry Code and the Gas Industry Code to reduce the compliance burden on businesses operating across borders.

Facilitate a secure, reliable, cost-competitive energy supply which promotes renewable energy sources and minimises carbon emissions and environmental impacts

The department continued to deliver effective governance oversight of Queensland's energy and water government owned corporations ensuring the Minister met all statutory obligations as shareholding Minister.

Manage risks and impacts to production, the environment and health and safety

Business continuity management

The department updated energy supply emergency response plans and participated in training exercises during 2011–12. The department attended national committee meetings, provided policy advice and updates, and reported progress on implementing Queensland Counter Terrorism Strategies.

The department was the lead agency for electricity, gas and liquid fuel supply in state disaster emergency events.

Objective: Integrating our service delivery to customers

Work together and with partners to improve service for customers

Information and complaints resolution service

During 2011–12 the department maintained an information and complaints resolution service for energy complaints falling outside the jurisdiction of the Energy and Water Ombudsman. The service assisted more than 860 energy customers with information or assisted negotiated outcomes with energy service providers.

Objective: Natural resources and the environment are well managed

Implement the Regulatory Simplification Plan 2009–13 to integrate and simplify regulatory frameworks based on sound evidence

Regulatory simplification initiatives

Throughout 2011–12, the department continued to identify and commence key regulatory simplification initiatives to reduce unnecessary and excessive legislative requirements, and streamline administrative and procurement processes in securing the quality and supply of water. The department also worked with other state agencies and water and sewerage service providers to ensure that regulatory requirements were maintained.

Implement a strategic regional natural resources management framework to manage and administer state land for its most appropriate use and ensure equitable access to the state's water resources

North West Queensland Regional Water Supply Strategy

The department released the consultation draft North West Queensland Regional Water Supply Strategy for public comment on 23 January 2012. The draft strategy included solutions to meet North West Queensland's urban, rural

and industrial water needs over the longer term, and was developed in partnership with local governments and other stakeholders to achieve the best possible environmental, social and economic outcomes.

The draft strategy promotes water services that are consistent with the North West Regional Plan, the Water Resource (Gulf) Plan 2007, Water Resource (Georgina and Diamantina) Plan 2004 and the Water Resource (Great Artesian Basin) Plan 2006. Submissions on the draft strategy were sought and closed on 15 June 2012.

All submissions received throughout the submission period will now be considered in finalising the strategy.

Regulate and support the provision of water and associated infrastructure by drinking water and sewerage service providers

Support of drinking water and sewerage service providers

During 2011–12, the department provided ongoing support to drinking water service providers in:

- the monitoring of water quality incidents
- the provision of programs to assist drinking water service providers to achieve compliance with water quality requirements, focussing on medium and small sized providers and providers supplying Indigenous communities
- the review and approval of Drinking Water Quality Management Plans, ensuring plans are developed and submitted in accordance with legislative requirements to ensure the supply of reticulated drinking water to the Queensland population is safe.

The department undertook the ongoing monitoring of referable dams in accordance with legislative requirements. A referable dam is one that would, in the event of failure, put a population of two or more people at risk. Whether a dam poses a potential risk to population is determined by having the dam failure impact assessed. A dam that is assigned a Category 1 or Category 2 failure impact rating as a result of an assessment is classified as 'referable' under the provisions of the *Water Supply (Safety and Reliability) Act 2008* and the *Water Act 2000*.

A report of the Regulator's activities under the *Water Supply (Safety and Reliability) Act 2008* is included in **Appendix 5**.

In addition the department managed the department's non-commercial assets consisting of 23 dams and weirs across the state.

Reform urban water legislation and management to enhance delivery of safe, reliable, fit-for-purpose, cost-effective and sustainable water supplies

SunWater rural water irrigation price path

The department had a lead agency role in the development of policy and implementation of the new five year SunWater rural water irrigation price path (2012–2017). SunWater is a GOC that owns and operates water supply schemes across regional Queensland. As the owner of SunWater's assets, such as dams and weirs, the Queensland Government decides how much to recover of SunWater's costs through irrigation prices.

SunWater's rural irrigation water prices are set for specific periods known as 'price paths'. On 1 July 2012, it was announced that the government had accepted the Queensland Competition Authority's final report and recommendations for SunWater's new five year rural irrigation price path (2012–2017). The new price path commenced on 1 July 2012.

CSG Recycled Water Management Plans

The department also provided ongoing support to CSG water proponents in regard to the assessment of CSG Recycled Water Management Plans and Exclusion Decision Applications to ensure the protection of public health where the release of CSG water may impact on an urban communities' drinking water supply.

Queensland Floods Commission of Inquiry recommendations

In 2011-12, the department significantly progressed and implemented recommendations from the Queensland Floods Commission of Inquiry interim and final reports including:

- forming the Dams Implementation Group to lead the implementation of the five dam priority projects identified in the Queensland Government response to the Queensland Floods Commission of Inquiry Final Report
- establishing an internal Floods Inquiry Response and Delivery unit providing program management and secretariat for the Dams Implementation Group and oversee the departments recommendations

- commencing the implementation of the 43 energy and water portfolio related recommendations for which DEWS is the lead state agency
- provided significant input into the Building Implementation Group and Planning Implementation Group
- progressed the terms of reference for the independent review of Seqwater's flood event report and sought expression of interest from potential reviewers.

Council of Australian Governments (COAG) initiatives

In addition, the department contributed to a number of COAG initiatives throughout the year, including:

- Standing Council on Energy and Resources and Senior Committee of Officials
- Select Council on Climate Change and Senior Officials Management Group
- Australian Energy Market Agreement
- National Partnership Agreement on Energy Efficiency
- Intergovernmental Agreement on Greenhouse and Energy Minimum Standards
- National Partnership Agreement to Deliver a Seamless National Economy
- Standing Committee for Environment and Water and Senior Officials Committee
- National Water Reform Thematic Oversight Group
- Pricing Principles Sub Group - Review of the National Water Initiative Pricing Principles
- Water Efficiency Labelling Standards Sub Group
- Urban Water Sub Group
- National Framework for Reporting on Performance of Water Utilities (Urban and Rural)
- Project Agreement for Northern Queensland Councils Community Education Project.

Our operating environment

Strategic risks and challenges

DEWS has identified a number of strategic risks and challenges, which may impact directly or indirectly on the department's operating environment including:

- cost of living pressures not addressed by sustainable solutions
- increasing demand for energy and water supply
- balancing stakeholder expectations
- loss of critical capability and corporate knowledge.

Energy:

The delivery of a secure and cost-efficient network that is responsive to the state's current and changing future energy is a key challenge. Innovative and participative solutions to address pressure on the electricity network as a result of consumer demand in peak periods are required.

Energy concessions and rebates need to support vulnerable Queensland consumers and respond to community needs effectively whilst balancing state fiscal pressures. This is a challenge in an environment of rising disconnection rates and general cost of living pressures on families.

The cost of supplying electricity is influenced by a number of complex issues and market interactions across the energy supply chain. Expenditure on electricity distribution infrastructure to accommodate our consumption patterns and dispersed population has been one of the major drivers of electricity price increases.

A focussed policy development process to address key factors impacting electricity costs commenced in May 2012 through the government's IDC on Electricity Sector Reform. Building on this process, a longer term vision and reform agenda for Queensland's electricity sector will be articulated in the 30 year energy plan.

Water Supply and Sewerage Services:

Water service provider capacity to manage water supply and sewerage services sustainably, in a cost effective manner to the community, is a challenge facing the water industry at present. This is particularly so for regional and remote water service providers across the state.

Approximately 35 per cent of the population outside SEQ is estimated to need augmentation of their water supply within 10 years. Eighty per cent of the state's serviced population outside of SEQ receive their water from a service that has less than 20,000 connections. This presents a challenge for security and service delivery across regional Queensland.

The 30 year strategy for Queensland's water sector will provide a long-term plan that balances the challenges of providing safe and secure water supplies while protecting the environment.

Our strategic direction

To address these risks and challenges, the department has identified its strategic objectives and strategies:

- Deliver cost-effective, safe, secure and reliable energy and water supply by:
 - developing 30 year plans for Queensland's energy and water supply sectors
 - identifying and implementing strategies to address cost pressures on energy and water prices
 - managing risks associated with energy and water supply services through effective planning and policy
 - ensuring efficient and effective regulation
 - adopting an integrated, whole-of-supply chain approach to realise better synergies and interdependencies
 - anticipating and providing policy and regulatory advice on emerging market dynamics and technologies
 - providing sound, evidence-based advice on management of the impacts of CSG extraction on underground water resources.
- Deliver effective reform by:

- implementing energy sector reform
- managing Queensland’s interests in the national energy reform agenda
- implementing the reform of the South East Queensland water sector
- reducing red tape and streamlining regulatory requirements
- implementing relevant Queensland Floods Commission of Inquiry recommendations.
- Engage our stakeholders by:
 - positively engaging and influencing our stakeholders to ensure a shared understanding of expectations, roles and responsibilities
 - working in partnership with our stakeholders to develop and deliver innovative solutions
 - enabling service providers to build their capacity and capability
 - supporting innovation, research and development in the energy and water supply industry
 - advocating Queensland interests in national energy and water supply agendas.
- Optimise shareholder value by:
 - actively managing the portfolio Minister’s shareholding interests in government owned entities
 - representing the portfolio Minister’s interest in ensuring financially sustainable and viable government owned entities
 - representing the portfolio Minister’s interests in ensuring compliance with shareholder service requirements
 - optimising the performance of government owned entities.
- Deliver a capable, flexible and proud workforce by:
 - ensuring accountable, transparent and effective corporate governance
 - building a flexible, skilled and performance orientated workforce
 - valuing staff through effective communication and engagement
 - fostering a zero harm culture
 - ensuring business continuity and retention of corporate knowledge
 - developing systems to support robust advice, decision-making, monitoring and reporting.

Our key priorities

The department’s key priorities for 2012–13 include:

Energy:

- leading the IDC on Electricity Sector Reform, managing advice to government and implementation of outcomes
- supporting the Independent Review Panel on Network Costs and implementing outcomes of the Review
- finalisation of a 30 year plan for Queensland’s energy sector
- identification and implementation of strategies to address cost pressures on electricity prices
- managing Queensland’s interests in the national energy reform agenda via the Standing Council on Energy and Resources, the Select Council on Climate Change and the Council of Australian Governments (in partnership with Department of the Premier and Cabinet (DPC) and Queensland Treasury and Trade)
- development of a state-wide planning assessment framework for wind farms
- development of strategies for a sustainable gas supply in Queensland
- consideration of an ethanol policy

- developing strategies for a sustainable electricity supply to Queenslanders.

Water Supply and Sewerage Services:

- development of a revised regulatory framework for the state's water sector
- release of a discussion paper for a 30 year strategy for Queensland's water supply sector
- amalgamation of the bulk water entities
- review and amend the Distributor-retail model (arising from council and Distributor-retailer proposals)
- application of the \$80 rebate for households from 1 January 2013
- completion of the manufactured water assets review
- completion of the South East Queensland bulk water price path review
- lead and implement Wivenhoe Dam and Somerset Dam Optimisation and North Pine Dam Optimisation Studies
- regulatory simplification of recycled water, drinking water and service provider frameworks
- develop policy and legislation to deliver the Flood Commission of Inquiry recommendations
- support the implementation of risk based water quality management plans and processes by drinking water service providers.

CSG water:

- guide the implementation of the Surat Underground Water Impact Report (UWIR) and develop new information to support the next revision of the Surat UWIR
- monitor CSG development plans and provide advice on any need for additional cumulative management areas
- implementation of the industry funded levy to support underground water management.

In addition, across DEWS business areas:

- optimise shareholding interests through governance oversight and stakeholder liaison
- implement the Queensland Floods Commission of Inquiry recommendations and meet the commitments in formal Queensland Government response
- chair the Dams Implementation Group for Commission of Inquiry recommendations
- implement government commitments and red tape reduction initiatives
- represent DEWS on national, state and local committees ensuring DEWS interests are represented in developing agendas
- improve efficiencies and communication protocols between the energy and water government owned entities and the department and the Minister.

Financial summary

The financial statements contain comprehensive financial data on:

- Controlled entity, which refers to the funds and assets within the control of the department
- Administered activities, which refers to activities where the department does not have control but is charged with administering the funds on a whole-of-government basis.

The department was created on 3 April 2012 as a result of Public Service Departmental Arrangements Notice (No1), 2012 and the Public Service Departmental Arrangements (No2) 2012. However, pursuant to section 80(2) of the *Financial Accountability Act 2009*, for financial statement purposes, transfer is deemed to have occurred from the first day of the month following the gazettal date, that is, from 1 May 2012. Transactions for the period 3 April 2012 to 30 April 2012 are recorded in the financial statements of the Department of State Development, Infrastructure and Local Planning (DSDIP) and the Department of Environment and Heritage Protection (DEHP).

Our financial performance

The department delivered a sound policy, planning and regulatory environment to support cost effective energy and water supply services. As shown in our Statement of Comprehensive Income on page 34 of the financial statements, the department had an operating income (expenses minus revenue) of \$4.3 million.

Our income

Income for 2011-12 was \$22.6 million and was predominantly departmental services appropriation to deliver energy and water supply services.

Our expenditure

Expenses for the year amounted to \$18.3 million which included grants and subsidies expenditure of \$10.7 million, employee expenses of \$4.2 million and supplies and services of \$3 million. Grants and subsidies are our largest area of expenditure and mainly relate to funds provided for dam spillway upgrades and water related community service obligation payments.

Our financial position

Our department maintains a strong net assets position. As shown in our Statement of Financial Position on page 36 of the financial statements, the department ended the year with total equity of \$16.1 million.

Assets

Total assets amounted to \$28.5 million and primarily related to cash (\$20.4 million) and receivables (\$5.4 million).

Liabilities

Total liabilities amounted to \$12.3 million primarily relating to payables of \$10.3 million.

