Department of **Water and Environmental Regulation**

GOVERNMENT OF WESTERN AUSTRALIA

Annual report 2022–23

Disclosures


Our staff meet with our Aboriginal Water and Environment Advisory Group and the Committee of Aboriginal and Torres Strait Islander Water Interests

Acknowledgement and reconciliation

We acknowledge the Traditional Owners of the land upon which we live and work throughout Western Australia and pay our respects to their Elders past and present.

We recognise the practice of intergenerational care for Country and its relevance to our work as water and environmental managers.

We seek to listen, learn and genuinely engage and build strong partnerships. We aim to provide sustainable opportunities for Aboriginal people within our workforce and through our business.

Working with the community, we move forward with a shared commitment to protect and conserve Country for future generations. We recognise Country is a term used by Aboriginal people to describe the lands, waterways and seas to which they are intrinsically linked, and to which their wellbeing, law, place, custom, language, spiritual belief, cultural practice, material sustenance, family and identity belong.

Better together!

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Auditor General

INDEPENDENT AUDITOR'S REPORT

2023

Department of Water and Environmental Regulation

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the Department of Water and Environmental Regulation which comprise:

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended
- Administered schedules comprising the Administered assets and liabilities as at 30 June 2023 and the Administered income and expenses by service for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the Department of Water and Environmental Regulation for the year ended 30 June 2023 and the financial position at the end of that period
- in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

Emphasis of Matter – Restatement of comparative balances

I draw attention to Note 8.2 to the financial statements which states that the amounts reported in the previously issued 30 June 2022 financial statements have been restated and disclosed as comparatives in these financial statements. My opinion is not modified in respect to this matter.

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Responsibilities of the Director General for the financial statements

The Director General is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (applicable to Tier 2 Entities), the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director General is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Department.

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

Report on the audit of controls

Basis for qualified opinion

I identified significant weaknesses in the design and implementation of controls over the initiation and management of cost recovery fee payable by proponents as prescribed under the Environmental Protection (Cost Recovery) Regulations 2021. These weaknesses resulted in inconsistent income recognition that increase the risk of error and delays in the receipt of moneys. Consequently, the Department has not effectively administered the cost recovery fee in accordance with the Environmental Protection (Cost Recovery) Regulations 2021.

Qualified Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Department of Water and Environmental Regulation. The controls exercised by the Director General are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with the State's financial reporting framework (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the controls exercised by the Department of Water and Environmental Regulation are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with the State's financial reporting framework during the year ended 30 June 2023.

The Director General's responsibilities

The Director General is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006,* my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagement ASAE 3150 *Assurance Engagements on Controls* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the Department of Water and Environmental Regulation for the year ended 30 June 2023. The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators of the Department of Water and Environmental Regulation are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2023.

The Director General's responsibilities for the key performance indicators

The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal controls as the Director General determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Director General is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instructions 904 *Key Performance Indicators.*

Auditor General's responsibilities

As required by the *Auditor General Act 2006,* my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments, I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My independence and quality management relating to the report on financial statements, controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

The Director General is responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

The auditor's report relates to the financial statements and key performance indicators of the Department of Water and Environmental Regulation for the year ended 30 June 2023 included in the annual report on the Department's website. The Department's management is responsible for the integrity of the Department's website. This audit does not provide assurance on the integrity of the Department's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.

Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 October 2023

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Financial statements

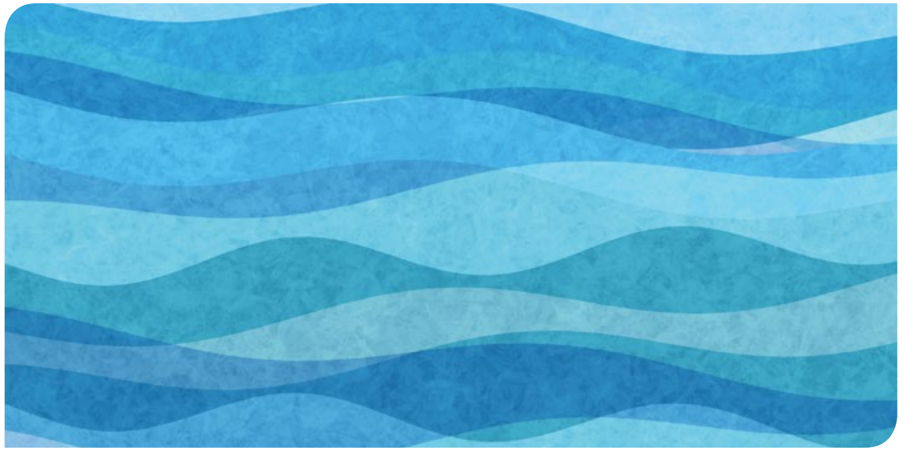
Certification of financial statements for the reporting period ended 30 June 2023

The accompanying financial statements of the Department of Water and Environmental Regulation have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing, we are not aware of any circumstances which would render the particulars included within the financial statements misleading or inaccurate.

Hilary Manderson
Chief Finance Officer
13 October 2023

Michelle Andrews
Director General
13 October 2023



Statement of comprehensive income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 Restated* $'000
Cost of services			
Expenses			
Employee benefits expense	2.1(a)	120,752	102,180
Supplies and services	2.3	41,790	37,956
Depreciation and amortisation expenses	4.1.1, 4.2, 4.3.1	9,880	10,411
Finance costs	6.3	90	68
Accommodation expenses	2.3	9,938	9,339
Grants and subsidies*	2.2	21,384	12,985
Other expenses	2.3	6,904	4,795
Net loss on disposal of non-current assets	2.4	759	2,505
Total cost of services		**211,497**	180,239
Income			
User charges and fees*	3.2	48,719	34,023
Commonwealth grants	3.3	7,639	14,408
Waste levy	3.4	91,490	85,715
Interest revenue		-	365
Other income	3.5	11,393	4,717
Total income		**159,241**	139,228
Net cost of services		**52,256**	41,011

	Notes	2023 $'000	2022 Restated* $'000
Income from State Government			
Service appropriation	3.1	110,666	100,392
Income from other public sector entities*	3.1	3,526	6,650
Resources received	3.1	3,256	2,561
Royalties for Regions fund	3.1	7,990	10,515
Total income from State Government		**125,438**	120,118
Surplus for the period*		**73,182**	79,107
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	8.10	61,434	11,512
Total other comprehensive income		**61,434**	11,512
Total comprehensive income for the period		**134,616**	**90,619**

* Refer to note 8.2 for details regarding prior year errors.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2023

	Notes	2023 $'000	2022 Restated* $'000
Assets			
Current assets			
Cash and cash equivalents	6.4	11,448	23,785
Restricted cash and cash equivalents	6.4	94,440	76,862
Receivables*	5.1	38,989	28,361
Amounts receivable for services	5.2	7,043	9,238
Other assets*	5.3	3,151	4,041
Total current assets		**155,071**	142,287
Non-current assets			
Restricted cash and cash equivalents	6.4	3,308	2,513
Amounts receivable for services	5.2	81,852	72,840
Infrastructure, property, plant and equipment	4.1	429,961	367,252
Right-of-use assets	4.2	2,076	2,325
Intangible assets	4.3	31,482	26,765
Other assets	5.3	3	2
Total non-current assets		**548,682**	471,697
Total assets		**703,753**	613,984

	Notes	2023 $'000	2022 Restated* $'000
Liabilities			
Current liabilities			
Payables	5.4	7,616	6,796
Lease liabilities	6.1	867	953
Contract liabilities	5.5	5,403	2,447
Employee related provisions	2.1(b)	26,714	25,339
Other current liabilities	5.6	2	3
Total current liabilities		**40,602**	35,538
Non-current liabilities			
Lease liabilities	6.1	1,274	1,440
Employee related provisions	2.1(b)	6,207	5,511
Total non-current liabilities		**7,481**	6,951
Total liabilities		**48,083**	42,489
Net assets		**655,670**	571,495
Equity			
Contributed equity	8.10	235,240	285,681
Reserves	8.10	97,930	36,496
Accumulated surplus*		322,500	249,318
Total equity		**655,670**	571,495

* Refer to note 8.2 for details regarding prior year errors.

The Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2023

	Notes	Contributed equity $'000	Reserves $'000	Accumulated surplus $'000	Total equity $'000
Balance at 1 July 2021		**327,896**	**24,984**	**170,211**	**523,091**
Restated surplus*		-	-	79,107	79,107
Other comprehensive income	8.10	-	11,512	-	11,512
Restated total comprehensive income for the period*		-	**11,512**	**79,107**	**90,619**
Transactions with owners in their capacity as owners:					
Capital appropriations	8.10	11,841	-	-	11,841
Distribution to owners	8.10	(54,056)	-	-	(54,056)
Total		**(42,215)**	**-**	**-**	**(42,215)**
Restated balance at 30 June 2022*		**285,681**	**36,496**	**249,318**	**571,495**
Balance at 1 July 2022		**285,681**	**36,496**	**249,318**	**571,495**
Surplus		-	-	73,182	73,182
Other comprehensive income	8.10	-	61,434	-	61,434
Total comprehensive income for the period		**-**	**61,434**	**73,182**	**134,616**
Transactions with owners in their capacity as owners:					
Capital appropriations	8.10	12,316	-	-	12,316
Distribution to owners	8.10	(62,757)	-	-	(62,757)
Total		(50,441)	-	-	(50,441)
Balance at 30 June 2023		**235,240**	**97,930**	**322,500**	**655,670**

* Refer to note 8.2 for details regarding prior year errors.

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2023

	2023 $'000	2022 $'000
Cash flows from State Government		
Service appropriation	95,931	85,726
Capital contributions	12,316	11,841
Holding account drawdown	7,918	5,638
Distributions to owner	(60,456)	(54,044)
Net proceeds on sale of land remitted to consolidated account	-	(12)
Royalties for Regions fund	7,990	10,515
Funds from other public sector entities	2,531	8,184
Net cash provided by State Government	**66,230**	**67,848**

	Notes	2023 $'000	2022 $'000
Utilised as follows:			
Cash flows from operating activities			
Payments			
Employee benefits		(117,287)	(103,015)
Supplies and services		(41,329)	(33,620)
Finance costs		(90)	(67)
Accommodation		(9,637)	(9,172)
Grants and subsidies		(19,368)	(14,831)
GST payments on purchases		(8,610)	(7,432)
Other payments		(3,909)	(5,594)
Receipts			
User charges and fees		44,533	31,932
Commonwealth grants		7,639	14,408
Interest received		-	14
Waste Levy		84,105	83,562
GST receipts on sales		1,352	275
GST receipts from taxation authority		6,895	6,883
Other receipts		14,829	6,847
Net cash used in operating activities		**(40,877)**	**(29,810)**
Cash flows from investing activities			
Payments			
Purchase of non-current assets		(18,260)	(18,094)
Receipts			
Proceeds from sale of non-current assets		200	39
Loan repayments from WA Return Recycle Renew Ltd (WARRRL)		-	11,625
Net cash used in investing activities		**(18,060)**	**(6,430)**
Cash flows from financing activities			
Payments			
Principal elements of lease payments		(1,257)	(1,125)
Net cash used in financing activities		**(1,257)**	**(1,125)**
Net increase in cash and cash equivalents		6,036	30,483
Cash and cash equivalents at the beginning of the period		103,160	72,677
Cash and cash equivalents at the end of the period	6.4	**109,196**	**103,160**

The Statement of cash flows should be read in conjunction with the accompanying notes.

Administered schedules

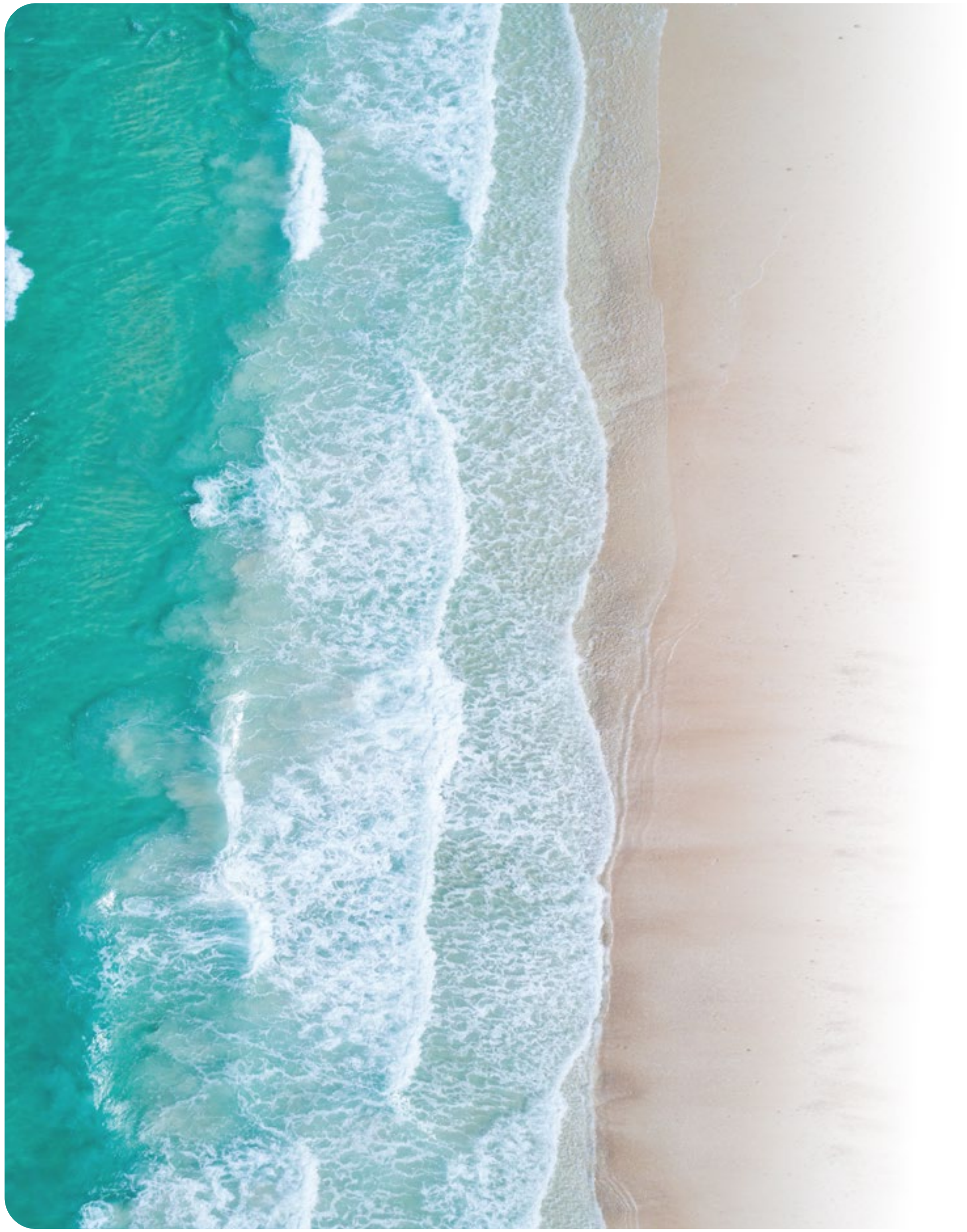
For the year ended 30 June 2023

	2023 $'000	2022 $'000
Administered income and expenses		
Income		
For transfer:		
Regulatory fees and other charges[(a)]	46	57
Total administered income	**46**	**57**
Expenses		
Payments into the consolidated account[(a)]	46	57
Total administered expenses	**46**	**57**

(a) Payments into the consolidated account include water fines collected on behalf of the Water Corporation, and environmental infringement regulatory fees and fines collected on behalf of the State Government.

(b) Further explanations of variances are contained in note 9.2 'Explanatory statement for administered items.'

	2023 $'000	2022 $'000
Administered assets and liabilities		
Assets		
Current assets		
Cash and cash equivalents	1	1
Total administered current assets	**1**	**1**
Total administered assets	**1**	**1**
Liabilities		
Current liabilities		
Payables	-	-
Total administered current liabilities	-	-
Total administered liabilities	-	-



Notes to the financial statements

For the year ended 30 June 2023

1. Basis of preparation

The Department of Water and Environmental Regulation (the department) is controlled by the State of Western Australia (WA), which is the ultimate parent. The department is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Our performance' section which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Director General of the department on 13 October 2023.

(a) Statement of compliance

These general purpose financial statements are prepared in accordance with:

1) The *Financial Management Act 2006* (FMA)
2) Treasurer's Instructions (TIs)
3) Australian Accounting Standards – Simplified Disclosures
4) Where appropriate, those Australian Accounting Standards paragraphs applicable for not-for-profit entities have been applied.

The FMA and TIs take precedence over Australian Accounting Standards. Several Australian Accounting Standards are modified by the TIs to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

(b) Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars ($'000).

(c) Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and / or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

(d) Accounting for Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

(a) amount of GST incurred by the department as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and

(b) receivables and payables are stated with the amount of GST included.

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

(e) Contributed equity

Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, as designated as contributions by owners (at the time of, or prior to, transfer) be recognised as equity contributions.

Capital appropriations have been designated as contributions by owners by TI955 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and have been credited directly to Contributed equity.

(f) Comparative figures and information

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current reporting period.

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements. AASB 1060 provides relief from presenting comparatives for:

- Property, Plant and Equipment reconciliations;
- Intangible Asset reconciliations; and
- Right-of-Use Asset reconciliations.

(g) Administered items

The department administers, but does not control, certain activities and functions for and on behalf of Government that do not contribute to the department's services or objectives. It does not have discretion over how it utilises the transactions in pursuing its own objectives.

Transactions relating to the administered activities are not recognised as the department's income, expenses, assets and liabilities, but are disclosed in the accompanying schedules as 'Administered income and expenses', and 'Administered assets and liabilities'.

The accrual basis of accounting and applicable Australian Accounting Standards have been adopted.

2. Use of our funding

Expenses incurred in the delivery of services

This section provides additional information about how the department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the department in achieving its objectives and the relevant notes are:

	Notes	2023 $'000	2022 $'000
Employee benefits expense	2.1(a)	120,752	102,180
Employee related provisions	2.1(b)	32,921	30,850
Grants and subsidies	2.2	21,384	12,985
Other expenditure	2.3	58,632	52,090
Net loss on disposal of non-current assets	2.4	759	2,505

2.1(a) Employee benefits expense

	2023 $'000	2022 $'000
Employee benefits	109,175	92,615
Superannuation - defined contribution plans	11,577	9,565
Total employee benefits expenses	120,752	102,180
Add: AASB 16 Non-monetary benefits (not included in employee benefit expense)	936	827
Less: Employee contributions (refer to note 3.5 Other income)	(131)	(117)
Total employee benefits provided	121,557	102,890

Employee benefits

Include wages and salaries, accrued and paid leave entitlements and paid sick leave; and non-monetary benefits recognised under accounting standards other than AASB 16 (such as cars, housing and free or subsidised goods or services) for employees.

Superannuation

Superannuation is the amount recognised in profit or loss of the Statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs or other superannuation funds.

AASB 16 Non-monetary benefits

AASB 16 Non-monetary benefits are non-monetary employee benefits, relating to the provision of vehicle and housing benefits that are recognised under AASB 16 and are excluded from the employee benefit expense.

Employee contributions

Are contributions made to the department by employees towards employee benefits that have been provided by the department. This includes both AASB 16 and non-AASB 16 employee contributions.

2.1(b)Employee related provisions

	2023 $'000	2022 $'000
Current		
Employee benefits provisions		
Annual leave[(a)]	11,241	10,412
Long service leave[(b)]	14,264	13,804
Purchased annual leave	151	131
Deferred salary scheme[(c)]	265	160
	25,921	24,507
Other provisions		
Employment on-costs[(d)]	793	832
Total current employee related provisions	**26,714**	25,339
Non-current		
Employee benefits provision		
Long service leave[(b)]	6,021	5,328
Other provisions		
Employment on-costs[(d)]	186	183
Total non-current employee related provisions	**6,207**	5,511
Total employee related provisions	**32,921**	**30,850**

Provision is made for benefits accruing to employees, in respect of annual leave and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

(a) Annual leave liabilities

Annual leave liabilities are classified as current as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

The provision for annual leave is calculated at the present value of expected payments to be made in relation to services provided by employees up to the reporting date.

(b) Long service leave liabilities

Long service leave liabilities are unconditional long service leave provisions and are classified as current liabilities as the department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

The provision for long service leave is calculated at present value as the department does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. These payments are estimated using the remuneration rate expected to apply at the time of settlement and discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(c) Deferred salary scheme

Deferred salary scheme liabilities are classified as current where there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

(d) Employment on-costs

Employment on-costs involve the settlement of annual and long service leave liabilities which gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance premiums, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses,' note 2.3 (apart from the unwinding of the discount [finance cost]) and are not included as part of the department's Employee benefits expense. The related liability is included in Employment on-costs provision.

	2023 $'000	2022 $'000
Employment on-costs provision		
Carrying amount at start of period	1,015	1,146
Additional / (reversals of) provisions recognised	358	374
Payments / other sacrifices of economic benefits	(406)	(435)
Unwinding of the discount	12	(70)
Carrying amount at end of period	**979**	1,015

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the department's long service leave provision. These include:

- expected future salary rates
- discount rates
- employee retention rates
- expected future payments.

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision. Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

2.2 Grants and subsidies

	Notes	2023 $'000	2022 Restated* $'000
Recurrent			
Clean Energy Future Fund – Western Australia Recovery Program[(a)]		2,813	953
Commonwealth Grants – National On-Farm Emergency Water Infrastructure Rebate Scheme		-	5
Commonwealth Grants – Rural Water Planning Program[(b)]		47	-
Commonwealth Grants – Smart Farming Partnerships		-	135
Contaminated Sites Management Account Grants		255	110
Grants Other		101	146
Keep Australia Beautiful Council (W.A.)		177	112
Murujuga Aboriginal Corporation Resourcing		95	-
Pilbara Environmental Offsets Fund		-	79
Royalties for Regions – Healthy Estuaries Western Australia		25	25
Rural Water Planning Program[(b)]		45	742
Small Grants Program – Greening our Community		169	279
State-wide Water Efficiency Measures		47	50
Waste Avoidance and Resource Recovery Account*	3.4	5,933	7,560
Water Innovation Partnership		200	257
Water Sensitive Cities Australia		150	150
Western Australian Climate Policy		383	348

	Notes	2023 $'000	2022 Restated* $'000
Capital			
Commonwealth Grants – Food Waste for Healthy Soils Fund[c]		750	-
Commonwealth Grants – National Partnership on Recycling Infrastructure[d]		3,499	2,034
Commonwealth Grants – Rural Water Planning Program[b]		900	-
Establishing and Maintaining Vegetation Offsets Account[e]		231	-
Native Vegetation Rehabilitation Scheme[f]		981	-
Pilbara Environmental Offsets Fund		16	-
Rural Water Planning Program[b]		318	-
Waste Avoidance and Resource Recovery Account – Food Waste for Healthy Soils Fund	3.4	750	-
Waste Avoidance and Resource Recovery Account – Waste Export Ban	3.4	3,499	-
Total grants and subsidies		**21,384**	**12,985**

* The Waste Avoidance and Resource Recovery Account comparative balance for 2022 had been restated. Refer to note 8.2 for details regarding prior year errors.

Transactions in which the department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving equal value in return are categorised as 'Grant or subsidy expenses.' Grants and subsidies can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and / or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

(a) The Clean Energy Future Fund – West Australia Recovery Program supports the development of clean energy projects under a framework agreed by the Minister for Environment and the Minister for Energy, accelerating deployment of a broad range of clean energy solutions to decarbonise West Australia's regions and the mining sector. Investment is expected to drive the installation of clean energy infrastructure in regional and remote areas, increasing economic activity and employment.

(b) The program changed its name in 2022 from the Rural Water Deficiency and Community Water Supply grant to the Rural Water Planning Program. Due to climate change, there has been an unprecedented number of Water Deficiency Declarations in the South East agricultural area, where the State Government provides water to farmers for emergency animal welfare needs during very dry periods, through the Rural Water Planning Program. A declaration requires the Government to arrange and pay for carting of water for livestock needs to a central storage point, which is made available to affected farmers. Twelve Water Deficiency Declarations have been declared since May 2019. Water deficiency declarations were in place for Salmon Gums and Grass Patch in 2022 and were revoked on 21 July 2022 due to improved water availability and local water supplies from sufficient rainfall. The department will continue to liaise with local farmers and shires to monitor the situation over the 2024 financial year. This program also supports the delivery of the Community Water Supply Program (CWSP). The CWSP provides larger-scale grant co-funding to allow rural communities in dryland farming regions of Western Australia to adapt to changing rainfall patterns by establishing infrastructure that maximises the efficient use of all available water resources.