Administered Items

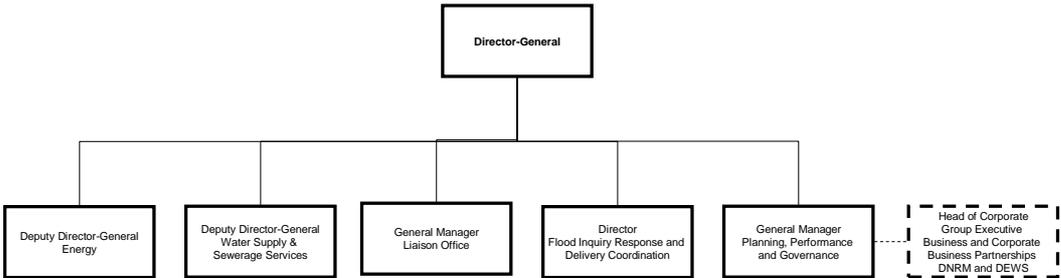
The department's main administered activity related to subsidies in the form of community services obligation payments to Ergon Energy Queensland Pty Ltd under the Queensland Governments Uniform Tariff Policy which seeks to ensure most Queenslanders are able to pay the same amount for electricity regardless of their geographic location. Refer to note 1(c) and note 10 for further information.

Chief Finance Officer statement

In accordance with the *Financial Accountability Act 2009*, the Chief Finance Officer has fulfilled the required responsibilities delegated to him under the Act. The Chief Finance Officer has also provided a statement to the Director-General advising that, in his opinion, the financial internal controls of the department are operating efficiently, effectively and economically in conformance with section 57 of the *Financial and Performance Management Standard 2009*.

Governance – structure and management

Organisational structure



as at 30 June 2012

Executive Management Team

The Executive Management Team (EMT) functions as the department’s board of management.

EMT considers the development and strategic direction of the department as a whole and advises on, endorses and approves significant policy and management decisions.

EMT takes a collaborative management approach to address the challenges facing the department and works together to ensure optimal outcomes, in line with the department’s strategic priorities.

EMT profiles

Jon Black, Director-General

Jon commenced as Director-General on 21 May 2012. As Director-General, Jon is responsible for ensuring the department meets its accountability obligations and achieves its strategic objectives to deliver government priorities.

Jon has a strong background in water management in Queensland as the former CEO of the Northern SEQ Distributor-Retailer Authority, UnityWater, and prior to that, the SEQ water and sewerage distribution business.

Jon combines this first-hand industry knowledge with a wealth of leadership experience gained in his 25 year career with the Australian Army.

Jon has qualifications from the University of New South Wales, the Australian Institute of Company Directors, The Royal Military College, Duntroon and the United States Marine Corps, Virginia, USA. Jon is also an Adjunct Professor at the University of Queensland.

Tim Spencer was the previous Director-General from 3 April – 4 May 2012.

Karen Masnata, Deputy Director-General, Energy

Karen Masnata commenced as Deputy Director-General, Energy, on 4 June 2012.

Karen is responsible for leading the Energy Group which includes the delivery of a cost-effective, safe, secure and reliable energy supply. Karen is also responsible for the development and implementation of government's energy reform agenda and 30 year energy plan. In addition, Karen provides direction and leadership for innovative policy, planning and regulatory solutions in partnership with internal and external stakeholders.

Before commencing with the department, Karen worked in professional services at PricewaterhouseCoopers. She has a background in economics advisory, specialising in energy and infrastructure advisory.

Prior to consulting, Karen worked in Queensland Treasury and Queensland Treasury Corporation with a focus on infrastructure and major projects.

Professional and academic qualifications:

- Bachelor of Laws, Queensland University of Technology Diploma - Company
- Graduate Diploma in Legal Practice, University of Technology, Sydney (College of Law)
- Graduate Diploma in Applied Finance & Investment (Corporate Finance), Securities Institute of Australia
- Directors Course, Australian Institute of Company Directors (Order of Merit).

Ken Sedgwick, Deputy Director-General, Water Supply and Sewerage Services

Ken Sedgwick commenced as Deputy Director-General, Water Supply and Sewerage Services, on 9 July 2012.

Ken is responsible for leading and implementing water policy, reform and regulation of Queensland's water supplies to ensure that the water supplied to Queensland communities is safe, reliable and delivered cost effectively. Ken is also responsible for the development of the 30 year strategy for the water sector which will provide strategies for the government to meet future demand and provide safe and secure water supplies while protecting the environment.

Prior to this role, Ken was Acting Deputy Under Treasurer in the Department of Treasury and Trade. He worked for Queensland Treasury in a variety of senior roles, including leading Treasury's involvement in the multitude of structural changes within the Queensland water industry. Prior to his Treasury career, Ken worked in the former Department of Primary Industries in Brisbane and Townsville.

As at 30 June 2012 this position was vacant.

Danny Short, General Manager, Planning, Performance and Governance

Danny Short is the General Manager, Planning, Performance and Governance. Danny is responsible for strategic governance and risk management, performance reporting and leading the planning process for the department. The position is also the Chief Finance Officer and is responsible for financial and resource management within the department.

Danny has more than 22 years of experience in senior and executive management roles across a variety of corporate and strategic governance, financial management, performance and risk positions. Danny has undertaken roles across various Queensland Government organisations including Public Works, Housing, Communities and the Queensland Water Commission.

Danny is a Certified Practising Accountant and holds a Bachelor of Commerce degree. His most recent positions have been as General Manager, Strategic Governance and Risk with the Queensland Water Commission and prior to that as Director of Finance, Housing, Homelessness and Properties within the department of Communities. Throughout his career Danny has implemented a range of governance measures, built frameworks to assist in assessing risk and has had significant involvement with many stakeholder committees and key central agencies.

Judith Jensen, General Manager, Liaison Office

Judith leads and manages the department's Liaison Office. The Liaison Office is the key point of entry into the department (including the Minister's Office) for the department's stakeholders and clients, including the energy and water Government Owned Corporations (GOCs) and water statutory authorities. The Liaison Office provides

a responsive and trusted interface by networking and relationship building based on a strong knowledge of the department's energy and water business functions. The Liaison Office provides key linkage for the department when dealing with state and commonwealth departments seeking advice from the department as well as representing DEWS on a number of whole of government forums and committees.

Judith holds a Bachelor of Laws and is admitted as a lawyer to the Supreme Court of Queensland. Since 2002 Judith has held legal policy positions in the water and natural resource department portfolios, and has led the development and implementation of major water related legislation.

Paul Walsh, Director, Floods Inquiry Response and Delivery Coordination

Paul leads the department's implementation of the recommendations of the Queensland Floods Commission of Inquiry and other outcomes of the inquiry. Paul reports directly to the Director-General on matters relating to the government's commitments to the Commission's recommendations and leads stakeholder engagement on flood inquiry matters including with other government departments, water and energy entities and members of the public.

Paul joined the Queensland public service in 2005 in the DNRM after working 18 years in the private sector. Paul has a Bachelor of Arts (Criminology) and Bachelor of Laws and is admitted to the Supreme Court of Queensland. Paul has expertise in natural resource law, administrative law and governance. Paul also holds a Bachelor of the Built Environment (Architecture).

Kate Callaghan, Group Executive, Business and Corporate Partnerships

Kate Callaghan oversees the delivery of strategic corporate services and business support programs in areas such as human resources, finance and performance management to the DNRM and DEWS. Kate also oversees the legal and accommodation functions for six agencies.

Kate has vast experience leading large, diverse work groups. She has over 40 years experience in the Queensland Government and has held senior executive and management roles within a number of government organisations since 1987.

Prior to her current role, Kate was the Group Executive for Corporate Relations within DEEDI, which managed the marketing, communication, human resource, audit, legal and service delivery functions of the department. Kate was also responsible for leading change management for DEEDI.

Audit and Risk Committee

An Audit and Risk Committee has been established to meet the requirements of the *Financial and Performance Management Standard 2009* (s 35). The Committee observes the terms of its charter having due regard to the *Audit Committee Guidelines: Improving Accountability and Performance* issued by Queensland Treasury June 2012.

The Committee supports the Director-General in discharging his responsibilities under the *Financial Accountability Act 2009*. The Committee provides independent advice to the Director-General on matters including corporate governance practices, risk management, financial reporting and internal control systems.

The Committee acts as a forum for dialogue between the Director-General, senior management, Internal Audit and the Queensland Audit Office.

The functions and role of the Committee do not diminish the statutory and regulatory duties and responsibilities of the Director-General, nor do they detract from management's responsibilities in relation to corporate governance, internal control, fraud prevention and risk management.

The Director-General is a standing invited guest at the Committee and membership consists of the following members:

- Susan Rankin (Chair) (External Member)
- Karen Masnata - Deputy Director-General, Energy
- Ken Sedgwick - Deputy Director-General, Water Supply and Sewerage Services.

Committees

More committees will be established in 2012–13 to support EMT in governing the department and meeting its statutory obligations and objectives as required, including:

- finance and risk management
- ICT investment and strategy
- human resource management.

Business and Corporate Partnership Public Sector Renewal Board

The Business and Corporate Partnership Public Sector Renewal Board (the Board) comprises the Directors-General of Energy and Water Supply; Natural Resources and Mines; Agriculture, Fisheries and Forestry; Tourism, Major Events, Small Business and the Commonwealth Games; Environment and Heritage Protection; and National Parks, Recreation, Sport and Racing; as well as a representative from the Public Service Commission and three heads of corporate.

The Board is collectively responsible for the long-term performance, business success and timely delivery of departmental key priorities within the Business and Corporate Partnership (the Partnership). The Board's role focuses on providing leadership and setting the strategic direction of the Partnership to enable it to meet its goals and objectives.

The Partnership works to deliver direct corporate services and business programs to support and reshape partnering agencies to deliver on Government priorities. Under this model the focus was on ensuring economies of scale, service integration, consistent service delivery, scalability, flexibility and responsiveness.

The Partnership currently operates through three corporate hubs embedded in the DNRM, the Department of Agriculture, Fisheries and Forestry and DEHP. Each hub is managed by a head of corporate who is responsible for delivering a set of core (to the host and one adjunct agency) services and a selection of cooperative (to all six partnering agencies) services.

Governance – risk management and accountability

Risk management

Risk is an essential tool in corporate governance and an integral part of the department's management process. While all staff are expected to manage risks related to their work, primary responsibility rests with EMT members to ensure material risks to achieving the department's objectives and strategies outlined in the department's strategic and operational planning documents are identified, assessed and treated or monitored.

As required by the *Financial Accountability Act 2009* and the *Financial Performance and Management Standard 2009*, the Audit and Risk Committee is established to provide governance and oversight in supporting the Director-General in meeting the department's legislative obligations.

DEWS' risk management approach continues to broadly align with the direction set by the International Standard for Risk Management AS/NZS ISO31000:2009.

Internal audit

Following the machinery of Government changes in April 2012, a Corporate Partnership Agreement was put into place to support a collaborative approach to the delivery of corporate services across six departments. The Queensland Government Internal Audit Service (QGIAS) was formed following endorsement by the six Directors-General. The appointment of the Head of Internal Audit (HIA) was approved by the Queensland Treasurer in June 2012 with a condition that a formal review of the shared HIA arrangement be undertaken by no later than 31 March 2013, to assess whether QGIAS is operating efficiently, effectively and economically.

QGIAS provides independent assurance and advice to the Director-General, senior management and the Audit and Risk Committee. It works to enhance the department's corporate governance environment through an objective, systematic approach to evaluating the effectiveness and efficiency of corporate governance processes, internal controls, risk assessment and management practices. This is in keeping with the role and responsibilities detailed in the *Financial Accountability Act 2009*. During 2012–13, the QGIAS will report to the Audit and Risk Committee on a quarterly basis.

The role, the operating environment and the operating parameters of the QGIAS will be established in the Internal Audit Charter having due regard to the professional standards and the *Audit Committee Guidelines: Improving Accountability and Performance* issued by Queensland Treasury in June 2012.

The internal audit activities will be undertaken having regard to the International Standards for the Professional Practice of Internal Auditing and the Queensland Treasury's *Audit Committee Guidelines: Improving Accountability and Performance* issued by Queensland Treasury in June 2012.

The QGIAS function is independent of management and the external auditors.

Strengthening internal controls

In early 2012, a whole of government program commenced to strengthen the internal controls of all departments and, in doing so, strengthen the position of the Queensland Government against fraudulent activity.

As part of this program, a number of measures to strengthen internal controls in procurement, finance and recruitment were identified across government and prioritised for immediate, medium and long-term action. All departments were asked to review their internal systems and processes and reports on the implementation of these measures have been provided to DPC.

The department has taken steps to enhance its internal control processes through a review of vendors, payment methods, process maps, system permissions and financial delegations. The department also contributed to a whole-of-government training initiative to promote awareness of the need for strong internal controls within the business. This awareness training will be made available to all staff during 2012–13.

External scrutiny

Auditor-General

There were no reports on the operations of DEWS by the Auditor-General during 2011–12.

Crime and Misconduct Commission Building Integrity Program

The Crime and Misconduct Commission (CMC) is working in partnership with public service agencies to implement improved integrity and complaints management systems. This forms part of the CMC's 2009-13 Strategic Plan to further devolve the responsibility to resolve complaints from the CMC to the public sector. To achieve this objective, the CMC conducted a review of public service agencies called the Building Integrity Program. Through the program, public service agencies develop infrastructure and strategies to achieve improved integrity and complaints management systems. By taking responsibility for building and maintaining a strong culture of integrity, managers and staff can reduce misconduct and improve complaints handling processes. This, in turn, leads to improved public confidence in public service agencies.

The CMC provided its draft Integrity Profile Report (final evaluation) for the Building Integrity Program to the former DERM and DEEDI. The CMC noted both agency's strong integrity framework and complaints handling ratings.

The CMC intends to prepare a summary report on the outcomes of the Whole of Public Sector Building Integrity Program for general publication.

Queensland Floods Commission of Inquiry

The department, through Crown Law, provided information, witnesses and assistance to the Queensland Floods Commission of Inquiry during 2011–12.

Governance – human resources

Our people

This section highlights a selection of human resource activities during 2011–12 from the former DEEDI and DERM.

Since the establishment of DEWS in April 2012, efforts have been focussed on reviewing and building the organisation's leadership, structure, capability and workforce strategy to deliver on the new government's objectives and priorities. Existing human resource policies and procedures will remain in place until they are reviewed and refined ensuring they are fit for purpose for the new department.

Workforce planning, attraction and retention

During 2011–12, the former departments implemented human resource policies, strategies and programs to enable the attraction, development and retention of a range of employees focussed on service delivery.