(c) As part of the National Soils Strategy, the Australian Government announced Commonwealth Grants – Food Waste for Healthy Soils Fund. The fund is aimed at supporting the diversion of nutrient-rich household and commercial organic waste from landfill to soils by building new or enhancing existing organic waste processing infrastructure. Together with co-contributions from participating state and territory governments and industry, the fund will leverage over $170 million of investment in organic waste recycling infrastructure to divert organic waste into nutrient rich compost and soil enhancers. Funded facilities will increase the quantity and quality of recycled organic waste available for use, especially in the agricultural industry.

(d) The Western Australian and Australian Governments announced their joint commitment to improve recycling capacity in Western Australia through a joint commitment of $70 million in funding. The Commonwealth contribution is through the Recycling Modernisation Fund to fund the Commonwealth Grants – National Partnership on Recycling Infrastructure. This funding was in response to the former Council of Australian Governments' decision to ban the export of waste glass, tyres, plastics and paper/cardboard. The funding supports private investment in recycling infrastructure through grants administered by the department.

(e) The Establishing and Maintaining Vegetation Offsets Account (Offsets Account) is a fund established for the purpose of establishing or maintaining native vegetation (also known as an offset) as a condition of a permit to clear native vegetation, granted under Part V Division 2 of the *Environmental Protection Act 1986*. The requirement for an offset counterbalances the loss of native vegetation as a condition of a native vegetation clearing permit, after steps have been taken to avoid, minimise and mitigate the impacts of clearing, and allows for a more strategic approach to offsets. Land purchased or revegetation undertaken using contributions made to the offsets account are published on the Environmental Offsets Register website. The department liaises with the Department of Biodiversity, Conservation and Attractions to identify and acquire appropriate areas of native vegetation for addition to the conservation estate.

(f) The Native Vegetation Rehabilitation Scheme program is a part of the COVID-19 recovery initiatives which will deliver environmental rehabilitation and revegetation projects across the Southwest land division. Conservation groups will work to improve vegetation condition and build on vegetation corridors through a range of work including fencing, seeding, planting, and managing threats to native vegetation. This will contribute to improving habitat for Western Australia's unique and important flora and fauna species, especially black cockatoos.

2.3 Other expenditure

	2023 $'000	2022 $'000
Supplies and services		
Communications	1,916	2,060
Consultants and contractors	30,317	28,206
Consumables	386	538
Materials	288	197
Travel	1,214	572
Vehicle expenses	593	496
Minor plant, machinery and equipment	1,809	1,836
Plant, machinery and equipment hire	162	75
Chemical analysis expense	888	810
Water carting and drought relief	-	75
Other supplies and services	4,217	3,091
Total supplies and services expenses	**41,790**	**37,956**

	2023 $'000	2022 $'000
Accommodation expenses		
Rental	8,127	7,623
Electricity and water	493	465
Rates and taxes	44	32
Security	76	29
Repairs and maintenance	503	567
Cleaning	695	623
Total accommodation expenses	9,938	9,339
Other expenses		
Audit fees	328	303
Bad debts	186	4,743
Equipment repairs and maintenance	513	552
Expected credit losses – (reversed) / expense	508	(4,143)
Employment on-costs	3,043	2,617
Impairment losses on measurement sites[a]	1,129	-
Insurance	802	542
Other operating expenses	395	181
Total other expenses	6,904	4,795
Total other expenditure	58,632	52,090

(a) Refer to note 4.1.1. for details regarding impairment losses on measurement sites.

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Accommodation expenses

Repairs, maintenance, cleaning, security, electricity, water, rates and taxes costs are recognised as expenses as incurred.

Rental expenses include:

(i) Included in rental expenses are Office rental costs of $7.7 million (2021: $7.2 million). Office rental is expensed as incurred as Memorandum of Understanding Agreements between the department and the Department of Finance for the leasing of office accommodation contain significant substitution rights.

(ii) short-term leases with a lease term of 12 months or less.

(iii) low-value leases with an underlying value of $5,000 or less.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Equipment repairs and maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

Expected credit losses

The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Employment on-cost

Employment on-cost includes workers' compensation insurance and other employment on-costs. The on-costs' liability associated with the recognition of annual and long service leave liabilities is included at note 2.1(b) Employee related provisions. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

2.4 Net loss on disposal of non-current assets

	2023 $'000	2022 $'000
Proceeds from disposal of non-current assets		
Land	(202)	(14)
Plant, equipment and vehicles	-	(27)
Carrying amount of non-current assets disposed		
Infrastructure	11	-
Land	56	430
Leasehold improvements	8	-
Licences	1	-
Measurement sites	863	2,062
Plant, equipment and vehicles	22	54
Net loss on disposal of non-current assets	759	2,505

Realised and unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets and revaluations of non-current assets.

Gains and losses on the disposal of non-current assets are presented by deducting from the proceeds on disposal the carrying amount of the asset and related selling expenses. Gains and losses are recognised in profit or loss in the Statement of comprehensive income (from the proceeds of sale).

3. Our funding services

How we obtain our funding

This section provides additional information about how the department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the department and the relevant notes are:

	Notes	2023 $'000	2022 $'000
Income from State Government	3.1	125,438	120,118
User charges and fees	3.2	48,719	34,023
Commonwealth grants	3.3	7,639	14,408
Waste levy	3.4	91,490	85,715
Other income	3.5	11,393	4,717

3.1 Income from State Government

	2023 $'000	2022 Restated* $'000
Appropriation received during the period[(a)]:		
Service appropriation	110,666	100,392
Total appropriation received	110,666	100,392
Income from other public sector entities during the period[(b)]:		
Environmental Protection Part IV Cost Recovery Account*	1,296	461
Establishing and Maintaining Vegetation Offsets Account	317	504
Grants	521	507
Interest revenue	1,131	204
Pilbara Environmental Offsets Fund	175	-
Wooroloo Bushfire Coordinated Residential Clean-up Program	-	4,973
Other	86	1
Total income from other public sector entities	3,526	6,650

	2023 $'000	2022 Restated* $'000
Resources received from other public sector entities during the period[c]:		
Services received free of charge		
Department of Finance – Accommodation lease and depreciation	159	171
Department of Health – Water source and contaminated sites assessment	-	198
Department of Planning, Lands and Heritage – Spatial data	1	1
Department of Primary Industries and Regional Development – Digital map	11	-
Landgate – Land information services	535	61
Main Roads Western Australia – Clearing permit assessment	190	150
State Solicitor's Office – Legal services	2,231	1,980
Water Corporation – Environmental Services	129	-
Total services received free of charge	3,256	2,561
Royalties for Regions fund[d]:		
Regional Infrastructure and Headworks Account	6,342	7,303
Regional Community Services Account	1,648	3,212
Total Royalties for Regions Fund	7,990	10,515
Total income from State Government	125,438	120,118

* The Environmental Protection Part IV Cost Recovery Account comparative balance for 2022 has been restated. Refer to note 8.2 for details regarding prior year errors.

(a) Service appropriation

Service appropriations are recognised as income at the fair value of consideration received in the period in which the department gains control of the appropriated funds. The department gains control of appropriated funds at the time those funds are deposited in the bank account or credited to the Amounts receivable for services (holding account) held at Treasury.

Service appropriations fund the net cost of services delivered. Appropriation revenue comprises the following:

- cash component
- a receivable (asset).

The receivable (holding account – note 5.2) comprises the following:

- the budgeted depreciation expense for the year
- any agreed increase in leave liabilities during the year.

(b) Income from other public service entities

Income from other public service entities is recognised as income when the department has satisfied its performance obligations under the funding agreement. If there is no performance obligation, income will be recognised when the department receives the funds.

(c) Resources received from other public sector entities

Resources received from other public sector entities are recognised as income equivalent to the fair value of the assets received, or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

(d) Royalties for Regions fund

The Regional Infrastructure and Headworks Account and Regional Community Services Account are sub-funds within the overarching Royalties for Regions fund. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as income when the department receives the funds.

Summary of consolidated account appropriations
For the year ended 30 June 2023

	2023 Budget estimate $'000	2023 Supplementary funding $'000	2023 Revised budget $'000	2023 Actual $'000	2023 Variance $'000
Delivery of services					
Item 84 Net amount appropriated to deliver services	125,414	-	125,414	110,263	(15,151)
Amount authorised by other statutes – *Salaries and Allowances Act 1975*	403	-	403	403	-
Total appropriations provided to deliver services	**125,817**	**-**	**125,817**	**110,666**	**(15,151)**
Capital					
Item 150 Capital appropriation	14,277	-	14,277	12,316	(1,961)
Administered transactions					
Administered grants, subsidies and other transfer payments	155	-	155	46	(109)
Total administered transactions	**155**	**-**	**155**	**46**	**(109)**
Total consolidated account appropriations	**140,249**	**-**	**140,249**	**123,028**	**(17,221)**

No supplementary income was received by the department.

3.2 User charges and fees

	2023 $'000	2022 Restated* $'000
Industry fees[(a)]	28,236	23,375
Controlled waste[(b)]	5,910	5,583
Contaminated sites	193	169
Clearing regulations	292	348
Water licences and regulatory fees[(c)]	1,754	988
Noise regulations	30	118
Environmental Protection Part IV Cost Recovery Account*[(d)]	12,285	3,430
Other charges and fees	19	12
Total user charges and fees	**48,719**	**34,023**

* The Environmental Protection Part IV Cost Recovery Account comparative balance for 2022 has been restated. Refer to note 8.2 for details regarding prior year errors.

User charges and fees revenue are recognised at the transaction price when the department transfers control of the services to customers.

Revenue is recognised at a point-in-time for licences, works approvals, and tracking forms. The performance obligations for these user fees and charges are satisfied when the licence, works approval or tracking form is issued to the customer.

(a) Licensing and registration fees relating to prescribed premises under Part V of the *Environmental Protection Act 1986*.

(b) Fees for the licensing of vehicles transporting controlled public waste as per the Environmental Protection (Controlled Waste) Regulations 2004.

(c) Water licences and regulatory fees under the *Rights in Water and Irrigation Act 1914*.

Revenue is recognised at a point in time being the earlier of cash receipt or when the department's right to receive consideration is established with regards to environmental impact assessments (EIA).

(d) Part IV of the *Environmental Protection Act 1986* states that the Environmental Protection Authority (EPA) will conduct EIA in WA. The Environmental Protection (Cost Recovery) Regulations 2021 (Regulations) were developed to prescribe or provide for the determination of the fees and charges for the EIA processes under Part IV of the *Environmental Protection Act 1986*. The Regulations were gazetted on 17 December 2021 and came into operation on 1 January 2022. A special purpose account was established to manage the funds recovered under the Regulations to be used for defraying the costs incurred by the department in receiving and assessing proposals and monitoring the implementation of proposals under Part IV (division 1 or 2) of the *Environmental Protection Act 1986*. Refer to note 8.7 for additional information

3.3 Commonwealth grants

	2023 $'000	2022 $'000
Commonwealth grants – recurrent	7,639	**14,408**

Recurrent grants are recognised as income when the grants are receivable.

Capital grants are recognised as income when the department achieves milestones specified in the grant agreement.

Details of the department's Commonwealth grants are as follows:

	2023 $'000	2022 $'000
Environment Online	-	5,250
Food Waste for Healthy Soils Fund	1,125	-
Indian Ocean Territories Account	1,180	464
National Pollutant Inventory	107	83
Smart Farming Partnerships – National Landcare Program	-	465
Smart Farms Small Grants – National Landcare Program	875	875
National On-Farm Emergency Water Infrastructure Rebate Scheme	-	2,682
National Partnership on Recycling Infrastructure	1,727	3,276
National Water Grid – Community Water Supply Program	800	400
National Water Grid – Agricultural Areas Dams	1,825	913
Total Commonwealth grants	7,639	**14,408**

3.4 Waste levy

	2023 $'000	2022 $'000
Waste levy	91,490	**85,715**

The Waste levy transaction price is determined by legislation. The Waste Avoidance and Resource Recovery Account (WARR Account) was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* (WARR Act). Under the Act, licensed metropolitan landfill operators are required to fund the operations of the WARR Account. The WARR Account holds revenue allocated from the levy to fund waste management programs. Under section 76 of the WARR Act a penalty applies to waste levy payments that are paid after the date on which they become due, calculated at a rate of 20% per annum on the amount of unpaid levy.

Waste levy income is recognised and accrued quarterly by the department based on estimated waste volumes and is subsequently adjusted to actual based on actual waste volume determined from the quarterly return submitted by the licensed landfill operators the following month. At the end of the financial year the waste levy income is adjusted to actual before the department's financial statements are signed.

3.5 Other income

	2023 $'000	2022 $'000
Services rendered		
Establishing and Maintaining Vegetation Offsets Account[(a)]	868	4
Pilbara Environmental Offsets Fund[(b)]	3,295	1,501
Employee contributions[(c)]	131	117
Lease rentals – land and buildings	223	246
Gain on disposal of lease arrangement	-	4
Tree annuity	98	72
Tree harvest	49	53
Recoupment of expenses	620	397
Recoupment of grant funds	19	363
Murujuga Rock Art Monitoring Program – industry funding[(d)]	5,994	1,790
Other revenue	96	170
Total other income	**11,393**	**4,717**

(a) The department administers the *Environmental Protection Act 1986* which regulates the clearing of native vegetation. Clearing of native vegetation requires the authority of a clearing permit unless it is of an exempt kind. Clearing permits may include conditions requiring an offset to counterbalance the impacts of clearing. Offsets requirements are imposed in accordance with the WA Environmental Offsets Policy (2011) and the WA Environmental Offsets Guidelines (2014). Certain offset requirements involve payment of a monetary contribution into the Establishing and Maintaining Vegetation Offsets Account, which is an account managed by the department.

Contributions into the Establishing and Maintaining Vegetation Offsets Account are made following the grant of the associated clearing permit, and after any related appeals have been received and determined. Revenue from the offsets is recognised at a point-in-time i.e., when the department issues an invoice to the permit holder requesting payment of the contribution into the fund.

(b) In 2012, the WA Minister for Environment mandated that proponents in the Pilbara region pay their environmental offsets into a strategic fund for conservation. In the same year, the Federal Minister for Environment gave proponents the option of doing so. This led to the establishment of the Pilbara Environmental Offsets Fund. The fund combines money from individual offset payments required under Part IV of the *Environmental Protection Act 1986* and may combine contributions required under part 9 or 10 of the *Commonwealth Environmental Protection and Biodiversity Conservation Act 1999*. The establishment of the fund enables the State Government to combine offset money and partner with regional land management organisations to deliver projects that achieve better and more connected biodiversity conservation outcomes. The department is responsible for managing the fund to ensure that offset payments directly benefit vegetation and habitat impacted by mining.

Despite conditions being included in Ministerial Statements from 2012, the Pilbara Environmental Offset Fund was only established on 18 April 2018. The Ministerial Statements define the proponents of the fund. Implementation conditions within these Ministerial Statements require the preparation of an Impact Reconciliation Report to determine the quantum of money owed to the fund by proponents.

Revenue from Pilbara Environmental Offsets Fund is recognised at a point-in-time, i.e., recognised when the department has the right to invoice the proponent. The department has the right to invoice the proponent following submission and acceptance of the proponent's Impact Reconciliation Report.

(c) Income received by the department from sub-leasing of right-of-use assets to lease payments from operating leases. The department has leased several right-of-use asset from the Government Regional Officer Housing (GROH) and State Fleet (SF), which it subleases out to employees at a subsidised rate. Information on the department's leasing arrangements with GROH and SF can be found in note 2.1(a).

(d) In terms of the Murujuga Rock Art Monitoring Program memorandum of understanding (MoU) dated 7 February 2020, industry participants have agreed to contribute to the estimated costs associated with the program until the earlier of five years from the MoU date of execution; the parties ending the relationship by mutual consent or any statutory obligations that come into effect by an amendment to *the Environmental Protection Act 1986*.

4 Key assets

Assets the department utilises for economic benefit or service potential

This section includes information regarding the key assets the department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2023 $'000	2022 $'000
Infrastructure, property, plant and equipment	4.1	429,961	367,252
Right-of-use assets	4.2	2,076	2,325
Intangible assets	4.3	31,482	26,765
Total key assets		**463,519**	**396,342**

4.1 Infrastructure, property, plant and equipment

Year ended 30 June 2023	Capital works in progress $'000	Works of Art $'000	Computer equipment $'000	Vehicles and Boating $'000	Infrastructure $'000	Plant and equipment $'000	Measurement sites $'000	Leasehold improvements $'000	Buildings $'000	Land $'000	Total $'000
1 July 2022											
Gross carrying amount	15,267	116	925	231	1,335	6,118	172,589	492	4,703	169,418	371,194
Accumulated depreciation	-	-	(827)	(159)	(237)	(2,680)	-	(39)	-	-	(3,942)
Carrying amount at start of period	**15,267**	**116**	**98**	**72**	**1,098**	**3,438**	**172,589**	**453**	**4,703**	**169,418**	**367,252**
Additions	10,537	-	88	-	-	49	-	-	95	-	10,769
Transfers in / (out)[a]	(4,176)	-	28	-	70	361	3,179	538	-	-	-
Transfer as distribution to owner[b]	-	-	-	-	-	-	-	-	-	(2,101)	(2,101)
Disposals	-	-	-	-	(11)	(22)	(863)	(8)	-	(56)	(960)
Revaluation increments	-	-	-	-	-	-	37,289	-	292	24,635	62,216
Impairment losses[c]	-	-	-	-	-	-	(1,909)	-	-	-	(1,909)
Depreciation	-	-	(89)	(32)	(70)	(583)	(4,380)	(34)	(118)	-	(5,306)
Carrying amount at end of period 2023	**21,628**	**116**	**125**	**40**	**1,087**	**3,243**	**205,905**	**949**	**4,972**	**191,896**	429,961
Gross carrying amount	21,628	116	1,010	231	1,393	6,059	207,814	1,019	4,972	191,896	436,138
Accumulated depreciation	-	-	(885)	(191)	(306)	(2,816)	-	(70)	-	-	(4,268)
Accumulated impairment losses	-	-	-	-	-	-	(1,909)	-	-	-	(1,909)

(a) Transfers in / (out) from tangible capital works in progress to completed assets.

(b) Refer to note 8.10, land transferred to Department of Planning, Lands and Heritage (DPLH).

(c) Refer to note 4.1.1 for details regarding impairment losses.

Initial recognition

Items of infrastructure, property, plant and equipment costing $5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of infrastructure, property, plant and equipment costing less than $5,000 are immediately expensed to the Statement of comprehensive income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

Subsequent measurement

Subsequent to initial recognition of an asset, the revaluation model is used for the measurement of:

- land
- buildings
- measurement sites.

Land is carried at fair value.

Buildings and measurement sites are carried at fair value less accumulated depreciation and accumulated impairment losses.

All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Measurement sites are normally independently valued every five years by an external services valuer. In the intervening years, the measurement sites are revalued internally by use of other heavy and civil engineering construction building cost index provided by the Australian Bureau of Statistics. Groundwater measurement sites were independently valued by Ernst & Young at 30 June 2023 and 30 June 2022. The department decided that an independent valuation should also be completed at 30 June 2023 due to the emphasis of matter paragraph included in the 2022 audit report. The emphasis of matter paragraph stated that a number of groundwater measurement sites had not previously been recognised in the department's books of account. Fair value for measurement sites is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e., the current replacement cost.

Revaluation model:
Where the fair value of measurement sites is determined on the current replacement cost basis, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Land and buildings are independently valued annually by the WA Land Information Authority (Landgate) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2022 by Landgate. The valuations were performed during the year ended 30 June 2023 and recognised at 30 June 2023. In undertaking the revaluation, fair value was determined by reference to market values for land: $52,284,100 (2022: $45,811,150) and buildings: $2,823,500 (2022: $2,677,500). For the remaining balance, unobservable (level 3) inputs were used to determine the fair value.

Revaluation model:
Where the fair value of buildings is determined on the current replacement cost basis, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Unobservable (level 3) inputs used to determine fair values of infrastructure, property, plant and equipment are:

Land:	Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by the Western Australian Land Information Authority (Valuation Services).
Buildings:	Historical cost per square metre floor area The costs of constructing specialised buildings with similar utility are extracted from financial records of the department, then indexed by movements in consumer price index. Consumed economic benefit/obsolescence of asset The West Australian Land Information Authority (Valuation Services) estimate these.
Measurement sites:	Historical cost of the assets The costs of construction of the measurement sites are extracted from the financial records of the department and indexed by movement in construction costs by valuers.

Significant assumptions and judgements: The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis and in determining estimated economic life to assets. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

4.1.1 Depreciation and impairment

Charge for the period

	2023 $'000	2022 $'000
Depreciation		
Buildings	118	110
Infrastructure	70	66
Plant and equipment	583	541
Vehicles and boating	32	32
Computer equipment	89	225
Leasehold improvements	34	15
Measurement sites	4,380	4,461
Total depreciation for the period	**5,306**	**5,450**

At 30 June 2023, the department recognised a $1.909 million impairment loss on measurement sites. $0.78 million was recognised in the revaluation reserve and $1.129 million recognised in profit and loss to ensure that the impairment loss did not exceed the amount in the revaluation surplus for this class of assets. No impairments were recognised in 2022.

Useful lives

All infrastructure, property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and investment properties.

Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful Life: Years
Buildings	20–40 years
Leasehold improvement[b]	20 years
Measurement sites	40 years
Plant and equipment	5–20 years
Computer equipment (hardware and software[a])	3–5 years
Infrastructure	20–50 years
Vehicles and boating	5–6 years

(a) Software that is integral to the operation of related hardware.

(b) Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments are made where appropriate.

Land and works of art, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Non-financial assets, including items of infrastructure, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised.

Where an asset is measured at cost and is written down to its recoverable amount, an impairment loss is recognised through profit and loss.

Where a previously revalued asset is written down to its recoverable amount, the loss is recognised as a revaluation decrement through other comprehensive income.

As the department is a not-for-profit agency, the recoverable amount of regularly revalued specialised assets is anticipated to be materially the same as fair value.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation / amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

4.2 Right-of-use assets

Year ended 30 June 2023	Buildings $'000	Computer Equipment $'000	Motor Vehicles $'000	Total $'000
Net carrying amount at beginning of period	434	563	1,328	2,325
Additions	267	-	800	1,067
Disposals	-	(28)	(19)	(47)
Depreciation	(368)	(206)	(695)	(1,269)
Net carrying amount at end of period	333	329	1,414	2,076

The department has leases for vehicles, computer equipment, office and residential accommodations. The lease contracts are typically made for fixed periods of 1 to 6 years with an option to renew the lease after that date. Lease payments for buildings not leased through the Department of Finance are renegotiated when appropriate to reflect market rentals.

The department subleases residential housing to employees at a subsidised rate. The department recognises lease payments from operating leases as income on a straight-line basis over the term of the lease.

The department has also entered into Memorandum of Understanding (MOU) agreements with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.

Initial recognition

At the commencement date of the lease, the department recognises right-of-use assets and a corresponding lease liability for most leases. The right-of-use assets are measured at cost comprising of:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs, including dismantling and removing the underlying asset.

The corresponding lease liabilities in relation to these right-of-use assets have been disclosed in note 6.1.

The department has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low-value leases (with an underlying value of $5,000 or less). Lease payments associated with these leases are expensed over a straight-line basis over the lease term.

Subsequent measurement

The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.

Depreciation and impairment of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

If ownership of the leased asset transfers to the department at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are tested for impairment when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.1.

The following amounts relating to leases have been recognised in the statement of comprehensive income:

	2023 $'000	2022 $'000
Buildings	368	280
Computer equipment	206	178
Motor vehicles	695	684
Total right-of-use assets depreciation for the period	**1,269**	**1,142**

The total cash outflow for leases in the 2023 financial year was $1.3 million (2022: $1.2 million).