Attraction, recruitment and retention

The priority in 2011–12 was to review and reshape internal capacity and provide development programs to ensure employees had the skills necessary to deliver on priorities.

With workforce planning being critical to attraction, recruitment and retention, human resources worked with departmental business units to review workforce needs and skills. Workforce plans were then implemented to ensure government priorities could be delivered.

Succession planning also occurred and included building internal talent through capability development, relieving opportunities and mobility programs.

Staff resources were further consolidated, focusing further effort on the development of a flexible and resilient workforce able to respond efficiently to changing priorities.

Demographic factors such as an ageing workforce were addressed through the recruitment and retention of graduates in critical occupational groups. Hard to fill roles were identified and targeted advertising was utilised to attract and retain skill groups.

Induction

All new employees were required to complete an online induction course to orient them to their roles, responsibilities and the department's culture. The course covered:

- what the department does
- conditions of employment
- behavior at work, including safety
- the safety and security of information
- where do we go from here?

All employees were also required to complete online courses for Code of Conduct for the Queensland Public Service and ethical decision making, while business areas provided information on strategic direction, policies and procedures.

Employee development

Management and leadership development

Two development tools, Lominger © and Human Synergistics ©, underpinned the delivery of the suite of programs forming the department's integrated capability framework.

Effort focussed on building management and leadership skills for current and future leaders, and building resilience in the workplace. In particular, programs included:

- managing people - a program providing supervisors and managers with practical skills to build and motivate their teams
- Foundations of Leadership - a program for future leaders to develop, connect and increase performance
- 360 Degree Feedback Services - delivered to Senior Executive Service (SES) officers to inform leadership development priorities and increase performance
- Leading Resilient Teams Through Change - designed for leaders to understand responses to change and to develop practical strategies to build resilience in teams.

Performance management framework

The employee Performance and Capability Framework enabled managers and employees to clarify business priorities, set and review individual performance and behavioural expectations, and to determine development needs and long term career goals.

The framework included individual performance and capability planning. Performance and capability plans were developed through focussed discussions between managers and individuals. This contributed to staff understanding how their work aligned with and progressed the department's strategic direction and government priorities.

Performance reviews also contributed to employee recognition and the department recognised high performers through the department's Australia Day Awards program.

To maintain the integrity of Performance and Capability Planning processes, training sessions were delivered to managers, supervisors and staff across the state and performance information and tools were made available via the intranet.

Workforce profile including FTE staff establishment, permanent retention rate etc.

As at 30 June 2012, DEWS employed 266 full-time equivalent (FTE) staff.

Table 1: Representation of workforce target groups in DEWS as at 30 June 2012

Key Groups	Number	Percentage of workforce 2011-12
Men*	121	45.5%
Women*	145	54.5%
Women in SES/SO Classification*	12	4.5%
Women in AO6-AO8 (and equivalent) Classification*	75	28.1%
Non-English speaking background^	27	8.7%
Aboriginal and Torres Strait Island People^	5	1.6%
People with a disability^	36	11.6%

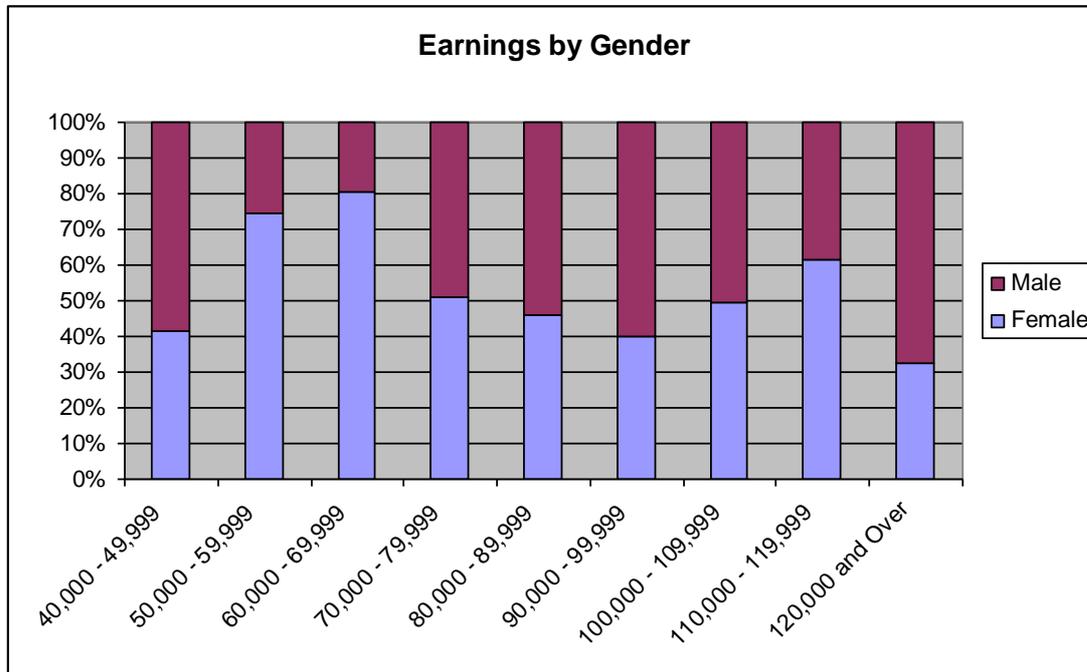
Note: Data and percentages based on total workforce figures (FTE or headcount as per below) as at 30 June 2012 (Excluding functions previously performed by the Queensland Water Commission).

*Figures listed above are based on FTE (active paid employees excluding employees on leave without pay > 8 weeks)

^Figures listed above are based on headcount (active paid employees excluding employees on leave without pay > 8 weeks)

Women

Figure 1: Women/men disaggregated by \$10,000 annual earnings groups



Note: Based on DEWS FTE count as at June 2012.
Source: Public Service Commission

Women's career development

Programs and opportunities for increasing employment/participation in non-traditional fields for women

As at 30 June 2012, women comprised 54.5 per cent of the department's total FTE workforce.

In 2011-12 professional development activities promoting women's participation, included:

- Women's Development Program
- Emerging Leaders Program
- Leading Change Program
- The State Government Certified Agreement Training Initiative
- International Networks for Women breakfast
- Women in Global Business forum.

International Women's Day celebrations on 8 March 2012 included two flagship events comprising female guest speakers from the department to discuss their experiences related to the theme 'everything is possible' and 'women and leadership'. Departmental staff also attended the Australian Institute of Management's International Women's Day Debate.

Work-life balance

Policies promoting work-life balance were also in place. Policies supported flexible work hours and arrangements, part-time work, and telecommuting and were promoted to job candidates and internal employees through the department's internet. Parenting facilities were also provided in each of the major central business district locations and in some regional locations.

Initiatives that promote safer and healthier workplaces strategy

Injury and claims management

Working closely with WorkCover was a priority for the department to help improve the rehabilitation and return to work and injury management systems. Implementing early intervention strategies and best practice rehabilitation and case management also continued to ensure high level injury management to all staff. This approach saw the reduction of workers' compensation costs and system improvements including:

- timely incident reporting and implementation of appropriate preventative actions
- provision of Workplace Health and Safety (WHS) trainings and effective communications and information awareness strategies.

Training and information

The Centre for Accident Research and Road Safety Queensland delivered a number of work-related driver safety workshops across the state.

The Workplace Health and Safety team also delivered and facilitated workshops to train staff in best practice risk management procedures. The workshops were delivered across research facilities with practical sessions to assist staff in identifying risks and hazards. This training aimed to ensure a consistent approach to managing risk across the department.

Information sessions were held to inform the EMT on the latest changes in the new harmonized legislations by Workplace Health and Safety Queensland.

Health and wellness initiatives

In 2011–12, health and wellness initiatives for employees included:

- participation in public health initiatives and activities such as corporate games, healthy eating, stress reduction sessions, ergonomic and posture care assessments
- flu vaccination program (almost 40 per cent uptake)
- fitness and weight loss program such as gym memberships, yoga classes, pilates, bicycle user groups and health club.

Safer and healthier workplaces audit

As part of the department's commitment to improving workplace health and safety outcomes, an external provider was engaged between June and July 2011 to conduct a desktop and on site verification of the workplace health and safety management system. The review included interviews with nominated business unit executives and visits to selected sites throughout Queensland.

The audit identified that essential and best practice requirements for the majority of the Safer and Healthier Workplace Systems elements had been developed and implemented to varying degrees throughout the department.

The establishment of comprehensive early intervention and injury management and claims management processes also delivered significant reduction in lost time and associated costs. Managers and staff indicated overall satisfaction with injury and claims management processes and service.

Consultative arrangements

A Health and Safety Steering Committee was established in July 2011 and provided strategic leadership for health and safety across the department. Membership of the committee included the executive management team, health and safety practitioners and senior leaders from across the department.

A comprehensive network of workplace health and safety representatives, trained safety advisers (previously known as WHSOs), rehabilitation and return to work coordinators, first aid officers and local site safety committees also worked across the department to maintain the optimal health and safety of staff.

In addition, regional workplace health and safety (RWHS) coordinators continued to ensure the implementation of health and safety management systems and processes across the regions. RWHS coordinators liaised with workplace health and safety officers and trained safety advisers and provided a conduit between the regions, the business groups and the corporate health safety and wellness team.

Industrial and employee relations framework

The department actively pursues a positive relationship with its industrial partners to promote workplace harmony. In 2011–12, the department met all of its obligations under the relevant legislation, awards, agreements and public service directives.

The department's Agency Consultative Committee (ACC), a joint union/employer committee, provided a forum to discuss a broad range of employee issues and an avenue for consultation between the department and relevant unions regarding current and emerging industrial issues.

The objectives of the ACC include:

- consulting between relevant parties in relation to the department's industrial issues, workforce strategy and organisational change
- implementing and monitoring relevant provisions of the Core Agreement.

The ACC is also responsible for ensuring the department implements and complies with all relevant arrangements under the *Industrial Relations Act 1999*, the *Public Service Act 2008* and the *State Government Departments Certified Agreement 2009* (the Core Agreement).

The ACC met quarterly and was co-chaired by the Executive Director Human Resources and Strategy, and a representative from the Together Queensland, Industrial Union of Employees. A representative from each divisional area and human resources personnel, formed the management representation for the department on the consultative committee.

Permanent retention/separation rate

Due to the complexity of machinery of government changes effective 3 April 2012, annual separation and retention rates for the 2011–12 financial year are unable to be calculated and may misrepresent actual long term agency trends.

Early retirement, redundancy and retrenchment

Changing government priorities, economic influences and machinery of government adjustments stimulated a response to move employees to areas of high priority. Employees were supported throughout the changes by human resource programs and proactive policies.

Employees displaced during workplace change were assisted by case managers to prepare for new positions. An internal placement process was used to offer vacancies to displaced employees.

No voluntary early retirement packages were offered during the reporting period.

Voluntary Separation Program

A Voluntary Separation Program (VSP) was introduced as part of the Mid-Year Fiscal and Economic Review in January 2011. This program was one of a number of measures designed to deliver additional savings and reprioritise spending. The program was targeted primarily at non-frontline areas, as a service reprioritisation strategy to ensure continued growth in frontline areas.

As the VSP concluded prior to the creation of the DEWS, all packages offered by the former departments are recorded in the annual reports of DEHP for the former DERM, and DSDIP for the former DEEDI.

Public Sector Ethics Act 1994

On 1 January 2011, the Queensland Government introduced a new Code of Conduct for the Queensland Public Service (the Code). Employees were informed of the Code through communiqués and provided with access to the Code via the department's intranet. The public was able to access the Code through the department's internet website.

In 2011-12, the department continued to increase employee awareness and understanding of the Code. Education and training in public sector ethics and ethical decision making was made available to staff in accordance with

section 12K of the *Public Sector Ethics Act 1994*. Training was undertaken by employees at induction and all staff were required to undertake annual training. This training was primarily supplied as an online interactive training program, but was supplemented with face-to-face training where required. In addition, workshops and discussions related to the Code, the importance of ethical behaviour, and techniques to assist ethical decision making, were also undertaken with a selection of managers and staff.

The department provided SES officers with tailored face-to-face ethics training, namely through the 'Your Ethical Compass' course delivered by the Queensland Ombudsman Office. As at 30 June, 67 per cent of the department's SES officers had attended this specialised training.

Departmental policies and procedures continued to be made available to staff to guide and support the application of the Code. Policies and procedures developed or revised during the period were assessed by the department's human resources and ethics practitioners to ensure compliance and alignment with the Code. Online tools and resources, as well as advice networks, also facilitated managers meet their ethical responsibilities and increase staff awareness.

The department continued to be an active participant in the Queensland Public Sector Ethics Network, the Public Interest Disclosure Coordinators Network and the Ethics Community of Practice. These networks, coordinated by the Public Service Commission, provided a forum for regular discussion, information exchange, benchmarking and promotion of ethics principles and practices within government agencies.

Further, good governance, accountability, and integrity measures are to be incorporated into business planning templates. Performance and capability plan templates were also developed to enhance adherence to the requirements of the Code. Managers are encouraged to raise ethics and integrity matters in the workplace for regular staff discussion and to draw their attention to their individual responsibilities as departmental employees.

Disclosure of additional information

Further mandatory annual reporting requirements are published on the DEWS website www.dews.qld.gov.au.

- information systems and recordkeeping
- consultancies
- overseas travel
- waste management
- recycling Policy for Buildings and Civil Infrastructure
- carbon emissions
- initiatives for women
- *Carers (Recognition) Act 2008*
- Aboriginal and Torres Strait Islander matters (*The Queensland Government Reconciliation Action Plan 2009–2012*)
- Queensland Multicultural Policy – *Queensland Multicultural Action Plan: 2011–14*.

Financial statements

Department of Energy and Water Supply

Financial Statements for the Period 1 May 2012 to 30 June 2012

Contents

	Page Number
Statement of Comprehensive Income	31
Statement of Financial Position	32
Statement of Changes in Equity	35
Statement of Cash Flows	37
Statement of Comprehensive Income by Major Departmental Services	39
Statement of Assets and Liabilities by Major Departmental Services	41
Notes to and forming part of the Financial Statements	43
Management Certificate	83
Independent Audit Report	84

General information

These financial statements cover the Department of Energy and Water Supply (DEWS) and its controlled entities.

DEWS is a Queensland Government Department established under the *Public Service Act 2008*.

As a result of a Public Service Departmental Arrangements Notice (No1), 2012 and the Public Service Departmental Arrangements (No2) 2012, DEWS was created on 3 April 2012 to assume the following functions:

- That part of the Department of Employment, Economic Development and Innovation responsible for energy including the Office of the Queensland Energy Regulator and the associated executive support services
- Office of the Gas Commissioner from the Department of Employment, Economic Development and Innovation
- Office of Clean Energy from the Department of Employment, Economic Development and Innovation
- That part of the Department of Environment and Resource Management responsible for water supply policy and associated planning and regulation

However, pursuant to section 80(2) of the *Financial Accountability Act 2009*, for financial statement purposes, transfer is deemed to have occurred from the first day of the month following the gazettal date, that is, from 1 May 2012.

Although DEWS was created on 3 April 2012, these financial statements include transactions for the period 1 May 2012 to 30 June 2012 only. Transactions for the period 3 April 2012 to 30 April 2012 are recorded in the financial statements of the Department of State Development, Infrastructure and Local Planning and the Department of Environment and Heritage Protection.

The approach applies to both the primary statements and note disclosures, including the disclosures for Key Executive Management Personnel and Remuneration.

The head office and principal place of business of the department is:

Level 13
41 George Street
Brisbane Qld 4000

A description of the nature of the operations and principal activities of the department is included in the notes to these financial statements.

For information in relation to these financial statements please call (07) 3006 5971, or visit the department website on <http://www.dews.qld.gov.au>

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

**Department of Energy and Water Supply
Statement of Comprehensive Income for the period ended 30 June 2012**

	Notes	2012 \$'000
Income from continuing operations		
Departmental services revenue	2	22,295
User charges, fees and fines	3	88
Interest revenue	5	13
Other revenue	6	179
		<hr/>
Total Income from continuing operations		22,575
Expenses from continuing operations		
Employee expenses	7	4,231
Supplies and services	9	2,966
Grants and subsidies	10	10,672
Depreciation and amortisation	11	48
Other expenses	12	384
		<hr/>
Total expenses from continuing operations		18,301
		<hr/>
Operating results from continuing operations		4,274
		<hr/>
Total comprehensive income/(loss)		4,274

The accompanying notes form part of these statements.

**Department of Energy and Water Supply
Statement of Comprehensive Income for the period ended 30 June 2012**

	Notes	2012 \$'000
Administered on a Whole-of-government basis		
Income from continuing operations		
Departmental services revenue	2	72,834
User charges, fees and fines	3	743
Grants and other contributions	4	360
Other revenue	6	5,667
Total income from continuing operations		79,604
Expenses from continuing operations		
Supplies and services	9	(112)
Grants and subsidies	10	72,315
Depreciation and amortisation	11	60
Revaluation decrement	13	1
Total expenses from continuing operations		72,264
Net operating result from transfers to government		7,340
Transfers of administered item revenue to government		6,387
Operating results from continuing operations		953
Total comprehensive income		953

The accompanying notes form part of these statements.

**Department of Energy and Water Supply
Statement of Financial Position as at 30 June 2012**

	Notes	2012 \$'000
Current assets		
Cash and cash equivalents	14	20,367
Receivables	15	2,593
Other	16	1,919
		<hr/>
Total current assets		24,879
Non-current assets		
Receivables	15	2,759
Property, plant and equipment	17	685
Intangible assets	18	128
		<hr/>
Total non-current assets		3,572
		<hr/>
Total assets		28,451
Current liabilities		
Payables	19	10,332
Accrued employee benefits	20	744
Other financial liabilities	21	1,265
		<hr/>
Total current liabilities		12,341
		<hr/>
Total Liabilities		12,341
		<hr/>
Net Assets		16,110
Equity		
Contributed equity	25	11,836
Accumulated Surplus		4,274
		<hr/>
Total equity		16,110

The accompanying notes form part of these statements

Department of Energy and Water Supply
Statement of Financial Position as at 30 June 2012

	Notes	2012 \$'000
Administered on a Whole-of-government basis		
Current assets		
Cash and cash equivalents	14	77,891
Receivables	15	6,556
Total current assets		84,447
Non-current assets		
Property, plant and equipment	17	16,390
Total non-current assets		16,390
Total assets		100,837
Current liabilities		
Payables	19	44,403
Other liabilities	21	42,311
Total current liabilities		86,714
Total liabilities		86,714
Net assets		14,123
Equity		
Contributed equity	25	13,106
Asset revaluation	22	64
Retained surpluses		953
Total equity		14,123

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Changes in Equity for the period ended 30 June 2012

	2012 \$'000		
	Accumulated Surplus	Contributed Equity	Total
Balance at 1 May 2012	-	-	-
Operating gain/(loss) from continuing operations	4,274	-	4,274
Transactions with owners as owners:			
Less equity withdrawals (note 2)	-	(100)	(100)
Non appropriated equity withdrawals	-	(330)	(330)
Net transfer of assets/liabilities from other government agencies	-	12,266	12,266
Balance at 30 June 2012	4,274	11,836	16,110

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Changes in Equity for the period ended 30 June 2012

2012
\$'000

Administered on a Whole-of-government basis	Accumulated Surplus	Asset Revaluation	Contributed Equity	Total
Balance at 1 May 2012	-	-	-	-
Operating result from continuing operations	953	-	-	953
Other comprehensive income				
Increase/(decrease) in asset revaluation surplus	-	64	-	64
Total other comprehensive income	-	64	-	64
Net transfer of assets/liabilities from other government agencies	-	-	13,106	13,106
Balance at 30 June 2012	953	64	13,106	14,123

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Cash Flows for the period ended 30 June 2012

	Notes	2012 \$'000
Cash Flows from operating activities		
<i>Inflows:</i>		
Departmental services receipts		22,855
User charges		-
Grants and other contributions		-
Interest received		-
GST input tax credits received from Australian Taxation Office		-
GST collected from customers		-
Other		(306)
<i>Outflows:</i>		
Employee expenses		(4,081)
Supplies and services		(4,613)
Grants and subsidies		(4,370)
Finance / borrowing costs		-
Community service obligations		(3,884)
GST paid to suppliers		-
GST remitted to Australian Taxation Office		-
Other		(54)
Net cash provided used from operating activities		5,547
Cash flows from investing activities		
<i>Inflows:</i>		
Sales of property, plant and equipment		-
<i>Outflows:</i>		
Payments for property, plant and equipment and intangibles		-
Finance leases redeemed		-
Net cash provided (used in) investing activities		-
Cash flows from financing activities		
<i>Inflows:</i>		
Equity injections		-
<i>Outflows:</i>		
Equity withdrawals		(100)
Repayments of borrowings / finance lease payments		-
Net cash provided by (used in) financing activities		(100)
Net increase/(decrease) in cash and cash equivalents		5,447
Cash transfers from Machinery of Government restructure		14,920
Cash and cash equivalents at end of financial year	14	20,367

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Cash Flows for the period ended 30 June 2012

	Notes	2012 \$'000
Administered on a Whole-of-government basis		
Cash flows from operating activities		
<i>Inflows:</i>		
Administered appropriation revenue received from Queensland Treasury and Trade		115,145
Fees and fines		743
Grants and other contributions		360
Other		(712)
<i>Outflows:</i>		
Administered appropriation revenue returned to Queensland Treasury and Trade		(325)
Grants and subsidies		(88)
Community service obligation payments		(33,973)
Supplies and services		199
Net cash provided (used in) operating activities		81,349
Cash flows from investing activities		
<i>Inflows:</i>		
Sales of property, plant and equipment		-
<i>Outflows:</i>		
Payments for property, plant and equipment		(740)
Net cash provided by (used in) investing activities		(740)
Net increase/(decrease) in cash and cash equivalents		80,609
Less cash transfers from Machinery of Government restructure		(2,718)
Administered cash and cash equivalents at end of financial year	14	77,891

The accompanying notes form part of these statements.

**Department of Energy and Water Supply
Statement of Comprehensive Income by Major Department Services
for the period ended 30 June 2012**

**2012
\$'000**

	Energy	Water Supply	Total
Income from continuing operations			
Departmental services revenue	12,573	9,722	22,295
User charges	-	88	88
Interest revenue/ payable	18	(5)	13
Other revenue	173	6	179
Total income from continuing operations	12,764	9,811	22,575
Expenses from continuing operations			
Employee expenses	1,658	2,573	4,231
Supplies and services	2,318	648	2,966
Grants and subsidies	3,997	6,675	10,672
Depreciation and amortisation	34	14	48
Other expenses	111	273	384
Total expenses from continuing operations	8,118	10,183	18,301
Operating result from continuing operations	4,646	(372)	4,274
Allocation of corporate services income and expenses to outputs (disclosure only)*:			
Income from ordinary activities	-	-	-
Expenses from ordinary activities	-	-	-

*Corporate services for DEWS are hosted by arrangement with the Department of Natural Resources and Mines.

The accompanying notes form part of these statements.

**Department of Energy and Water Supply
Statement of Comprehensive Income by Major Department Services
for the period ended 30 June 2012**

**2012
\$'000**

Administered on a Whole-of-government basis	Energy	Water Supply and Sewerage Services	Total
Income from continuing operations			
Administered appropriation revenue	72,834	-	72,834
Fees and fines	720	23	743
Grants and other contributions	-	360	360
Other revenue	-	5,667	5,667
Total income from continuing operations	73,554	6,050	79,604
Expenses from continuing operations			
Supplies and services	-	(112)	(112)
Grants and subsidies	72,227	88	72,315
Depreciation and amortisation	-	60	60
Revaluation decrement	-	1	1
Total expenses from continuing operations	72,227	37	72,264
Net operating result before transfers to government	1,327	6,013	7,340
Transfers of administered item revenue to government	(720)	(5,667)	(6,387)
Operating result from continuing operations	607	346	953

The accompanying notes form part of these statements.

**Department of Energy and Water Supply
Statement of Assets and Liabilities by Major Departmental Services as at 30 June 2012**

**2012
\$'000**

	Energy	Water Supply and Sewerage Services	Total
Current assets			
Cash and cash equivalents	20,448	(81)	20,367
Receivables	2,275	318	2,593
Other current assets	1,919	-	1,919
Total current assets	24,642	237	24,879
Non-current assets			
Receivables	2,759	-	2,759
Property, plant and equipment	390	295	685
Intangibles	125	3	128
Total non-current assets	3,274	298	3,572
Total assets	27,916	535	28,451
Current liabilities			
Payables	3,508	6,824	10,332
Accrued employee benefits	334	410	744
Other liabilities	1,265	-	1,265
Total current liabilities	5,107	7,234	12,341
Total liabilities	5,107	7,234	12,341
Net assets	22,809	(6,699)	16,110

The department has systems in place to allocate assets and liabilities by output.

Department of Energy and Water Supply
Statement of Assets and Liabilities by Major Departmental Services as at 30 June 2012

2012
\$'000

Administered on a whole-of-Government basis	Energy	Water Supply and Sewerage Services	Total
Current assets			
Cash and cash equivalents	78,573	(682)	77,891
Receivables	6,379	177	6,556
Total current assets	84,952	(505)	84,447
Non-current assets			
Property, plant and equipment	-	16,390	16,390
Total non-current assets	-	16,390	16,390
Total assets	84,952	15,885	100,837
Current liabilities			
Payables	44,316	87	44,403
Other liabilities	42,311	-	42,311
Total current liabilities	86,627	87	86,714
Total liabilities	86,627	87	86,714
Net assets	(1,675)	15,798	14,123

The department has systems in place to allocate assets and liabilities by output.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

Table of Contents

1. Objectives and principal activities of the department.....	44
2. Reconciliation of payments from consolidated fund.....	57
3. User charges, fees and fines	57
4. Grants and other contributions.....	57
5. Interest revenue	58
6. Other revenue	58
7. Employee expenses.....	58
8. Key executive management personnel and remuneration.....	59
9. Supplies and services	62
10. Grants and subsidies	62
11. Depreciation and amortisation	62
12. Other expenses.....	63
13. Revaluation decrement.....	63
14. Cash and cash equivalents.....	63
15. Receivables	64
16. Other current assets	65
17. Property, plant and equipment.....	65
18. Intangibles.....	68
19. Payables	68
20. Accrued employee benefits.....	69
21. Other liabilities	69
22. Asset revaluation surplus by class.....	69
23. Restructuring of administrative arrangements	70
24. Reconciliation of operating result from continuing operations to net cash.....	72
25. Contributed equity reconciliation.....	72
26. Commitments for expenditure.....	73
27. Contingencies	74
28. Financial Instruments.....	75
Management Certificate.....	83
Independent Auditors Report.....	84

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

1. Objectives and principal activities of the department

Role of the department

Develop and deliver innovative policy, planning and regulatory solutions in partnership with our stakeholders.

Departmental vision

Reduce cost of living pressures through innovative and efficient energy and water supply services.

Objectives of the department

The objectives and principal activities of the Department of Energy and Water Supply are detailed in the body of the Annual Report in the Appendix headed Legislation administered by our department.

Sources of departmental funding

The department is principally funded for the services it delivers by parliamentary appropriations.

Summary of significant accounting policies

(a) Basis of accounting

The Department of Energy and Water Supply has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

The general purpose financial statements have been prepared on an accrual basis, in accordance with Australian Accounting Standards and Interpretations. In addition, these financial statements comply with the Treasury's Minimum Reporting Requirements for the period ending 30 June 2012 and other authoritative pronouncements.

Being a not for profit entity, the department has applied the requirements of Australian Accounting Standards and interpretations applicable to not-for-profit entities.

Except where stated, the historical cost convention is used.

(b) The reporting entity

These financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department and the entities it controls, where these entities are material.

Under current structural arrangements, a number of water-related functions, particularly for water supply in South East Queensland and to coal seam gas water across the State, reside with the Queensland Water Commission (QWC). The Queensland government has announced its intention to introduce a bill into parliament later this year to abolish the QWC with effect from 1 January 2013 and integrate functions into DEWS.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

The major services undertaken by the department are:

- **Energy**

This service area is responsible for reforming, regulating and assisting in the development of the Queensland energy sector, designing energy concessions and rebates, participating in national energy efficiency programs, facilitating access to funding and red tape reduction and for implementing the Government's decision to conduct a major independent review of the electricity sector to address cost of living pressures and sustainability of the sector.