4.3 Intangible assets

Year ended 30 June 2023	Capital Works in Progress $'000	Analytical Products $'000	Licences $'000	Computer Software $'000	Total $'000
1 July 2022					
Gross carrying amount	19,434	9,831	127	23,148	52,540
Accumulated amortisation	-	(4,416)	(56)	(21,303)	(25,775)
Carrying amount at start of period	**19,434**	**5,415**	**71**	**1,845**	**26,765**
Additions	8,001	-	-	22	8,023
Transfers in/(out)[(a)]	(14,089)	213	59	13,817	-
Disposals	-	-	(1)	-	(1)
Amortisation expense	-	(983)	(34)	(2,288)	(3,305)
Carrying amount at end of period	**13,346**	**4,645**	**95**	**13,396**	**31,482**
Gross carrying amount	13,346	10,044	181	36,819	**60,390**
Accumulated amortisation	-	(5,399)	(86)	(23,423)	**(28,908)**

(a) Transfer in/(out) from capital works in progress to completed assets.

Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at significantly less than fair value, the cost is their fair value at the date of acquisition. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale

(b) an intention to complete the intangible asset and use or sell it

(c) the ability to use or sell the intangible asset

(d) the intangible asset will generate probable future economic benefit

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

(f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Acquisitions of intangible assets costing $5,000 or more and internally generated intangible assets costing $5,000 or more that comply with the recognition criteria as per AASB 138 (as noted above), are capitalised. Costs incurred below these thresholds are immediately expensed directly to the Statement of comprehensive income. Costs incurred in the research phase of a project are immediately expensed.

Subsequent measurement

The cost model is applied for subsequent measurement of intangible assets requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

4.3.1 Amortisation and impairment

	2023 $'000	2022 $'000
Charge for the period		
Analytical products	983	920
Computing software	2,288	2,875
Licences	34	24
Total amortisation for the period	**3,305**	**3,819**

Useful lives

The department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually. The estimated useful lives for each class of intangible asset are:

Licences	3 years
Software[(a)]	3–10 years
Analytical products[(b)]	10 years

(a) Software that is not integral to the operation of related hardware.

(b) Analytical products are intangible assets such as geophysical datasets and surveys which are usually produced as part of project work. These products are used by the department to improve its understanding and management of water resources.

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified. The policy in connection with testing for impairment is outlined in note 4.1.1. As at 30 June 2023 there were no indications of impairment to intangible assets.

5. Other assets and liabilities

This section sets out those assets and liabilities that arose from the department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

	Notes	2023 $'000	2022 $'000
Receivables	5.1	38,989	28,361
Amounts receivable for services	5.2	88,895	82,078
Other assets	5.3	3,154	4,043
Payables	5.4	7,616	6,796
Contract liabilities	5.5	5,403	2,447
Other current liabilities	5.6	2	3

5.1 Receivables

	2023 $'000	2022 Restated* $'000
Current		
Trade receivables	10,864	4,052
Allowance for impairment of trade receivables	(497)	(337)
Accrued revenue*	27,537	23,383
Allowance for impairment of accrued revenue	(486)	(138)
GST receivable	1,571	1,401
Total receivables	**38,989**	**28,361**

* The Accrued Revenue comparative balance for 2022 has been restated. Refer to note 8.2 for details regarding prior year errors.

Trade receivables are initially recognised at their transaction price or, for those receivables that contain a significant financing component, at fair value. The department holds the receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

The department recognises a loss allowance for expected credit losses (ECLs) on a receivable not held at fair value through profit and loss. The ECLs based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. Individual receivables are written off when the department has no reasonable expectations of recovering the contractual cash flows.

For trade receivables, the department recognises an allowance for ECLs measured at the lifetime expected credit losses at each reporting date. The department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, please refer to note 2.3 for the amount of ECLs expensed in this financial year.

5.2 Amounts receivable for services (holding account)

	2023 $'000	2022 $'000
Current	7,043	9,238
Non-current	81,852	72,840
Total amounts receivable for services at end of period	88,895	82,078

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

The amounts receivable for services are financial assets at amortised cost and are not considered impaired (i.e., there is no expected credit loss of the holding account).

5.3 Other assets

	2023 $'000	2022 Restated* $'000
Current		
Prepayments*	3,151	4,041
Total current	3,151	4,041
Non-current		
Prepayments	3	2
Total non-current	3	2
Total other assets at end of period	3,154	4,043

* The Current Prepayments comparative balance for 2022 has been restated. Refer to note 8.2 for details regarding prior year errors.

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.4 Payables

	2023 $'000	2022 $'000
Current		
Trade payables[(a)]	541	1,755
Other payables[(a)]	6	49
Accrued expenses	4,422	3,035
Accrued salaries[(b)]	2,647	1,957
Total payables at end of period	7,616	6,796

(a) Payables are recognised at the amounts payable when the department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 15–30 days.

(b) Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account (see note 6.4 Restricted cash and cash equivalents) consists of amounts paid annually, from department appropriations for salaries expense, into a Treasury suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

5.5 Contract liabilities

	2023 $'000	2022 $'000
Reconciliation of changes in contract liabilities		
Opening balance	2,447	2,940
Additions	5,093	2,137
Revenue recognised in the period	(2,137)	(2,630)
Total contract liabilities at end of period	**5,403**	**2,447**
Current	5,403	2,447
Non-current	-	-

The department's contract liabilities primarily relate to user charges and fees yet to be performed as the licence, works approval or tracking form has not been issued to the customer.

5.6 Other current liabilities

	2023 $'000	2022 $'000
Stale cheque holding account	2	3
Total current liabilities at end of period	**2**	**3**

6 Financing

This section sets out the material balances and disclosures associated with the financing and cash flows of the department.

	Notes	2023 $'000	2022 $'000
Lease liabilities	6.1	2,141	2,393
Assets pledged as security	6.2	2,076	2,325
Finance costs	6.3	90	68
Cash and cash equivalents	6.4	109,196	103,160
Capital commitments	6.5	9,012	8,611

6.1 Lease liabilities

	2023 $'000	2022 $'000
Not later than one year	867	953
Later than on year and not later than five years	1,226	1,412
Later than 5 years	48	28
	2,141	2,393
Current	867	953
Non-current	1,274	1,440
Balance at end of period	2,141	2,393

Initial measurement

At the commencement date of the lease, the department recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the department uses the incremental borrowing rate provided by the Western Australia Treasury Corporation.

Lease payments included by the department as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of purchase options (where these are reasonably certain to be exercised)
- payments for penalties for terminating a lease, where the lease term reflects the department exercising an option to terminate the lease
- periods covered by extension or termination options are only included in the lease term by the department if the lease is reasonably certain to be extended (or not terminated).

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Variable lease payments, not included in the measurement of lease liability, which are dependent on sales, an index or rate are recognised by the department in profit or loss in the period in which the condition that triggers those payments occurs.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

This section should be read in conjunction with note 4.2.

	2023 $'000	2022 $'000
Lease expenses recognised in the Statement of comprehensive income		
Lease interest expense	90	68
Short-term leases	87	56
Low-value leases	1	-
Net loss on disposal of lease arrangement	2	1

Short-term leases are recognised on a straight-line basis with a lease term of 12 months or less.

Low-value leases with an underlying value of $5,000 or less are recognised on a straight-line basis.

6.2 Assets pledged as security

	2023 $'000	2022 $'000
The carrying amounts of non-current assets pledged as security are:		
Right-of-use asset vehicles	1,414	1,328
Right-of-use asset computer equipment	329	563
Right-of-use asset buildings	333	434
Total assets pledged as security	**2,076**	**2,325**

The department has secured the right-of-use assets against related lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

6.3 Finance costs

	2023 $'000	2022 $'000
Lease interest expense	**90**	**68**

Finance cost includes the interest component of lease liability repayments.

6.4 Cash and cash equivalents

	2023 $'000	2022 $'000
Current		
Cash and cash equivalents	11,448	23,785
Restricted cash and cash equivalents[(a)]	94,440	76,862
Total current	**105,888**	**100,647**
Non-current		
Restricted cash and cash equivalents – accrued salaries suspense account[(b)]	3,308	2,513
Total non-current	**3,308**	**2,513**
Balance at end of period	**109,196**	**103,160**

(a) Comprised of the Waste Avoidance and Resource Recovery Account ($41.9 million), Establishing and Maintaining Vegetation Offsets Account ($12.4 million), Environmental Protection Part IV Cost Recovery Account ($10.7 million), Clean Energy Future Fund ($8.8 million), Pilbara

Environmental Offsets Fund ($7.9 million), Murujuga Rock Art Monitoring Program ($3.1 million), Royalties for Regions ($2.9 million), Agricultural Areas Dams ($2.1 million) and other funds ($4.6 million) that are restricted in their purpose and cannot be used in general operations.

(b) Funds are held in the accrued salaries suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year. This account is classified as non-current for 10 out of 11 years.

For the purpose of the statement of cash flows, cash and cash equivalents (and restricted cash and cash equivalent) assets comprise of short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value and the funds held in the suspense account for the purpose of meeting the 27th pay.

The accrued salaries suspense account consists of amounts paid annually into a Treasurer's special purpose account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

6.5 Capital commitments

	2023 $'000	2022 $'000
Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:		
Within 1 year	2,529	7,873
Later than 1 year and not later than 5 years	6,483	738
Total capital commitments	9,012	8,611

7 Financial instruments and contingencies

This note sets out the key risk management policies and measurement techniques of the department.

	Notes
Financial instruments	7.1
Contingent assets and liabilities	7.2

7.1 Financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2023 $'000	2022 Restated* $'000
Financial assets		
Cash and cash equivalents	109,196	103,160
Financial assets at amortised cost*[(a)]	126,162	109,038
Total financial assets	235,358	212,198
Financial liabilities		
Financial liabilities at amortised cost[(b)]	9,759	9,192
Total financial liabilities	9,759	9,192

* The 2022 balance of Financial assets at amortised cost has been restated. Refer to note 8.2 for details regarding prior year errors.

(a) The amount of Financial assets at amortised cost excludes the GST recoverable from the ATO (statutory receivable).

(b) The amount of Financial liabilities at amortised cost excludes GST payable to the ATO (statutory payable).

Measurement

All financial assets and liabilities are carried without subsequent remeasurement.

7.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

7.2.1 Contingent assets

The following contingent assets are excluded from the assets included in the financial statements:

	2023 $'000	2022 $'000
Benefit potentially receivable in relation to a Supreme Court action involving a former tenant relating to rent recovery	-	120
Total contingent assets	-	120

The department is responsible for administering and regulating Waste Levy in Western Australia. Liability for Waste Levy is legislated through the *Waste Avoidance and Resource Recovery Act 2007* and the *Waste Avoidance and Resource Recovery Levy Act 2007* and regulated through the Waste Avoidance and Resource Recovery Regulations 2008 and the Waste Avoidance and Resource Recovery Levy Regulations 2008. The department conducts investigations on licensed and unlicensed landfill premises and the outcome of such investigations may be that the operator of the premises is liable for the payment of waste levy and applicable penalties. The department has determined that it is not practicable to estimate the financial effect of these investigations at the end of the reporting period, due to the complex nature of the investigations and the lengthy period of time that may be taken to finalise the investigations.

7.2.2 Contingent liabilities

The following contingent liabilities are excluded from the liabilities included in the financial statements:

	2023 $'000	2022 $'000
Costs potentially payable in relation to Supreme Court action involving a former tenant	-	500
Costs potentially payable in relation to legal action taken against an entity relating to odour pollution	50	600
Costs potentially payable in relation to flood damage compensation	4,000	-

Contaminated sites

Under the *Contaminated Sites Act 2003*, state agencies are required to report known and suspected contaminated sites to the department. In accordance with the Act, the department classifies these sites on the basis of risk to human health, the environment and environmental values. Where sites are classified as contaminated – remediation required or possibly *contaminated – investigation required*, the department may have a liability in respect of investigation or remediation expenses.

There is an outstanding contingent liability in relation to the remediation of a liquid waste treatment facility in agreement with the Water Corporation	150	150
Total contingent liabilities	4,200	1,250

8 Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	8.1
Correction of prior year errors	8.2
Key management personnel	8.3
Related party transactions	8.4
Related bodies	8.5
Affiliated bodies	8.6
Special purpose accounts	8.7
Indian Ocean Territories Account	8.8
Remuneration of auditors	8.9
Contributed equity and reserves	8.10
Supplementary financial information	8.11

8.1 Events occurring after the end of the reporting period

There are no significant events that occurred after the end of the reporting period.