- **Water Supply and Sewerage Services**

This service area is responsible for strategic planning for the sourcing of regional water supplies and the regulation of water supply and sewerage services in Queensland so that agriculture, mining, industry and urban communities have access to safe, secure and sustainable water supply. It is also responsible for planning and implementing the reform of the South East Queensland (SEQ) water sector to address cost of living pressures.

(c) Administered transactions and balances

The department administers, but does not control, certain resources on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives.

The department administers funds on behalf of the State including:

Community Service Obligation (CSO) Transactions

Under the Electricity Act 1994, electricity retailers must charge customers who have not entered into market contracts for their electricity supply at Notified Prices determined in accordance with the Act. The Notified Prices for customers of a particular customer class are uniform across the State. The supply of electricity to customers in regional and remote parts of Queensland generally involves costs which are significantly higher than what the retailer can cover under the Notified Prices due mainly to the vast electricity grid required to serve these customers.

CSO payments are made to Ergon Energy Qld Pty Ltd which is responsible for supplying most of the non-market customers in regional Queensland and in addition a tariff rebate is paid to Origin Energy Electricity Limited in respect of its supply to a small number of customers in South-west Queensland who are supplied from the New South Wales electricity network. CSO payments are also made to SunWater and SeqWater for the provision of rural irrigation services and to SunWater in relation to the Cloncurry Pipeline. However, these payments are currently disclosed as controlled expenditure.

(d) Departmental services revenue/administered revenue

Appropriations provided under the *Appropriation Act 2011* are recognised as revenue when received. Approval has been obtained from Queensland Treasury and Trade to recognise specific adjustments to departmental services revenue. Refer to note 2.

Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as 'administered' item appropriations with the related payments being recorded as administered expenses.

(e) User charges, fees and fines

User charges and fees controlled by the department are recognised as revenues and are invoiced when revenue has been earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and or the recognition of accrued revenue. User charges and fees are controlled by the department where they can be deployed for the achievement of departmental objectives. Refer to note 3.

Fees and fines collected, but not controlled, by the department are reported as administered revenue. Refer to note 3.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(f) Grants and other contributions

Grants, contributions, donations and gifts, non reciprocal in nature, are recognised as revenue in the year in which the department obtains control over them. Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased, had they not been donated.

(g) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash on hand, cash at bank and cash and cheques received but not banked at 30 June 2012, as well as deposits at call with financial institutions.

(h) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase/contract price. Settlement of these amounts is required within a trading term range of 14 days to 30 days from invoice date depending on the service provided.

The collectability of receivables is assessed periodically with provision being made for impairment.

(i) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, such as architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government department, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(j) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Asset Class	Threshold
Buildings	\$ 10,000
Infrastructure	\$ 10,000
Land	\$ 1
Plant and equipment	\$ 5,000

Items with a lesser value are expensed in the year of acquisition.

Research, design and appraisal studies

Preliminary appraisal costs, cost estimates and/or investigating study costs that precede management decisions on the acceptance of particular projects are expensed as incurred.

Repairs and maintenance

Expenditure incurred in maintaining an asset within its normal operating capacity until the conclusion of its useful life is regarded as repairs and maintenance and is expensed.

Expenditure that enhances an existing asset, significantly replaces or refurbishes an asset, or extends the asset's useful life, capacity, function and/or efficiency is capitalised into the carrying amount of the asset.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(k) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the department, less any anticipated residual value. The residual value is zero for all the department's intangible assets.

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

No intangible assets have been classified as held for sale or form a part of a disposal group held for sale.

Purchased software

The purchase cost of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the department, namely 3 – 14 years.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(I) Amortisation of intangibles and depreciation of property, plant and equipment

Land is not depreciated as it has an unlimited useful life.

All intangible assets of the department have finite useful lives and are amortised on a straight line basis.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or re-valued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the department.

Assets under construction (work in progress) are not depreciated or amortised until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the department.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of leases includes any option period where exercise of the option is probable.

Plant and equipment subject to a finance lease is amortised on a straight line basis over the term of the lease, or, where it is likely that the department will obtain ownership of the asset, the expected useful life of the asset to the department.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Physical asset class	Rate %
Buildings	1.7 - 20.0
Infrastructure	1.0 - 20.0
Water purification plants	2.0 - 5.0
Plant and equipment	
Motor vehicles	5.6 - 20.0
Heavy vehicles	4.2 - 20.0
Scientific and technical equipment	3.3 - 33.3
Office equipment	6.7 - 33.3
Computer equipment	7.7 - 33.3
Leasehold improvements	8.3 - 33.3
Boats and boating equipment	5.6 - 20.0
Intangible asset class	
Purchased software	8.3 - 33.3
Internally generated software	5.9 - 33.3

(m) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a re-valued amount. When the asset is measured at a re-valued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Revaluations of non-current physical and intangible assets

Land, buildings, infrastructure, major plant and equipment and heritage and cultural assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*. In respect of these classes, the cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Where intangible assets have an active market they are measured at fair value, otherwise they are measured at cost.

Plant and equipment are measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class. On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Only those assets, the total values of which are material compared to the value of the class of assets to which they belong, are comprehensively re-valued.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

The revaluation methodology for individual asset classes is as follows:

Buildings

The comprehensive valuation process performed by the State Valuation Service includes physical inspections and the identification of the current condition of the asset and its expected remaining useful life.

For non-residential buildings not comprehensively re-valued, the State Valuation Service provides the department with an index for each type of building. The State Valuation Service provides this index based on information supplied from the Queensland Government's Office of Economic and Statistical Research which the State Valuation Service then benchmark against other indices for appropriateness.

(n) Revaluations of non-current physical and intangible assets (cont'd)

Infrastructure

The comprehensive valuation process performed by the State Valuation Service includes physical inspections and identifying the current condition of the asset and its expected remaining useful life.

Those infrastructure assets not comprehensively valued, the State Valuation Service provides the department with an index for each type of asset. The State Valuation Service provides this index based on information supplied from the Queensland Government's Office of Economic and Statistical Research which the State Valuation Service then benchmark against other indices for appropriateness.

(o) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The lease liability is recognised at the same amount.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods which they are incurred.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability.

(p) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

(q) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the department becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

Cash and cash equivalents – held at fair value through profit or loss

Receivables – held at amortised cost

Payables – held at amortised cost

The department does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the department holds no financial assets classified at fair value through profit or loss. All other disclosures relating to the measurement and financial risk management of financial instruments held by the department are disclosed in note 27.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(r) Finance costs

Finance costs for finance lease charges are recognised as an expense in the period in which they are incurred.

(s) Allocation of Revenues and Expenses from Ordinary Activities to Corporate Services

DEWS Corporate Services are hosted under arrangement with Department of Natural Resources and Mines

(t) Insurance

The department's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(u) Taxation

The department is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). As such, input tax credits receivable from and GST payable to the Australian Taxation Office (ATO), along with FBT, are recognised and accrued (refer to note 15).

(v) Issuance of Financial Statements

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the Management Certificate.

(w) Employee Benefits

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(w) Employee Benefits (cont'd)

Annual Leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units and shared service providers. Under this scheme, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

From 1 July 2008, no provision for annual leave will be recognised in the department's financial statements as the liability is held on a Whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the department to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the 's financial statements, the liability being held on a Whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The department's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a Whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Key Executive Management Personnel and Remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to note 8 for the disclosures on key executive management personnel and remuneration.

(y) Contributed equity

Non reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to 'Contributed equity' in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(z) MoG transfer disclosure

Under the requirements of Accounting Policy Guidelines 9, for each activity or project transferred as part of a MoG change, the receiving department must disclose, as a note to the financial statements, the expenses and revenues incurred for the whole period and the revenues and expenses earned or incurred by the transferor. This is not able to be provided in these financial statements because of the complexity of parts of functions transferring from ex Department of Environment Resource Management and the former Department of Economic, Employment Development and Innovation and the ability to reliably provide accurate revenue and expenses applicable to each of the functions through the financial systems.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(aa) Accounting Estimates and Judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have that potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation of Property, Plant and Equipment - note 17

Contingencies - note 26

The Australian Government passed the *Clean Energy Act 2011*. The legislation will result in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

The flexible market-based price phase of the carbon pricing mechanism will commence on 1 July 2015. It will be preceded by a three-year period during which the price of permits will be fixed at \$23 per tonne or carbon dioxide equivalent in year one, \$24.15 in year two and \$25.40 in year three.

Section 4.3.4 of Queensland Treasury and Trade's report on 'Carbon Price Impacts for Queensland' dated August 2011 indicates that, for non-residential construction activities, costs may increase by between 0.7 per cent and 0.8 per cent over the period 2012-13 to 2015-16.

On this basis and other information available, the introduction of the carbon pricing mechanism is not expected to have a significant impact on the Department of Energy and Water Supply critical accounting estimates, assumptions and management judgements.

(ab) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

No prior period information on key executive management personnel remuneration has been disclosed in note 8 due to the comprehensive nature of the information for the compilation of the comparatives.

(ac) New and revised accounting standards

The department did not voluntarily change any of its accounting policies during 2011-12. Australian accounting standard changes applicable for the first time for 2011-12 have had minimal effect on the department's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] became effective from reporting periods beginning on or after 1 January 2011. Given the department's existing financial instruments, there was only a minor impact on the department's financial instruments note (note q), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the department's receivables as at 30 June 2012 (and as at 30 June 2011), receivables are not included in the credit risk disclosure in this year's financial statements.

As the department held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the *department's financial instruments note arising from the amendments to AASB 7 Financial Instruments: Disclosures*.

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 May 2012. Given the department's previous disclosure practices, AASB 1054 had minimal impact on the department. One of the footnotes to note 12 Other Expenses, regarding audit fees, has been slightly amended to identify the department's auditor and clarify the nature of the work performed by the auditor. [

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113] also became effective from reporting periods beginning on or after 1 May 2012. The only potential implication for the department from this amending standard was the deletion from

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012
(ac) New and revised accounting standards (cont'd)

AASB101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Queensland Treasury and Trade's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the department's commitments note (note 25).

The department is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the department has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The department applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian accounting standards with future commencement dates are as set out below.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] applies as from reporting periods beginning on or after 1 July 2012. The only impact for the will be that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section will need to be presented in different sub-sections, according to whether or not they are subsequently re-classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

AASB 13 Fair Value Measurement applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the department's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The department has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the department is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the department's property, plant and equipment as from 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the department, the amount of information to be disclosed will be relatively greater.

AASB 9 Financial Instruments (December 2010) and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the department are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The department has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the department's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the department enters into, it is not expected that any of the department's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the department's financial assets are expected to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in notes **m** and **o**). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the department's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012
(ac) New and revised accounting standards (cont'd)

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*; and
- AASB 2011 -7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] .

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the department is not yet in a position to reliably determine the future implications of these new and revised standards for the department's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, which is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, subject to any not-for-profit modifications yet to be made to AASB 10, the department will need to re-assess the nature of its relationships with other entities, including entities that aren't currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the department will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the department will be required to make as from its 2013-14 financial statements will depend on the department's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the department's circumstances, the only implications for the department are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". However, as the department is a member of the Queensland Government central schemes for annual leave and long service leave, this change in criterion has no impact on the department's financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The department only contributes to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on the department.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

(ac) New and revised accounting standards (cont'd)

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as “tier 1”), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as “tier 2”). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

Details of which disclosures in standards and interpretations are not required under tier 2 reporting are set out in amending standards AASB 2010-2, AASB 2011-2, AASB 2011-6 and AASB 2011-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade’s Financial Reporting Requirements effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the department may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the department, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of tier 1 reporting by all Queensland Government departments (including the department) and statutory bodies that are consolidated into the Whole-of-government financial statements. Queensland Treasury’s policy also prohibits the early adoption of the arrangements outlined in AASB 1053 and its accompanying amending standards. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the department.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the department’s activities, or have no material impact on the department.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

2012
\$'000

2. Reconciliation of payments from consolidated fund

Reconciliation of payments from Consolidated Fund to departmental services revenue recognised in the Statement of Comprehensive Income

Budgeted departmental services appropriation	-
Transfers from/to other departments Redistribution of public business	46,574
Equity	100
Administered	(23,819)
Net departmental services receipts	22,855
Closing balance of Appropriation adjustment receivable/payable	(560)
Departmental services revenue recognised in Statement of Comprehensive Income	22,295

Reconciliation of payments from Consolidated Fund to equity adjustment recognised in Contributed Equity

Budgeted equity adjustment appropriation	-
Departmental service revenue	(100)
Equity adjustment recognised in Contributed Equity	(100)

Administered on a whole- of Government basis

Reconciliation of payments from Consolidated Fund to administered appropriation revenue recognised in the Statement of Comprehensive Income

Budgeted departmental services appropriation	-
Transfers from/to other departments Redistribution of public business	58,585
Administered service revenue	23,819
Unforeseen expenditure	32,741
Total appropriation services receipts	115,145
Closing balance of Appropriation adjustment receivable/payable	(42,311)
Administered services revenue recognised in Statement of Comprehensive Income	72,834

3. User charges, fees and fines

Services rendered	88
	88

Administered on a Whole-of-government basis

Fees	743
	743

4. Grants and other contributions

Administered on a Whole-of-government basis

Dam spillway grant for Ibis Dam	360
	360

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

2012
\$'000

5. Interest Revenue

Interest received on fund balances	18
Other interest – finance lease	<u>(5)</u>
	<u>13</u>

6. Other revenue

Recoveries	173
Other	<u>6</u>
	<u>179</u>

Administered on a Whole-of-government basis

Other – Underground water management seed funding	<u>5,667</u>
	<u>5,667</u>

7. Employee expenses

Employee benefits

Salaries and wages	3,180
Employer superannuation contributions *	497
Long service leave levy *	278
Other employee benefits	9

Employee related expenses

Salary related taxes *	219
Workers' compensation *	<u>48</u>
	<u>4,231</u>

* Refer note 1(w)

The number of employees as at 30 June 2012 including both full-time employees and part-time employees measured on a full-time equivalent basis is 266

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

8. Key executive management personnel and remuneration

a) Key Executive Management Personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the agency during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from position)
Director-General	The Director General is responsible for the efficient, effective and economic administration of the department.	CEO3 employed under Section 92 of the <i>Public Service Act 2008</i>	21 May 2012
Acting Deputy Director-General, Energy	The Acting Deputy Director-General is responsible for the efficient, effective and economic administration of the Energy functions and responsibilities of the department.	SES4.2 employed under s122 of the <i>Public Service Act 2008</i>	9 August 2010 to 3 June 2012
Deputy Director-General, Energy	The Deputy Director-General is responsible for the efficient, effective and economic administration of the Energy functions and responsibilities of the department.	CEO5.5 employed under s122 of the <i>Public Service Act 2008</i>	4 June 2012
Group Executive, Business and Corporate Partnership	The Group Executive is responsible for the efficient, effective and economic administration of the Human Resource, ICT, Strategy, Performance, Business Services, Finance, Media, Communications, and Corporate Partnership functions of the department.	SES4.2 employed under s122 of the <i>Public Service Act 2008</i>	5 July 2010
General Manager, Water Supply Policy and Management	The General Manager, Water Supply Policy and Management is responsible for the efficient, effective and economic administration of energy and water governance and liaison functions for the department.	SES2.3 employed under s122 of the <i>Public Service Act 2008</i>	7 December 2011
General Manager, Planning Performance and Governance and Chief Finance Officer	The General Manager, Planning Performance and Governance and Chief Finance Officer is responsible for the efficient, effective and economic administration of departmental Planning, Performance and Governance responsibilities, management of the Business and Corporate Partnership and strategic leadership and direction for the financial administration of the department.	SES2.3 employed under the <i>Public Service Act 2008</i>	27 October 2011
Director, Floods Inquiry Response and Delivery	The Director is responsible for the efficient, effective and economic administration of the natural resources operations functions and responsibilities of the agency in regards to Floods Inquiry Response and Delivery	SO(1) employed under the <i>Public Service Act 2008</i>	7 February 2012
General Manager, Queensland Water Regulator, Office of the Water Supply Regulator	The General Manager is responsible for the efficient, effective and economic administration of Queensland's water supply regulator functions of the department.	SES2.4 employed under the <i>Public Service Act 2008</i>	3 September 2008

8. Key executive management personnel and remuneration (cont'd)

b) Remuneration

Remuneration policy for the agency's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts.

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
 - Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

8. Key executive management personnel and remuneration (cont'd)

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

1 May 2012 – 30 June 2012

Position (date resigned if applicable)	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director-General	43	1	1	2	-	47
Acting Deputy Director-General, Energy	6	3	-	2	-	11
Deputy Director-General, Energy	20	1	1	1	-	23
Group Executive, Business and Corporate Partnership*	-	-	-	-	-	-
General Manager, Water Supply Policy and Management	25	2	-	3	-	30
General Manager, Planning Performance and Governance and Chief Finance Officer	32	2	1	3	-	38
Director, Floods Inquiry Response and Delivery	22	-	-	3	-	25
General Manager, Queensland Water Regulator, Office of the Water Supply Regulator	25	5	1	3	-	34

* This position is shared with the Department of Natural Resources and Mines (DNRM) and is fully funded by DNRM to 30 June 2012 as per the Corporate Partnership arrangement.

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

2012
\$'000

9. Supplies and services

Queensland Government Solar Hot Water Rebate	1,899
Shared service provider costs paid to the Shared Service Agency	234
Office accommodation	191
Computer expenses	171
Consultants and contractors	146
Miscellaneous supplies	118
Travel	84
Supplies and consumables	29
Motor vehicle	28
Subscriptions and memberships	24
Other	42
	<u>2,966</u>

Administered on a Whole-of-government basis

Contractors	(100)
Other	(12)
	<u>(112)</u>

10. Grants and subsidies

Community service obligation payments (Water)*	3,884
Grants and subsidies	6,788
	<u>10,672</u>

*Full year payments in 2011/12 are \$15.074 million

Administered on a Whole-of-government basis

Community service obligation (Energy)*	72,227
Other **	88
	<u>72,315</u>
*Full year payments in 2011/12 are \$420,798 refer note 1(c)	
** These administered grants and subsidies represent individual amounts that are less than \$200,000	

11. Depreciation and amortisation

Incurring in respect of:	
Plant and equipment	40
Intangibles	8
	<u>48</u>

Administered on a Whole-of-government basis

Incurring in respect of:	
Buildings	1
Infrastructure	59
	<u>60</u>

Department of Energy and Water Supply
Notes to and forming part of the Financial Statements for the period ended 30 June 2012

2012
 \$'000

12. Other expenses

Legal fees	86
External audit fees *	8
Bad and impaired debts	3
Other	287
	<u>384</u>

* Total external audit fees relating to the 2012 financial year are estimated to be \$70,000. There are no non-audit services included in this amount.

13. Revaluation decrement

Administered on a Whole-of-government basis	
Revaluation decrement (Land)	1
	<u>1</u>

14. Cash and cash equivalents

Imprest accounts	1
Cash at bank	20,366
	<u>20,367</u>

Departmental bank accounts grouped within the Whole-of-government set-off arrangement with the Queensland Treasury and Trade Corporation do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

Administered on a Whole-of-government basis	
Cash at bank	77,891
	<u>77,891</u>

15. Receivables

Trade debtors	597
Less: Provision for impairment	<u>26</u>
	571
Annual leave claim receivable	381
Long service leave reimbursements	76
Loans and advances	13
Departmental service revenue	1,507
Other	<u>45</u>
	2,022
Total current assets	<u><u>2,593</u></u>
Non-current	
Loans and advances	<u>2,759</u>
	<u><u>2,759</u></u>

Movements in the allowance of provision for impairment

Impairment through Machinery of Government	26
Amounts recovered during the period	-
Amounts written off during the period	-
Increase/(decrease) in allowance recognised in operating result	<u>-</u>
Balance at 30 June 2012	<u><u>26</u></u>

15. Receivables (continued)

Administered on a Whole-of-government basis	
Trade debtors*	6,405
Less: Provision for impairment	<u>26</u>
	6,379
Other	<u>177</u>
Total current assets	<u><u>6,556</u></u>
* For the two month interim period corporate services are hosted by the Department of Natural Resources and Mines	
Movements in the allowance of provision for impairment	
Impairment through Machinery of Government	26
Amounts written off during the period	-
Amounts recovered during the period	-
Increase/decrease in allowance recognised in operating result	<u>-</u>
Balance at 30 June 2012	<u><u>26</u></u>

16. Other current assets

Current

Prepayment – Solar Rebate	1,919
	<u>1,919</u>

17. Property, plant and equipment

Non-current

Plant and equipment

At cost	1,580
Less: accumulated depreciation	<u>895</u>
	<u>685</u>

Administered on a Whole-of-government basis

Non-current

Land

At valuation	854
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Buildings

At valuation	98
Less: accumulated depreciation	<u>(15)</u>

83

Infrastructure

At valuation	20,915
Less: accumulated depreciation	<u>(6,202)</u>

14,713

Work in progress

740

Total	<u>16,390</u>
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17. Property, plant and equipment (continued)

Property, plant and equipment reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period

	Acquisitions through MoG change	Acquisitions	Depreciation	External transfers	Impairment	Transfers to assets held for sale	Transfers between classes	Revaluation increments (decrements)	Disposals	Balance 30 June 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment	725	-	(40)	-	-	-	-	-	-	685
	725	-	(40)	-	-	-	-	-	-	685

Plant and equipment is valued at cost as prescribed in Queensland Treasury and Trade's *Non-current Asset Policies for the Queensland Public Sector*.

17. Property, plant and equipment (continued)

Property, plant and equipment reconciliation									
Reconciliation of the carrying amounts of each class at the beginning and end of the previous reporting period.									
	Acquisitions through MoG change \$'000	Acquisitions \$'000	Depreciation \$'000	External Transfers \$'000	Transfers to assets held for sale \$'000	Transfers between classes \$'000	Revaluation increments (decrements) \$'000	Disposals \$'000	Balance 30 June 2012 \$'000
Land	855	-	-	-	-	-	(1)	-	854
Buildings	63	-	(1)	-	-	-	21	-	83
Infrastructure	14,729	-	(59)	-	-	-	43	-	14,713
Work in progress	-	740	-	-	-	-	-	-	740
	<u>15,647</u>	<u>740</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63</u>	<u>-</u>	<u>16,390</u>

Department of Energy and Water Supply
Notes to and Forming Part of the Financial Statements as at 30 June 2012

2012
\$'000

18. Intangibles

Purchased software	
At cost	793
Less: accumulated amortisation	<u>668</u>
	<u>125</u>
Software internally generated	
At cost	<u>3</u>
	<u><u>128</u></u>

Intangibles reconciliation

Reconciliation of the carrying amounts of each class at the beginning and end of the current reporting period

	Acquisitions through MoG change \$'000	Acquisitions \$'000	Amortisation \$'000	Transfers between classes \$'000	External transfers \$'000	Disposals \$'000	Balance 30 June 2012 \$'000
Purchased software	133	-	(8)	-	-	-	125
Software internally generated	3	-	-	-	-	-	3
	<u>136</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128</u>

19. Payables

Current	
Trade creditors	340
Grants and subsidies payable	6,503
Taxes payable	167
Payables of operating nature	3,321
Other creditors	<u>1</u>
	<u>10,332</u>

Administered on a Whole-of-government basis

Current	
Transfer of administered item revenue to government payable	6,062
Community service obligations	38,254
Other creditors	<u>87</u>
	<u>44,403</u>

20. Accrued employee benefits

Wages outstanding	1
Annual leave levy payable	659
Long service leave levy payable	84
	<u>744</u>

21. Other liabilities

Current	
Unearned revenue	1,265
	<u>1,265</u>

Administered on a Whole-of-government basis

Current	
Unearned revenue	42,311
	<u>42,311</u>

22. Asset revaluation surplus by class

Administered on a Whole-of-government basis

Water Asset revaluation surplus by class – current reporting period

	Balance 1 May 2012	Revaluation increments (decrements)	Balance 30 June 2012
Buildings	-	21	21
Infrastructure	-	43	43
	<u>-</u>	<u>64</u>	<u>64</u>

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

23. Restructuring of administrative arrangements

As a result of Public Service Departmental Arrangements Notices dated 3 April 2012, responsibility for the functions and duties of the departmental services named below were transferred to DEWS effective 1 May 2012. The assets and liabilities transferred are as follows:

	Department of State Development, Infrastructure and Planning	Department of Environment and Heritage Protection	Total
Current assets			
Cash and cash equivalents	(24)	7,019	6,995
Receivables	(173)	121	(52)
Other assets	5,482	19	5,501
Total current assets	5,285	7,159	12,444
Non-current assets			
Property, plant and equipment	514	308	822
Receivables	2,741	-	2,741
Intangibles	132	288	420
Total Non-current assets	3,387	596	3,983
Total assets	8,672	7,755	16,427
Current liabilities			
Payables	(30)	3,967	3,937
Accrued employee benefits	102	393	495
Other liabilities	159	-	159
Total current liabilities	231	4,360	4,591
Total liabilities	231	4,360	4,591
Net assets	8,441	3,395	11,836

23. Restructuring of administrative arrangements (cont'd)

	Department of State Development, Infrastructure and Planning	Department of Environment and Heritage Protection	Total
Current assets			
Cash and cash equivalents	28,321	(259)	28,062
Receivables	33,024		33,024
Total current assets	61,345	(259)	61,086
Non-current assets			
Property, plant and equipment	-	15,647	15,647
Total Non-current assets	-	15,647	15,647
Total assets	61,345	15,388	76,733
Current liabilities			
Payables	63,627	-	63,627
Total current liabilities	63,627	-	63,627
Total liabilities	63,627	-	63,627
Net assets	(2,282)	15,388	13,106

2012
\$'000

24. Reconciliation of operating result from continuing operations to net cash

Operating result from continuing operations	4,274
Depreciation and amortisation expense	48
Bad and impaired debts	3
Assets write-off	285
Interest received	(25)
Change in assets and liabilities	
(Increase)/decrease in net receivable	(1,545)
(Increase)/decrease in other current assets	(5,473)
Increase/(decrease) in accounts payable	2,931
Increase/(decrease) in accrued employee benefits	463
Increase/(decrease) in other current liabilities	4,586
Net cash from operating activities	5,547

Administered on a whole-of Government basis

Operating result from continuing operations	953
Depreciation expense	60
Revaluation decrement	1
Change in assets and liabilities	
(Increase)/decrease in net operating receivables	(6,379)
Increase/(decrease) in payables	86,714
Net cash (used in) in operating activities	81,349

25. Contributed equity reconciliation

Appropriated equity withdrawals	(100)
Non appropriated equity withdrawals	(330)
Net assets received via machinery of Government	12,266
Balance at 30 June 2012	11,836

Administered on a Whole-of-Government basis

Net assets received via machinery of Government	13,106
Balance at 30 June 2012	13,106

2012
\$'000

26. Commitments for expenditure

a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

Operating expenses	274
Building, car park and storage leases	<u>3,712</u>
	<u>3,986</u>
Not later than one year	1,516
Later than one year and not later than five years	1,582
Later than five years	<u>888</u>
	<u>3,986</u>

b) Other expenditure commitments

Other expenditure committed at the end of the period but not recognised in the accounts are as follows:

Operating expenses	3,030
Building, car park and storage leases	<u>3,389</u>
	<u>6,419</u>
Not later than one year	1,089
Later than one year and not later than five years	4,442
Later than five years	<u>888</u>
	<u>6,419</u>

c) Grants and Subsidies

Other expenditure committed at the end of the period but not recognised in the accounts are as follows:

Operating expenses	-
Grants and subsidies	<u>26,090</u>
	<u>26,090</u>
Not later than one year	25,353
Later than one year and not later than five years	737
Later than five years	<u>-</u>
	<u>26,090</u>

d) Capital expenditure commitments (continued)

Material classes of capital expenditure commitments inclusive of GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

Plant and equipment	67
	<u>67</u>
Payable:	
No later than one year	67
	<u>67</u>

27. Contingencies

Contingent liabilities

(a) Guarantees and undertakings

During 2011-12 the department has been a party to numerous indemnity capped procurement arrangements. These contracts are primarily with suppliers of information technology infrastructure and software and related maintenance, statistical methodologies and water infrastructure. Contract lives are short term in nature.