8.2 Correction of prior year errors

1. Environmental Protection Part IV Cost Recovery Account – Revenue

During a review of Environmental Protection Part IV Cost Recovery Account financial processes the department discovered that $2.416 million revenue had not been recognised in the 2021–22 financial year, $2.224 million related to commercial proponents and $0.192 million related to State Government proponents. This was due to the operational decision made by the department to temporarily suspend the invoicing to prioritise the unprecedented number of environmental assessments needed to facilitate the state's booming economic growth and the staffing challenges faced by the department.

2. Waste Avoidance and Resource Recovery Account – Grant expenses

$2.134 million of Waste Avoidance and Resource Recovery Account grants were incorrectly expensed in the 2021–22 financial year rather than being treated as current prepayments. The amount was not individually material enough to be considered for adjustment in the 2021–22 financial statements and was reported to the department as an uncorrected misstatement in the prior year audit.

The abovementioned two errors are material in aggregate and have been corrected by restating each of the affected line items of the prior year figures as at 30 June 2022 and for the year ended 30 June 2022 as follows, and noting the consequential impacts on the Statement of changes in equity for the year then ended is as per the impact on Accumulated surplus and Surplus noted below:

30 June 2022

Statement of financial position	Previously stated balance $'000	Adjustment $'000	Restated balance $'000
Receivables[(a)]	25,945	2,416	28,361
Other Assets: Prepayments	1,907	2,134	4,041
Equity: Accumulated surplus	244,768	4,550	249,318

30 June 2022

Statement of comprehensive income	Previously stated balance $'000	Adjustment $'000	Restated balance $'000
Income: User charges and fees[(b)]	31,799	2,224	34,023
Income from State Government: Income from other public sector entities[(c)]	6,458	192	6,650
Expenses: Grants and subsidies[(d)]	15,119	(2,134)	12,985
Surplus for the period	74,557	4,550	79,107

(a) 30 June 2022 Accrued revenue included in note 5.1 Receivables has been restated from $20.967 million to $23.383 million.

(b) 30 June 2022 Environmental Protection Part IV Cost Recovery Account included in note 3.2 User charges and fees has been restated from $1.206 million to $3.430 million.

(c) 30 June 2022 Environmental Protection Part IV Cost Recovery Account included in note 3.1 Income from other public sector entities has been restated from $0.269 million to $0.461 million.

(d) 30 June 2022 Waste Avoidance and Resource Recovery Account included in note 2.2 Grants and subsidies has been restated from $9.694 million to $7.560 million.

8.3 Key management personnel

The department has determined key management personnel to include Cabinet Ministers and senior officers of the department. The department does not incur expenditures to compensate Ministers and those disclosures may be found in the *Annual Report on State Finances*.

The total fees, salaries, superannuation, non-monetary benefits and other benefits for senior officers of the department for the reporting period are presented within the following bands:

Compensation band ($)	2023	2022
$500,001 – $550,000	1	1
$200,001 – $250,000	5	3
$150,001 – $200,000	3	2
$100,001 – $150,000	-	3
$50,001 – $100,000	3	3
$0 – $50,000	1	1
	2023 $'000	2022 $'000
Total compensation of senior officers	2,385	2,132

8.4 Related party transactions

The department is a wholly owned public sector entity that is controlled by the State of Western Australia.

Related parties of the department include:

- all Cabinet Ministers and their close family members and their controlled or jointly controlled entities
- all senior officers and their close family members and their controlled or jointly controlled entities
- other departments and statutory authorities including related bodies that are included in the whole-of-government consolidated financial statements (i.e. wholly owned public sector entities)
- associates and joint ventures of a wholly owned public sector entity
- the Government Employees Superannuation Board.

Material transactions with other related parties

Outside of normal citizen type transactions with the department, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

8.5 Related bodies

The department currently does not provide any assistance to other agencies which would deem it to be regarded as related bodies under the definitions included in TI 951 Related and Affiliated Bodies.

8.6 Affiliated bodies

The following bodies receive more than half its funding and resources from the department, but is not subject to operational control by the department and is therefore considered to be affiliated bodies under the *Financial Management Act 2006*:

	2023 $'000			2022 $'000		
	Funding	Services free of charge	Total assistance	Funding	Services free of charge	Total assistance
Government organisations:						
Cockburn Sound Management Council	488	-	**488**	516	-	516
Contaminated Sites Committee	311	-	**311**	299	-	299
Environmental Protection Authority	9,795	-	**9,795**	8,110	-	8,110
Exmouth Gulf Coordinating Body	293	-	**293**	-	-	-
Keep Australia Beautiful Council (W.A.)	1,138	230	**1,368**	996	251	1,247
Office of the Appeals Convenor	1,493	-	**1,493**	1,241	-	1,241
Warren Donnelly Water Advisory Committee	4	-	**4**	3	-	3
Waste Authority	21,662	-	**21,662**	21,252	-	21,252
Non-government organisations:						
Geographe Catchment Council[1]	621	-	**621**	691	-	691

1 The department and Geographe Catchment Council entered into a partnership agreement whereby Geographe Catchment Council provides governance and management support to the department and the department provides support and links to the community and on-ground outcomes to achieve water quality improvements in the catchment area.

8.7 Special purpose accounts

Contaminated Sites Management Account(i)

The purpose of the account is to enable investigation or remediation of any site where the state or a public authority (excluding local government) is responsible for remediation. The account also funds the department's costs of investigation and ensuring compliance with notices.

	2023 $'000	2022 $'000
Balance at start of period	467	380
Receipts	211	190
Payments	(255)	(103)
Balance at end of period	**423**	467

Waste Avoidance and Resource Recovery Account(i)

The purpose of the account is to encourage the conservation of resources and energy through waste reduction and recycling; to promote support and encourage viable alternatives to landfill disposal of waste; and to encourage applied research and the development of appropriate waste management, waste reduction, recycling infrastructure and markets. The account is used to fund nominated programs and other waste management initiatives approved by the Minister for the Environment on the advice of the Waste Authority of Western Australia.

	2023 $'000	2022 $'000
Balance at start of period	40,604	29,324
Receipts – Repayments of loan to WARRRL	-	11,625
Receipts	21,662	21,252
Payments	(20,348)	(21,597)
Balance at end of period	**41,918**	40,604

Pilbara Environmental Offsets Fund(ii)

The purpose of the account is to deliver environmental offset projects in the Pilbara bioregion of WA in partnership with Traditional Owners, conservation agencies, industry and government.

	2023 $'000	2022 $'000
Balance at start of period	5,424	1,091
Receipts	3,448	4,940
Payments	(1,007)	(607)
Balance at end of period	**7,865**	5,424

Environmental Protection Part IV Cost Recovery Account[ii]

The purpose of this account is to manage funds recovered under the Environmental Protection (Cost Recovery) Regulations 2021. The funds in this account are to be used for defraying the costs incurred by the department in receiving and assessing proposals and monitoring the implementation of proposals under Part IV Division 1 or 2 of the *Environmental Protection Act 1986*.

	2023 $'000	2022 $'000
Balance at start of period	1,475	-
Receipts	9,239	1,475
Balance at end of period	**10,714**	1,475

(i) Established under section 16(1)(b) of the *Financial Management Act 2006*

(ii) Established under section 16(1)(d) of the *Financial Management Act 2006*

8.8 Indian Ocean Territories Account

Indian Ocean Territories Account

The purpose of the account is to account for Commonwealth funds for service delivery arrangements by the department to the Indian Ocean Territories.

	2023 $'000	2022 $'000
Balance at start of period	163	170
Receipts	1,230	509
Payments	(1,221)	(516)
Balance at end of period[a]	**172**	163

(a) Under the terms of the Service Delivery Arrangement, the department is to provide a statement of operating and capital expenditure and revenue for the previous financial year to the Commonwealth by 31 August each year.

This notification enables adjustments to biannual payments to be made early in the financial year to take into account any under or overspends against budget estimates from the previous financial year.

8.9 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2023 $'000	2022 $'000
Auditing the accounts, financial statements, controls and key performance indicators	**361**	328

8.10 Contributed equity and reserves

	2023 $'000	2022 $'000
Contributed equity		
Balance at start of period	285,681	327,896
Contributions by owners		
Capital appropriation	12,316	11,841
Total contributions by owners	**297,997**	339,737
Distributions to owners		
Transfer to consolidated account	(60,656)	(54,056)
Transfer to other agencies:		
Land transferred to Department of Planning, Lands and Heritage	(2,101)	-
Total distributions to owners	**(62,757)**	(54,056)
Balance at end of period	**235,240**	285,681
Asset revaluation surplus		
Balance at start of period	36,496	24,984
Net revaluation increment:		
Land	24,635	10,543
Buildings	292	398
Measurement sites	36,507	571
Total net revaluation increment	**61,434**	11,512
Balance at end of period	**97,930**	36,496

8.11 Supplementary financial information

(a) Write-offs

	2023 $'000	2022 $'000
The accountable authority	43	10
The Minister	143	-
The Treasurer	-	4,743
Total write-offs	**186**	4,753

(b) Losses through theft, defaults and other causes

	2023 $'000	2022 $'000
Losses of public money, other money and other property through theft or default	9	34
Amounts recovered	(7)	(34)
Total losses	**2**	-

(c) Forgiveness of debts

On 1 January 2022, the department commenced charging fees for proposals assessed under Part IV of the *Environmental Protection Act 1986* in accordance with the Environmental Protection (Cost Recovery) Regulations 2021. Item 15 of the Cost Recovery Regulations provides a fee to be charged for interest on outstanding amounts payable at the prescribed rate, being 3% higher than the cash rate target as determined by the Reserve Bank of Australia, in effect on the 1st day the amount became outstanding.

The Cost Recovery Regulations provide the Chief Executive Officer i.e. the Director General, with certain powers and duties in relation to imposing fees and charges. On June 2023, the Director General approved the waiving of fees for interest on outstanding amounts from 1 January 2022 to 30 June 2023 due to the fact that the department currently does not have the resource capacity to determine the interest on the outstanding amounts payable for all invoices issued and the additional fact that charging proponents interest after a long delay could potentially put the reputation of the department at risk.

(d) Gifts of public property

	2023 $'000	2022 $'000
Gifts of public property provided by the department	-	-
Total gifts	-	-

9. Explanatory statements

This section explains variations in the financial performance of the department.

	Notes
Explanatory statement for controlled operations	9.1
Explanatory statement for administered items	9.2

9.1 Explanatory statements for controlled operations

This explanatory section explains variations in the financial performance of the department undertaking transactions under its own control, as represented by the primary financial statements.

All variances between annual estimates (original budget) and actual results for 2023, and between the actual results for 2023 and 2022 are shown below. Narratives are provided for key major variances which vary more than 10% from their comparative and that the variation is more than 1% of the following variance analyses for the:

1. Estimate and actual results for the current year:
   - Total Cost of Services of the estimate for the Statement of comprehensive income and Statement of cash flows (i.e. 1% of $276,432,000), and
   - Total Assets of the estimate for the Statement of financial position (i.e. 1% of $560,769,000).
2. Actual results for the current year and the prior year actual:
   - Total Cost of Services for the previous year for the Statements of comprehensive income and Statement of cash flows (i.e. 1% of $180,239,000); and
   - Total Assets for the previous year for the Statement of financial position (i.e. 1% of $613,984,000).