(b) Litigation in progress

As at 30 June 2012 the following claims against the department were filed in the courts or lodged with the department:

	Claims
Anti Discrimination Court	-
District Court	-
Magistrates Court	-
Supreme Court	-
Jurisdiction not available – lodged with department	1
	<u>1</u>
	<u>1</u>

It is not possible to make a reliable estimate of probable outcome of this claims, or of any financial effect.

Depending on the outcome of the litigation process, indemnity for the department may be sought in respect of some of the above matters through the Queensland Government Insurance Fund.

28. Financial instruments

Categorisation of financial instruments

The department has the following categories of financial assets and financial liabilities:

Category

Financial assets

Cash and cash equivalents	20,367
Receivables	2,593
	<u>22,960</u>

Financial liabilities

Payables	10,332
	<u>10,332</u>

- **Financial risk management**

The department's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

The department measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

- **Credit risk exposure**

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

28. Financial instruments (continued)

Maximum exposure to credit risk

Financial assets

Cash and cash equivalents	20,367
Receivables	2,593
	<u>22,960</u>

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

The department manages credit risk through the use of the credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2012 Financial assets past due but not impaired

	Less than 30 days \$'000	Overdue			Total \$'000
		30-60 days \$'000	61-90 days \$'000	More than 90 days \$'000	
Receivables	2,593	-	-	-	2,593
	<u>2,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,593</u>

**Department of Energy and Water Supply
Notes to and Forming Part of the Financial Statements as at 30 June 2012**

28. Financial instruments (continued)

Financial liabilities

The guarantee given by the department meets the definition of a financial guarantee contract as per AASB 139 and as such the maximum exposure to the department is disclosed above.

The department assesses on an annual basis, in conjunction with independent professional advice from experts in this field, the fair value of the financial guarantee as at 30 June.

- **Liquidity risk**

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The department is exposed to liquidity risk through its trading in the normal course of business and borrowings from promissory notes.

The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

	Note	2012 Payable in:			Total
		<1 Year	1-5 Years	>5 Years	
Financial liabilities		\$'000	\$'000	\$'000	\$'000
Payables		10,332	-	-	10,332
Total		10,332	-	-	10,332

- **Market risk**

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per its liquidity risk management strategy.

Department of Energy and Water Supply
Notes to and Forming Part of the Financial Statements as at 30 June 2012

28. Financial instruments (continued)

• Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome to the comprehensive income if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets and liabilities.

	2012 Interest rate risk				
	Carrying amount	-1%		+1%	
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents					
- non-interest bearing	20,367	(204)	(204)	204	204
Receivables					
- non-interest bearing	2,593	(26)	(26)	26	26
- variable interest rate	-	-	-	-	-
Potential Impact	22,960	(230)	(230)	230	230

(a) Categorisation of financial instruments

The department has the following categories of financial asset and liabilities:

Administered on a Whole-of-government basis	2012 \$'000
Category	
Financial assets	
Cash and cash equivalents	77,891
Receivables	6,556
	84,447
Financial liabilities	
Payables	44,403
	44,403

28. Financial instruments – Administered on a Whole-of-government basis (continued)

(b) Financial risk management

The department's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and departmental policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under approved departmental financial management policies. The department utilises written principles for overall risk management, as well as policies covering specific areas.

The department measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

28. Financial instruments – Administered on a Whole-of-government basis (continued)

Administered on a Whole-of-government basis	
Maximum exposure to credit risk	
Financial assets	
Cash and cash equivalents	77,891
Receivables	6,556
	84,447

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

The department manages credit risk through the use of the credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the department invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The method for calculating any provision for impairment is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the department's documented risk analysis assessment in conjunction with historic experience and associated industry data.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2012 Financial assets past due but not impaired

Administered on a Whole-of-government basis					
	Overdue				Total
	Less than 30	30-60 days	61-90 days	More than	
	days			90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables	6,556	-	-	-	6,556
	6,556	-	-	-	6,556

**Department of Energy and Water Supply
Notes to and Forming Part of the Financial Statements as at 30 June 2012**

28. Financial instruments – Administered on a Whole-of-government basis (continued)

(c) Credit risk exposure

Financial liabilities

The guarantee given by the department meets the definition of a financial guarantee contract as per AASB 139 and as such the maximum exposure to the department is disclosed above.

The department assesses on an annual basis, in conjunction with independent professional advice from experts in this field, the fair value of the financial guarantee as at 30 June.

(d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The department is exposed to liquidity risk through its trading in the normal course of business and borrowings from promissory notes.

The department manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the department. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

Administered on a Whole-of-government basis				
Note	2012- Payable in:			Total
	<1 Year	1-5 Years	>5 Years	
	\$'000	\$'000	\$'000	\$'000
Financial liabilities				
Payables	44,403	-	-	44,403
Total	44,403	-	-	44,403

(e) Market risk

The department does not trade in foreign currency and is not materially exposed to commodity price changes. The department is exposed to interest rate risk through its finance leases. The department does not undertake any hedging in relation to interest risk and manages its risk as per its liquidity risk management strategy.

Department of Energy and Water Supply
Notes to and Forming Part of the Financial Statements as at 30 June 2012

28. Financial instruments – Administered on a Whole-of-government basis (continued)

(f) Interest rate sensitivity analysis

The following interest rate sensitivity depicts the outcome to comprehensive income if interest rates would change by +/- 1% from the year end rates applicable to the department's financial assets and liabilities

Administered on a Whole-of-government basis					
	Carrying amount	2012 Interest rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents					
-non-interest bearing	77,891	(779)	(779)	779	779
Receivables					
-non-interest bearing	6,556	(65)	(65)	65	65
-variable interest rate	-	-	-	-	-
Potential Impact	84,447	(844)	(844)	844	844

(g) Fair value

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for note disclosure purposes.

The fair value of cash and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts as reported in the Statement of Financial Position.

The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments. The carrying amounts of all financial assets are representative of their fair value.

Management Certificate

Department of Energy and Water Supply

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Energy and Water Supply for the financial period ended 30 June 2012 and of the financial position of the department at as 30 June 2012.

Danny Short BCom CPA
Chief Finance Officer

11 October 2012

Jonathan (Jon) PC Black
Director-General

11 October 2012

Independent Auditor's Report

To the Accountable Officer of the Department of Energy and Water Supply

Report on the Financial Report

I have audited the accompanying financial report of the Department of Energy and Water Supply, which comprises the statements of financial position and statements of assets and liabilities by major departmental services as at 30 June 2012, the statements of comprehensive income, statements of changes in equity, statements of cash flows and statements of comprehensive income by major departmental services for the period 1 May 2012 to 30 June 2012, notes comprising a summary of significant accounting policies and other explanatory information, and the certificates given by the Director-General and Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

The Accountable Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Accountable Officer's responsibility also includes such internal control as the Accountable Officer determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Accountable Officer, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s40 of *the Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Energy and Water Supply for the financial period 1 May 2012 to 30 June 2012 and of the financial position as at 30 June 2012.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of the Department of Energy and Water Supply for the period 1 May 2012 to 30 June 2012. Where the financial report is included on the Department of Energy and Water Supply's website the Accountable Officer is responsible for the integrity of Department of Energy and Water Supply's website and I have not been engaged to report on the integrity of Department of Energy and Water Supply's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

A M Greaves FCA FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Appendix 1 Legislation

Legislation administered by DEWS as at 30 June 2012.

Clean Energy Act 2008

Electricity Act 1994

Electricity-National Scheme (Queensland) Act 1997

Energy and Water Ombudsman Act 2006

Gas Supply Act 2003

Gladstone Power Station Agreement Act 1993

Liquid Fuel Supply Act 1984

Metropolitan Water Supply and Sewerage Act 1909

National Gas (Queensland) Act 2008

Nuclear Facilities Prohibition Act 2007

South-East Queensland Water (Distribution and Retail Restructuring) Act 2009

South East Queensland Water (Restructuring) Act 2007 (in so far as the Minister is a jointly Responsible Minister for the purpose of Chapter 2 of this Act)

Water Act 2000 Chapter 2, Part 2 Div 2A and 4, (except for section 34C) Chapter 2A, Chapter 4 (to the extent that it is relevant to Category 1 Water Authorities), Chapter 9 Part 2 and, to the extent relevant to all these parts, Chapters 5, 6 and 7)

Chapter 8, s. 999 and Part 4A and Part 5 jointly administered with the Minister for Natural Resources and Mines

Water Efficiency Labelling and Standards Act 2005

Water Supply (Safety and Reliability) Act 2008

Appendix 2 Schedule of statutory authorities or instrumentalities

Class and name	Type of statutory authority or instrumentality	Legislation under which the body was established	Control of funds	Annual reporting arrangements
Advisory Council to the Energy and Water Ombudsman Queensland	Statutory Body	<i>Energy and Water Ombudsman Act 2006</i>	No funds	Included in Energy and Water Ombudsman Queensland's Annual Report
Energy and Water Ombudsman Queensland	Statutory position	<i>Energy and Water Ombudsman Act 2006</i>	Controls own funds	Annual Report to Parliament
Gladstone Area Water Board	Body corporate	<i>Water Act 2000</i>	Controls own funds	Annual Report to Parliament
Mount Isa Water Board	Body corporate	<i>Water Act 2000</i>	Controls own funds	Annual Report to Parliament
Queensland Bulk Water Supply Authority (Seqwater)	Statutory body	<i>South East Queensland Water (Restructuring) Act 2007</i>	Controls own funds	Annual Report to Parliament
Queensland Bulk Water Transport Authority (LinkWater)	Statutory body	<i>South East Queensland Water (Restructuring) Act 2007</i>	Controls own funds	Annual Report to Parliament
Queensland Water Commission	Statutory body	<i>Water Act 2000</i>	Controls own funds	Annual Report to Parliament
SeqWater Grid Manager	Statutory body	<i>South East Queensland Water (Restructuring) Act 2007</i>	Controls own funds	Annual Report to Parliament

Appendix 3 Schedule of Government Owned Corporations

Government Owned Corporation	Legislation under which the body was established	Control of funds	Annual reporting arrangements
CS Energy	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament
ENERGEX Limited	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament
Ergon Energy Corporation Limited	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament
Queensland Electricity Transmission Corporation Limited (Powerlink Queensland)	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament
Stanwell Corporation Limited	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament
SunWater Limited	<i>Government Owned Corporations Act 1993</i>	Controls own funds	Annual Report to Parliament

Appendix 4 Performance statement

DEWS		2011–12 target / estimate	2011–12 estimated actual	2011–12 actual
Service standards				
Estimated amount of new energy generated from renewable energy initiatives and projects facilitated	1	120MW	257MW	257MW
Relative reduction in peak electricity network demand capacity from demand management/energy efficiency initiatives and projects facilitated	2	55MW	87.81MW	87.81MW
Estimated greenhouse gas emissions saved (tonnes Co2 equivalent) from clean energy initiatives and projects facilitated	3	200,000	287,797	287,797
Other measures				
Number of initiatives and projects facilitated that drive clean energy and energy efficiency solutions for Queensland	4	35	91	91
Level of compliance with energy regulatory and shareholder service requirements by energy retailers, distributors and generators	5	>95%	99%	99%
Pieces of legislation and regulatory frameworks reviewed and reformed	6	30	30	30
Consultative and engagement forums with industry and community stakeholders	7	162	193	193
Significant one-on-one business consultations undertaken	8	1,000	0	0
Information transactions and packages	9	95,300	31,268	31,268
Percentage of the State's drinking water services that have appropriate drinking water quality monitoring and response frameworks in place	10	100%	83.3%	83.3%

Variance reporting

1. This performance measure is discontinued in 2012-13 as the funding for this program has ceased.
2. This performance measure was transferred from the former DEEDI following machinery of Government changes. The measure was previously presented under the Mines and Energy service area. Over target due to a number of outcomes being achieved ahead of schedule, changes to the MW calculations and as a result of information now to hand which was previously unknown.
3. This performance measure is discontinued in 2012–13 as the funding for this program has

ceased.

4. This performance measure is discontinued in 2012–13 as the funding for this program has ceased.
5. This performance measure was transferred from the former DEEDI following machinery of Government changes. The measure was previously presented under the Mines and Energy service area.
6. This performance measure is discontinued and replaced by regulatory reduction initiatives completed as its contribution to 20 per cent reduction in red tape target.
7. This performance measure was transferred from the former DEEDI following machinery of Government changes. The measure was previously presented under the ‘Mines and Energy’ service area. Due to the transition of the COAG council system, new working groups have developed and meetings have increased. This performance measure was a whole of department measure. This figure only represents the Energy business area. The Mining and Petroleum and the Mines Safety and Health components of this measure are presented in the SDS for DNRM.
8. The Climate Smart Business Service never commenced therefore no consultations with firms were undertaken. The 2010–11 target/estimate presented represents the Energy business area only. The Mine Safety and Health element of this measure is presented in the SDS for DNRM.
9. The 2010–11 target/estimate presented represents the Energy business area only. The Mining and Petroleum component of this measure is presented in SDS for the DNRM. Information transaction packages decreased due to the closure of the Federal Rebate of Solar Hot Water Scheme. Application packs would have also been provided to customers through suppliers. Also, data from Bright Thing campaign has been decommissioned.
10. This performance measure was transferred from the former DERM following machinery of Government changes. The measure was previously presented under the Water service area. There are currently 78 drinking water service providers of which seven have approved Drinking Water Quality Management Plans and 71 monitor *E. coli* levels. Reviews are being conducted on non-compliant providers to determine if further action needs to be taken to ensure providers achieve compliance. The variance is due to issues such as natural disasters, capacity, and staff turnover within the providers. By 1 July 2013 all providers will be required to have an approved Drinking Water Quality Management Plan in place.

Appendix 5 Report of the Regulator's activities under the *Water Supply (Safety and Reliability) Act 2008*

For the reporting period 1 July 2011 – 30 June 2012

On 1 July 2008, the *Water Supply (Safety and Reliability) Act 2008* (the Act) introduced new provisions to protect public health—by regulating recycled water and drinking water quality, and by incorporating the existing service provider provisions of Parts 1–5 of Chapter 3 of the *Water Act 2000*.