9.1.1 Statement of comprehensive income variances

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual Restated* 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Expenses						
Employee benefits expense	a	120,098	120,752	102,180	654	18,572
Supplies and services	b	41,469	41,790	37,956	321	3,834
Depreciation and amortisation expenses	1	14,678	9,880	10,411	(4,798)	(531)
Finance costs		86	90	68	4	22
Accommodation expenses		8,746	9,938	9,339	1,192	599
Grants and subsidies*	2, c	76,439	21,384	12,985	(55,055)	8,399
Other expenses	3, d	9,733	6,904	4,795	(2,829)	2,109
Net loss on disposal of non-current assets	4	5,183	759	2,505	(4,424)	(1,746)
Total cost of services		**276,432**	**211,497**	**180,239**	**(64,935)**	**31,258**
Income						
User charges and fees *	5, e	33,862	48,719	34,023	14,857	14,696
Commonwealth grants	6, f	19,759	7,639	14,408	(12,120)	(6,769)
Waste levy	7	83,000	91,490	85,715	8,490	5,775
Interest revenue		850	-	365	(850)	(365)
Other Income	8, g	18,938	11,393	4,717	(7,545)	6,676
Total income		**156,409**	**159,241**	**139,228**	**2,832**	**20,013**
Net cost of services		**120,023**	**52,256**	**41,011**	**(67,767)**	**11,245**
Income from State Government						
Service appropriation	9, h	125,817	110,666	100,392	(15,151)	10,274
Income from other public sector entities*	i	3,485	3,526	6,650	41	(3,124)
Resources received		3,055	3,256	2,561	201	695
Royalties for Regions fund	j	9,833	7,990	10,515	(1,843)	(2,525)
Total income from State Government		**142,190**	**125,438**	**120,118**	**(16,752)**	**5,320**
Surplus for the period*		**22,167**	**73,182**	**79,107**	**51,015**	**(5,925)**
Other comprehensive income						
Items not reclassified subsequently to profit or loss						
Changes in asset revaluation surplus		-	61,434	11,512	61,434	49,922
Total other comprehensive income		**-**	**61,434**	**11,512**	**61,434**	**49,922**
Total comprehensive income for the period		**22,167**	**134,616**	**90,619**	**112,449**	**43,997**

* Refer to note 8.2 for details regarding prior year errors.

Major estimate and actual (2023) variance narratives

1. **Depreciation and amortisation expenses** decreased by $4.8 million (32.7%) mainly due to capital program deferrals and a lower than predicted depreciation expense.
2. **Grants and subsidies** decreased by $55.1 million (72.0%) mainly due to deferrals relating to State and Commonwealth funding for the National Partnership on Recycling Infrastructure, Clean Energy Future Fund, Waste Avoidance and Resource Recovery Account, Clean Western Australia – Waste Paper and Cardboard Processing and delays in issuing grants.
3. **Other expenses** decreased by $2.8 million (29.1%) mainly due to decreases in impairment losses, workers compensation insurance and other operational expenses.
4. **Loss on disposal of non-current assets** decreased by $4.4 million (85.4%) mainly due to fewer than anticipated measurement sites being decommissioned.
5. **User charges and fees** increased by $14.9 million (43.9%) mainly due to higher than estimated fees and charges relating to the Environmental Protection Part IV Cost Recovery Account and industry fees.
6. **Commonwealth grants** decreased by $12.1 million (61.3%) mainly due to a delay in funding for the National Partnership on Recycling Infrastructure.
7. **Waste levy** increased by $8.5 million (10.2%) mainly due to higher than estimated levy return and investigation income.
8. **Other income** decreased by $7.5 million (39.8%) mainly due to a decrease in program income from Pilbara Environmental Offsets Fund and Establishing and Maintaining Vegetation Offsets Account.
9. **Service appropriation** decreased by $15.2 million (12%) mainly due to a budget roll-out correction, the reflow to future years of programs for National Partnership on Recycling Infrastructure, Clean Energy Future Fund, Green Jobs Plan – Native Vegetation Rehabilitation Scheme and Carbon Innovation Grants Program, which was partially offset by the Public Sector Wages offer.

Major actual (2023) and comparative (2022) variance narratives

a. **Employee benefits expense** increased by $18.6 million (18.2%) mainly due to the 3% increase in the revised Public Sector Wages Policy and Cost of Living payments.

b. **Supplies and services** increased by $3.8 million (10.1%) mainly due to an increased expenditure on the Murujuga Rock Art Monitoring Program and travel costs.

c. **Grants and subsidies** increased by $8.4 million (64.7%) mainly due to higher grant expenditure for the National Partnership on Recycling Infrastructure following milestone achievement, Native Vegetation Rehabilitation Scheme, Clean Energy Future Fund, and Waste Avoidance and Resource Recovery Account - Waste Export Ban.

d. **Other expenses** increased by $2.1 million (44%) mainly due to an impairment loss on measurement sites and an increase in employment on-costs and insurance.

e. **User charges and fees** increased by $14.7 million (43.2%) mainly due to an increase in fees and charges relating to the Environmental Protection Part IV Cost Recovery Account and industry fees.

f. **Commonwealth grants** decreased by $6.8 million (47.0%) as no funding was received in the current financial year for the Environment Online Project and the National On-Farm Emergency Water Infrastructure Rebate Scheme, partially offset by grants received for Food Waste for Healthy Soils Fund.

g. **Other income** increased by $6.7 million (141.5%) mainly due to an increase in income from Pilbara Environmental Offset Fund and Murujuga Rock Art Monitoring Program proponents.

h. **Service appropriation** increased by $10.3 million (10.2%) mainly due to the 3% increase in the revised Public Sector Wages Policy and Cost of Living payments.

i. **Income from other public sector entities** decreased by $3.1 million (47.0%) mainly due to the Wooroloo Bushfire Coordinated Residential Clean-up program substantial completion in the previous financial year, partially offset by additional income from Environmental Protection Part IV Cost Recovery Account and interest revenue.

j. **Royalties for Regions fund** decreased by $2.5 million (24%) mainly due to the deferral of Watering WA, and less funding received this financial year for Bindjareb Djilba (Peel Harvey Estuary Protection Plan) and Rural Water Planning Program.

9.1.2 Statement of financial position variances

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual Restated * 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Assets						
Current assets						
Cash and cash equivalents		11,773	11,448	23,785	(325)	(12,337)
Restricted cash and cash equivalents		45,605	94,440	76,862	48,835	17,578
Receivables *		27,303	38,989	28,361	11,686	10,628
Amounts receivable for services		6,338	7,043	9,238	705	(2,195)
Other assets *		2,145	3,151	4,041	1,006	(890)
Total current assets		**93,164**	**155,071**	**142,287**	**61,907**	**12,784**
Non-current assets						
Restricted cash and cash equivalents		2,713	3,308	2,513	595	795
Amounts receivable for services	1, a	91,585	81,852	72,840	(9,733)	9,012
Infrastructure, property, plant and equipment	2, b	323,016	429,961	367,252	106,945	62,709
Right-of-use assets		2,149	2,076	2,325	(73)	(249)
Intangible assets	3	48,119	31,482	26,765	(16,637)	4,717
Other assets		23	3	2	(20)	1
Total non-current assets		**467,605**	**548,682**	**471,697**	**81,077**	**76,985**
Total assets		**560,769**	**703,753**	**613,984**	**142,984**	**89,769**
Liabilities						
Current liabilities						
Payables		5,000	7,616	6,796	2,616	820
Lease liabilities		851	867	953	16	(86)
Contract liabilities		2,944	5,403	2,447	2,459	2,956
Employee related provisions		24,601	26,714	25,339	2,113	1,375
Other current liabilities		-	2	3	2	(1)
Total current liabilities		33,396	**40,602**	35,538	7,206	5,064

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual Restated * 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Non-current liabilities						
Lease liabilities		1,266	1,274	1,440	8	(166)
Employee related provisions		6,196	6,207	5,511	11	696
Total non-current liabilities		7,462	**7,481**	6,951	19	530
Total liabilities		**40,858**	**48,083**	**42,489**	**7,225**	**5,594**
Net assets		**519,911**	**655,670**	**571,495**	**135,759**	**84,175**
Equity						
Contributed equity		245,749	235,240	285,681	(10,509)	(50,441)
Reserves		24,984	97,930	36,496	72,946	61,434
Accumulated surplus*		249,178	322,500	249,318	73,322	73,182
Total equity		**519,911**	**655,670**	**571,495**	**135,759**	**84,175**

* Refer to note 8.2 for details regarding prior year errors.

Major estimate and actual (2023) variance narratives

1. **Amounts receivable for services** decreased by $9.7 million (10.6%) mainly due to lower drawdown from the Holding Account to fund fixed assets, resulting from lower spend on capital works programs planned during the year.
2. **Infrastructure, property, plant, and equipment** increased by $106.9 million (33.1%) mainly due to an increase in revaluation increments of land and measurement sites.
3. **Intangible assets** decreased by $16.6 million (34.6%) mainly due to lower spend on analytical products, Environment Online and other computer software products.

Major actual (2023) and comparative (2022) variance narratives

a. **Amounts receivable for services** increased by $9.0 million (12.4%) mainly due to a deferment of planned capital programs.

b. **Infrastructure, property, plant, and equipment** increased by $62.7 million (17.1%) mainly due to an increase in revaluation increments of land and measurement sites.

9.1.3 Statement of cash flows variances

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Cash flows from State Government						
Service appropriation	a	105,956	95,931	85,726	(10,025)	10,205
Capital appropriations	1	16,755	12,316	11,841	(4,439)	475
Holding account drawdown	b	9,238	7,918	5,638	(1,320)	2,280
Distributions to owner	2, c	(41,973)	(60,456)	(54,044)	(18,483)	(6,412)
Net proceeds on sale of land remitted to consolidated account		-	-	(12)	-	12
Royalties for Regions fund	3, d	11,623	7,990	10,515	(3,633)	(2,525)
Funds from other public sector entities	e	1,007	2,531	8,184	1,524	(5,653)
Net cash provided by State Government		**102,606**	**66,230**	**67,848**	**(36,376)**	**(1,618)**
Cash flows from operating activities						
Payments						
Employee benefits	f	(120,048)	(117,287)	(103,015)	2,761	(14,272)
Supplies and services	g	(38,352)	(41,329)	(33,620)	(2,977)	(7,709)
Finance costs		(86)	(90)	(67)	(4)	(23)
Accommodation		(8,826)	(9,637)	(9,172)	(811)	(465)
Grants and subsidies	4, h	(76,439)	(19,368)	(14,831)	57,071	(4,537)
GST payments on purchases		(5,882)	(8,610)	(7,432)	(2,728)	(1,178)
Other payments	5	(6,725)	(3,909)	(5,594)	2,816	1,685
Receipts						
User charges and fees	6, i	33,862	44,533	31,932	10,671	12,601
Commonwealth grants	7. j	19,759	7,639	14,408	(12,120)	(6,769)
Interest received		850	-	14	(850)	(14)
Waste levy		83,000	84,105	83,562	1,105	543
GST receipts on sales		634	1,352	275	718	1,077
GST receipts from taxation authority		5,258	6,895	6,883	1,637	12
Other receipts	8, k	18,938	14,829	6,847	(4,109)	7,982
Net cash used in operating activities		**(94,057)**	**(40,877)**	**(29,810)**	**53,180**	**(11,067)**

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Cash flows from investing activities						
Payments						
Purchase of non-current assets	9	(29,065)	(18,260)	(18,094)	10,805	(166)
Receipts						
Proceeds from sale of non-current assets		-	200	39	200	161
Loan repayments from WARRRL	I	-	-	11,625	-	(11,625)
Net cash used in investing activities		**(29,065)**	**(18,060)**	**(6,430)**	**11,005**	**(11,630)**
Cash flows from financing activities						
Payments						
Principal elements of lease payments		(775)	(1,257)	(1,125)	(482)	(132)
Net cash used in financing activities		**(775)**	**(1,257)**	**(1,125)**	**(482)**	**(132)**
Net increase/(decrease) in cash and cash equivalents		(21,291)	6,036	30,483	27,327	(24,447)
Cash and cash equivalents at the beginning of the period		81,382	103,160	72,677	21,778	30,483
Cash and cash equivalents at the end of the period		**60,091**	**109,196**	**103,160**	**49,105**	**6,036**

Major estimate and actual (2023) variance narratives

1. **Capital appropriations** decreased by $4.4 million (26.5%) mainly due to the deferral of part of the funds relating to the Climate Action Fund and less funding received to expand the asset base of the department.
2. **Distributions to owner** increased by $18.5 million (44.0%) mainly due to the fact that the department calculated that they had adequate working cash available for normal business activities.
3. **Royalties for Regions fund** decreased by $3.6 million (31.3%) mainly due to the deferral of Watering WA and Rural Water Planning Program, and less funding received this financial year for Bindjareb Djilba (Peel Harvey Estuary Protection Plan) and Healthy Estuaries Western Australia.
4. **Grants and subsidies** decreased by $57.1 million (74.7%) mainly due to deferrals relating to State and Commonwealth funding for the National Partnership on Recycling Infrastructure, Clean Energy Future Fund, Waste Avoidance and Resource Recovery Account, Clean Western Australia – Waste Paper and Cardboard Processing and delays in issuing grants.
5. **Other payments** decreased by $2.8 million (41.9%) mainly due to decreases in workers compensation insurance and other operational expenses.