The Act provides for the Chief Executive of DEWS, as the regulator, to undertake certain duties under these provisions, which may include the preparation of an annual report (Chapter 2, Part 2 of the Act). This summary is the regulator's report for the period 1 July 2011 to 30 June 2012.

Recycled water

Chapter 3 of the Act requires a recycled water provider to have either an approved recycled water management plan (RWMP) or a granted exemption by the timeframes stipulated in accordance with the uses below:

- augmenting drinking water supplies or dual reticulation or the irrigation of minimally processed food crops (as stated in the Public Health Regulation)—these schemes must have an approved RWMP prior to commencing supply
- any other purposes—schemes that existed before 1 July 2008 must have an approved RWMP or exemption by 1 July 2013. Those that commenced supply on or after 1 July 2008 must have an approved RWMP or exemption within one year of first supplying the water.

Schemes that are declared critical, such as those that plan to augment a drinking water supply (Western Corridor Recycled Water Project) and dual reticulation schemes (Pimpama Coomera) cannot apply for an exemption from having an approved recycled water management plan for the scheme.

Regulatory guidelines have been prepared by the regulator to assist recycled water providers to comply with the recycled water provisions of the Act. These are:

- recycled water management plan and validation guidelines
- recycled water management plan exemption guidelines
- water quality guidelines for recycled water schemes
- recycled water management plan audit reporting guideline
- Annual reporting guideline for recycled water schemes.

The regulator provides ongoing advice on the regulatory requirements for the RWMP for the Western Corridor Recycled Water Project as well as numerous other water recycling projects for dual reticulation, the irrigation of a range of minimally processed food crops and many other uses. To date, the department has granted:

- one validation program
- eight RWMP approvals
- six exemptions.

As at 30 June 2012, the department has received an additional thirteen other formal applications seeking approval of a RWMP or exemption. These applications are either being processed or are awaiting additional information to be submitted by the recycled water provider.

Drinking water quality

The regulatory framework for managing drinking water quality in Queensland, introduced in 2008, aims to protect public health. The regulatory requirements have been managed through a phased approach, commencing with mandatory monitoring and reporting requirements and culminating with the requirement for all registered drinking water service providers (providers) to have an approved risk based drinking water quality management plan (DWQMP). To support the regulatory framework and establish a consistent approach, procedures and processes for communicating with, and providing technical support to, providers are in place. The Regulator also works closely with Queensland Health to ensure that providers appropriately manage drinking water quality incidents and protect public health.

From 2 January 2009 up to when a DWQMP is approved, providers are required to:

- monitor their drinking water quality
- submit to the regulator, quarterly reports summarising this monitoring
- report drinking water quality incidents to the regulator.

From 1 July 2011 to 30 June 2012 there were 216 incidents reported, with the majority of these incidents relating to detections of *Escherichia coli* (E.coli). The number and pattern of incidents reported has not significantly changed over time, with a general increase in the numbers of incidents reported during the wet season. The presence of E. coli in a sample does not necessarily indicate that the water is unsafe; however, it is a trigger for providers to ensure that the water supply system is functioning normally.

All DWQMPs must comply with the requirements detailed in the Act and DWQMP Guideline relating to hazard identification, risk assessment and risk management. These requirements are reflective of the approach outlined in the Australian Drinking Water Guidelines 2011 which require the provider to assess and manage any risks associated with their drinking water supply and monitor for particular water quality parameters to verify that public health is being protected.

The information gathered through the monitoring and reporting requirements has been useful moving into the final phase requiring approved DWQMPs. Under the Act, large sized providers are required to have an approved plan by 1 July 2011, medium sized by 1 July 2012 and small sized by 1 July 2013. As at 30 June 2012, the Regulator has approved 11 DWQMPs and 29 DWQMPs are currently under assessment, including one submission by an Indigenous DWSP 12 months ahead of schedule.

To assist medium and small sized providers to develop their DWQMP, a number of support activities and programs have been implemented, including:

- regional workshops to familiarise providers with the requirements of the DWQMP Guideline, the availability of additional supporting documentation and to provide practical examples of hazard identification and risk assessment processes
- the implementation of a 12 month snapshot monitoring program for medium and small sized providers to assist with catchment characterisation required to be undertaken as part of the development of the DWQMP
- regional workshops and scheduled one-on-one sessions for medium sized providers, to guide these providers through specific aspects of the DWQMP, such as how to identify hazards, operational and verification monitoring and information management
- tailored workshops for providers for Indigenous communities to assist with the development of their DWQMP
- provision of a CD including copies of the guidelines, supporting information, worked examples from the regional workshops and a template to develop a DWQMP
- development and dissemination of factsheets providing further guidance on identified areas of concern, such as incident and emergency planning, risk assessment methodologies and incident reporting under approved DWQMPs
- planning has also been completed for the implementation of a support program for small sized providers to develop their DWQMP, similar to the program offered to medium sized providers.

These support activities have resulted in the submission of DWQMPs that are generally consistent in approach and presentation of the information, which in turn streamlines the assessment and decision making process for the department.

Providers have been, and continue to be, responsible for the safety and quality of their drinking water supplies.

CSG water

The Act was amended in December 2010 to capture discharges of CSG water that affect an urban community's drinking water source. The Act requires CSG companies to hold either an approved CSG Recycled Water Management Plan (RWMP) or an approved Exclusion Decision (ED).

A CSG RWMP is a documented, risk-based system for managing the production and supply of CSG water. The implementation of RWMP is intended to ensure safe use of CSG water through the identification and minimisation of public health risks. For a single-entity recycled water scheme, a RWMP must be prepared by the provider for the scheme. For a multiple-entity recycled water scheme, a RWMP must be prepared, consisting of:

- a scheme manager plan prepared by the scheme manager; and
- scheme provider plan(s), prepared by each recycled water provider and other declared entity(s) for the scheme.

To obtain an ED a responsible entity must demonstrate to the regulator that the supply of water under the scheme has no material impact on the drinking water supply of a drinking water service provider downstream of their point of discharge or within the aquifer to which the CSG water is being injected. If an ED is made by the regulator, it excludes the responsible entity from having to submit a RWMP but the responsible entity for the scheme must comply with any conditions contained in the ED notice.

The Act also states that any company operating under an Environmental Authority which included drinking water conditions could be deemed in a regulation to hold an Interim RWMP. On 4 March 2011 the regulation was passed and Australia Pacific LNG Pty Limited (APLNG) was the only company deemed to hold an Interim RWMP.

APLNG was required to obtain a full RWMP within 12 months of their interim RWMP being issued. APLNG received approval of their full RWMP on 2 March 2012, within the 12 month timeframe stated in the legislation.

In 2011–2012 year, 13 ED applications were received by DEWS and more ED applications are expected in 2012–13. Five ED applications were approved, three ED approval notices are currently under review by the respective responsible entity, three ED applications are in the assessment phase, two ED applications were withdrawn by the responsible entity and no ED applications were refused. In the 2011–2012 year, one single entity RWMP was received and approved by DEWS and at least two RWMP applications are expected in 2012–13.

Any new schemes must hold either an approved ED or RWMP prior to commencement of any discharge of CSG water to a water source if a drinking water supply used by a drinking water service provider is downstream of the discharge or the discharge is into the same aquifer the drinking water service provider draws from.

Other matters

Parts 1–5 of Chapter 2 of the Act give certain rights and responsibilities to the providers of water and sewerage services.

The regulator continued to formally register organisations as service providers, as required by the Act. Four new service providers were registered, two service providers had their registration cancelled as they no longer met the registration criteria and two transferred all of the infrastructure for the services they provided to an existing service provider. In addition to the above, the Southern SEQ Distributor-Retailer trading as Allconnex Water was to cease being a service provider as of midnight 30 June 2012. The number of registered service providers in each of the defined size categories as at 30 June 2012 is listed here:

Small	97
Medium	30
Large	32
Total	159

All service providers must prepare, unless they have an exemption, a strategic asset management plan (SAMP) for approval by the regulator and customer service standards (CSS) to cover those customers who do not have a contract with the service provider for the supply of registered services. The SAMP must demonstrate how the continuity of supply of water and sewerage services will be maintained. They must also prepare annual reports on their performance with respect to the SAMP and CSS.

All service providers should have prepared SAMPs, CSS and annual reports with the only exceptions being:

- those service providers, who had contracts with all of their customers, and were therefore not required to have CSS
- those small service providers who sought and were granted exemptions for SAMP and/or CSS
- those who had been registered for less than 12 months.

The provisions requiring drought management plans (DMP) and system leakage management plans (SLMPs) progressively came into effect from 1 October 2005. Existing service providers were given a transitional timeframe for providing the plans, whilst new service providers have to provide a DMP within one year and a SLMP within two years of being registered. A number of service providers are not required to prepare a DMP since they do not hold a water entitlement.

Exemptions from preparing both plans are available to all service providers, regardless of size, who meet the established criteria. Service providers are required to report annually on their performance with respect to the SLMP.

In April 2011, amendments were made to the *Water Act 2000* that had the effect of varying the transitional timeframes originally set for SLMPs such that service providers would not be contravening the timeframes providing any outstanding SLMPs are submitted prior to 1 July 2013. There was no change to the provisions relating to service providers registered after April 2011. Existing plans previously approved by the regulator continue to remain in place and must be complied with.

A number of service providers have not fulfilled all of their other obligations under the *Water Supply (Safety and Reliability) Act 2008*. Departmental officers are continuing to work with these service providers to ensure their compliance.

DEWS Annual Report 2011-12 Compliance Checklist

FAA *Financial Accountability Act 2009* FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies*

Summary of requirement		Basis for requirement	Annual report reference
Accessibility	<ul style="list-style-type: none"> Table of contents Glossary 	ARRs – section 8.1	ii Pages 97-98
	<ul style="list-style-type: none"> Public availability 	ARRs – section 8.2	Inside front cover
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 8.3	Inside front cover
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 8.4	Inside front cover
	<ul style="list-style-type: none"> Government Information Licensing Framework (GILF) Licence 	<i>Government Information Licensing Framework (GILF) QGEA Policy</i> ARRs – section 8.5	Inside front cover
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister(s) 	ARRs – section 9	Page 1
General information	<ul style="list-style-type: none"> Introductory Information Agency role and main functions Operating environment External scrutiny Machinery of government changes Review of proposed forward operations 	ARRs – section 10.1 ARRs – section 10.2 ARRs – section 10.3 ARRs – section 10.4 ARRs – section 10.5 ARRs – section 10.6	Page 2-3 Pages 4-5 Pages 11-13 Page 21 Page 4 Pages 12-13
Non-financial performance	<ul style="list-style-type: none"> Government objectives for the community 	ARRs – section 11.1	Page 5
	<ul style="list-style-type: none"> Other whole of government plans / specific initiatives 	ARRs – section 11.2	n/a
	<ul style="list-style-type: none"> Council of Australian Government (COAG) initiatives 	ARRs – section 11.3	Page 10
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.4	Pages 6-10
	<ul style="list-style-type: none"> Agency service areas, service standards and other measures 	ARRs – section 11.5	Pages 5, 89-90
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1	Page 14
	<ul style="list-style-type: none"> Chief Finance Officer (CFO) statement 	ARRs – section 12.2	Page 15
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1	Page 16
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2	Pages 16-19

Summary of requirement		Basis for requirement	Annual report reference
	• Related entities	ARRs – section 13.3	n/a
	• Schedule of statutory authorities or instrumentalities	ARRs – section 13.4	Page 87
	• Boards and committees	ARRs – section 13.5	n/a
	• Public Sector Ethics Act 1994	<i>Public Sector Ethics Act 1994</i> (section 23 and Schedule) ARRs – section 13.6	Pages 26-27
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Page 20
	• Audit committee	ARRs – section 14.2	Page 18
	• Internal Audit	ARRs – section 14.3	Page 20
Governance – human resources	• Workforce planning, attraction and retention	ARRs – section 15.1	Page 22-26
	• Early retirement, redundancy and retrenchment	Directive No.17/09 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	Page 26
	• Voluntary Separation Program	ARRs – section 15.3	Page 26
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 16.1	Page 83
	• Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 16.2	Pages 84-85
	• Remuneration disclosures	<i>Financial Reporting Requirements for Queensland Government Agencies</i> ARRs – section 16.3	Pages 59-61
Disclosure of additional information	• Additional information to be reported online	ARRs – section 17	Page 28

Glossary and acronyms

Term	Definition
ACC	Agency Consultative Committee
Agency	A department or a statutory body as those expressions are defined in the <i>Financial Accountability Act 2009</i>
AO	Administrative Officer
APLNG	Australia Pacific LNG Pty Limited
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CMC	Crime and Misconduct Commission
COAG	Council of Australian Governments
CPA	Certified Practising Accountant
CSG	Coal Seam Gas
CSS	Customer Service Standards
DEEDI	Department of Employment, Economic Development and Innovation
DEHP	Department of Environment and Heritage Protection
DERM	Department of Environment and Resource Management
DEWS	Department of Energy and Water Supply
DMP	Drought Management plan
DNRM	Department of Natural Resources and Mines
DPC	Department of Premier and Cabinet
DSDIP	Department of State Development, Infrastructure and Planning
DWQMP	Drinking water quality management plan
E2E	Education Towards Employment
ED	Exclusion decision
EMT	Executive Management Team
FBT	Fringe Benefits Tax
FTE	Full-time equivalent
GILF	Government Information Licensing Framework
GOC	Government owned Corporation
ICT	Information and Communication Technology
IDC	Interdepartmental Committee
LNG	Liquefied natural gas
NECF	National Energy Customer Framework
PO	Professional Officer
QGIAS	Queensland Government Internal Audit Service
RWHS	Regional Workplace Health and Safety
RWMP	Recycled Water Management Plan
SAMP	Strategic Asset Management plan
SDS	Service Delivery Statement
SEQ	South East Queensland
SEQWATER	South East Queensland Water

Term	Definition
SES	Senior Executive Service
SLMP	System Leakage Management plan
SMF	Senior Management Forum
SO	Senior Officer
SVS	State Valuation Service
The Board	Business and Corporate Partnership Public Sector Renewal Board
Together Queensland	Industrial Union of Employees
UWIR	Underground water impact report
VSP	Voluntary Separation Program
WHS	Workplace Health and Safety
WHSO	Workplace Health and Safety Officer
WHSQ	Workplace Health and Safety Queensland

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