6. **User charges and fees** increased by $10.7 million (31.5%) mainly due to higher than estimated fees and charges relating to the Environmental Protection Part IV Cost Recovery Account and industry fees.
7. **Commonwealth grants** decreased by $12.1 million (61.3%) mainly due to a delay in funding for the National Partnership on Recycling Infrastructure.
8. **Other receipts** decreased by $4.1 million (21.7%) mainly due to a decrease in services rendered income for Establishing and Maintaining Vegetation Offsets Accounts and the Pilbara Environmental Offsets Fund.
9. **Purchase of non-current assets** decreased by $10.8 million (37.2%) mainly due to lower spend in Replace and Maintain Monitoring Bores and Gauging Stations, Land Acquisition – Land Purchase Priority 1 areas, Environment Online, Rebuild of Australind Jetty, State Groundwater Investigation Program and the Rural Water Planning Program.

Major actual (2023) and comparative (2022) variance narratives

a. **Service appropriation** increased by $10.2 million (11.9%) mainly due to the 3% increase in the revised Public Sector Wages Policy and Cost of Living payments.

b. **Holding account drawdowns** increased by $2.3 million (40.4%) mainly due to funding for the Rebuild of Australind Jetty, offset by $0.9 million reduction in funding for Replace and Maintain Monitoring Bores.

c. **Distributions to owner** increased by $6.4 million (11.9%) mainly due to the fact that the department calculated that they had adequate working cash available for normal business activities.

d. **Royalties for Regions fund** decreased by $2.5 million (24.0%) mainly due to the deferral of Watering WA and less funding received this financial year for Bindjareb Djilba (Peel Harvey Estuary Protection Plan) and Rural Water Planning Program.

e. **Funds from other public sector entities** decreased by $5.7 million (69.1%) mainly due to the Wooroloo Bushfire Coordinated Residential Clean-up program substantial completion in the previous financial year, partially offset by additional income from Environmental Protection Part IV Cost Recovery Account and interest revenue.

f. **Employee benefits** increased by $14.3 million (13.9%) mainly due to the 3% increase in the revised Public Sector Wages Policy and Cost of Living payments.

g. **Supplies and services** increased by $7.7 million (22.9%) mainly due to an increased expenditure on the Murujuga Rock Art Monitoring Program and travel costs.

h. **Grants and subsidies** increased by $4.5 million (30.6%) mainly due to higher grant expenditure for the National Partnership on Recycling Infrastructure following milestone achievement and Clean Energy Future Fund following increased successful grant applications.

i. **User charges and fees** increased by $12.6 million (39.5%) mainly due to an increase in fees and charges relating to the Environmental Protection Part IV Cost Recovery Account and industry fees.

j. **Commonwealth grants** decreased by $6.8 million (47.0%) as no funding was received in the current financial year for the Environment Online Project and the National On-Farm Emergency Water Infrastructure Rebate Scheme, partially offset by grants received for Food Waste for Healthy Soils Fund.

k. **Other receipts** increased by $8.0 million (116.6%) mainly due to an increase in income from Pilbara Environmental Offset Fund, Establishing and Maintaining Vegetation Offsets Account and Murujuga Rock Art Monitoring Program.

l. **Loan repayments** from WARRRL decreased by $11.6 million (100.0%) because the loan facility was fully repaid in the 2022 financial year.

9.2 Explanatory statement for administered items

This explanatory section explains variations in the financial performance of the department undertaking transactions that it does not control but has responsibility to the government for, as detailed in the administered schedules.

All variances between annual estimates and actual results for 2023, and between the actual results for 2023 and 2022 are shown below. Narratives are provided for key major variances which vary by more than 10% from their comparative and that variation is more than 1% of Total Administered Income for the following variance analyses for the:

1. Estimate and actual results for the current year (i.e. $100,000).
2. Actual results for the current year and the prior year actual (i.e. $57,000).

	Variance note	Estimate 2023 $'000	Actual 2023 $'000	Actual 2022 $'000	Variance between actual and estimate $'000	Variance between actual results for 2023 and 2022 $'000
Income from administered items						
Income						
For transfer:						
Regulatory fees and other charges[(a)]	1	100	46	57	(54)	(11)
Total administered income		**100**	**46**	**57**	**(54)**	**(11)**
Expenses						
Payments into the consolidated account[(a)]	2	100	46	57	(54)	(11)
Total administered expenses		**100**	**46**	**57**	**(54)**	**(11)**

(a) Payments into the consolidated account included water fines collected on behalf of the Water Corporation, and environmental infringement regulatory fees and fines collected on behalf of State Government.

Variance narratives

1. The variance between the estimate and the actual results for 2023 and the variance between the actual results for 2023 and 2022 are explained below:

Major estimate and actual (2022) variance narratives

- The department is required to estimate a dollar value on how many people are going to commit an environmental offence that results in either an infringement or a modified penalty notice being issued. Infringement notices have a penalty of either $250 or $500 and Modified Penalty Notices have a penalty of 10% or 20% of the maximum penalty (i.e., Material Environmental Harm under the *Environmental Protection Act 1986* has a maximum penalty of $250,000, 10% of which is $25,000). The bulk of the infringement estimated value comes from modified penalty notices and to be eligible for a modified penalty notice one must meet certain legislative requirements under section 99A of the *Environmental Protection Act 1986*. The variation is simply that we have issued less infringements or modified penalty notices for offences than estimated.

Major actual (2023) and comparative (2022) variance narratives

- The variance is primarily due to the fact that the total value of Environment penalty infringements decreased in the 2023 financial year ($3,500 = 12 infringements) compared to the 2022 financial year ($14,600 = 10 infringements). In 2023, no Environment penalty infringement exceeded $500, whereas in 2022 two Environment penalty infringements exceeded $500.

2. The variance between the estimate and the actual results for 2023 and the variance between the actual results for 2023 and 2022 are explained in the abovementioned number 1.

Certification of key performance indicators

I hereby certify that the key performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of Water and Environmental Regulation's performance, and fairly represent the performance of the Department of Water and Environmental Regulation for the financial year ended 30 June 2023.

Michelle Andrews
Director General
13 October 2023

Outcome-based management framework

Government goal – Investing in WA's Future: Tackling climate action and supporting the arts, culture and sporting sectors to promote vibrant communities.

	Agency outcome	Key effectiveness indicators	Page	Agency services	Key efficiency indicators	Page
Outcome 1	Western Australia's growth and development is supported by the sustainable management of water resources for the long-term benefit of the state	Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use	161	1. Water information and advice	Proportion of statutory referrals from decision-making authorities where advice is provided within target timeframes	168
					Average cost per referral assessment	168
					Average cost per water measurement site managed	169
		Proportion of priority growth areas that have a water supply planning strategy	161	2. Water planning, allocation, and optimisation	Average cost per plan, report, or guidance document to support water planning, allocation, and optimisation	170
					Average cost per hour of scientific support for water planning, allocation, and optimisation	171
				3. Water regulation, licensing, and industry governance	Average cost of assessing a water licence application by risk assessment category	171
					Average time taken (days) to assess a licence application by risk assessment category	172
					Average cost of compliance monitoring and enforcement action	173
Outcome 2	Emissions, discharges and clearing of native vegetation are effectively regulated to avoid unacceptable risks to public health and the environment	Percentage of regulatory compliance activities completed as planned	162	4. Environmental regulation	Average cost per works approval and licence application	174
		Percentage of potential environmental risks identified during compliance monitoring program that are rectified within two months	163		Average cost per native vegetation clearing permit application	174
Outcome 3	Development and implementation of strategic policy and legislation that promotes sustainable environmental outcomes	Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification	163	5. Environmental and water policy	Average cost per hour of policy advice and recommendations	176

	Agency outcome	Key effectiveness indicators	Page	Agency services	Key efficiency indicators	Page
Outcome 4	Waste avoided and the recovery of materials from landfill maximised	Percentage of municipal solid waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth metropolitan region	164	6. Waste strategies	Cost of landfill levy compliance as a percentage of landfill levy income collected	177
		Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target	164			
		Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the state-wide waste strategy target	165			
Outcome 5	Quality advice to the Environmental Protection Authority (EPA) and Minister for Environment on significant proposals and environmental issues	The EPA's satisfaction with the department's environmental impact assessment (EIA) service, during the year, in line with best practice principles of EIA	165	7. Environmental impact assessment services to the EPA	Cost per standardised unit of assessment output	178
		Percentage of project-specific conditions which did not require significant change following the appeal process	166	8. Environmental management services to the EPA	Cost per standardised unit of environmental management services output	179
		Percentage of assessments that met agreed timelines	166			
		The EPA's satisfaction with the department's provision of environmental management services during the year	167			
Outcome 6	Compliance with Ministerial Statement implementation conditions are monitored effectively	The number of Ministerial Statements audited compared to targets	167	9. Compliance monitoring services to the Minister for Environment	Average cost per environmental audit completed	180

Following the machinery of government changes, the Department of Water, the Department of Environment Regulation, and the Office of the Environmental Protection Authority were amalgamated and formed the Department of Water and Environmental Regulation (the department) on 1 July 2017. This is the sixth reporting period for the department post amalgamation.

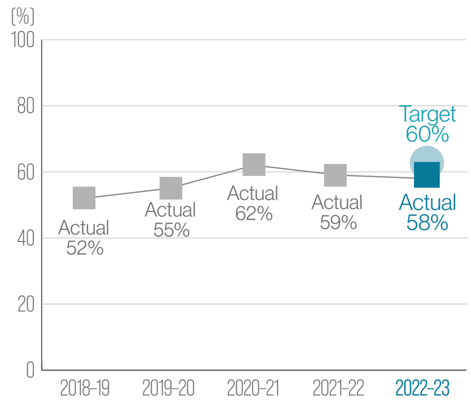
Results with significant variances of 10% or more compared with the Target and prior year results are explained. Most of the movements between the 2022–23 Target and the 2022–23 Actual are due to changes in resource cost allocations.

Key effectiveness indicators

Proportion of stakeholders who perceive the department to be effectively managing the state's water as a resource for sustainable, productive use[(a)]

(a) The 2022–23 survey results have a confidence interval of +/-4.31% at 95% confidence level. Other survey statistics include:

- population size: 1,191 stakeholders
- population character: stakeholder contacts provided by the department
- stakeholders invited to participate: 1,191 stakeholders
- number of respondents: 361
- response rate: 30%
- how sample was selected: Total population as provided by the department contacted by email or mail (for those without email contact details). The initial contact sought assistance with an online survey. Phone follow-up interviews were sought with stakeholders who did not respond to the online self-completion invitation.



The management of the state's water resources to enable growth and development is a core objective for the department, and this occurs within the context of ensuring the sustainability of the resources and their dependent environments.

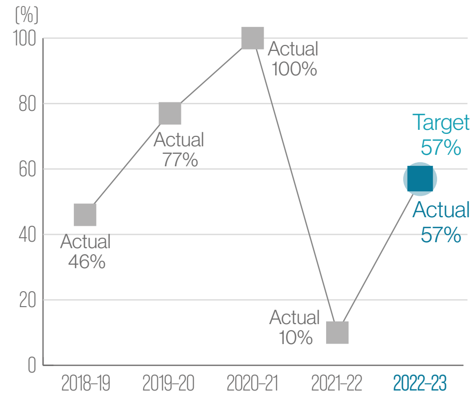
The department has many stakeholders with competing interests, including those from industry, investment, community, and environmental sectors.

A survey was conducted between 13 October 2022 and 14 December 2022 with the intent to determine the extent to which stakeholders perceive the department to be effectively fulfilling the statutory and other obligations that form its core role rather than satisfaction with a particular decision or handling of a specific issue.

The indicator is based on feedback received from the stakeholders through the survey. It is calculated as a percentage of respondents answering 'very effective' or 'quite effective' to a question in the survey about their perception of the department effectively managing the state's water as a resource for sustainable productive use. The other options for selection included 'neither one nor the other', 'quite ineffective', 'very ineffective' or 'don't know.'

Proportion of priority growth areas that have a water supply planning strategy

'Priority growth areas' refers to a list of significant projects and water resources areas. For each priority growth area, the department, or key stakeholders in collaboration with the department, develops a water supply plan or strategy to identify current and future water resource and supply options to meet demand for industry and population growth over the long-term. This supports the timely development of resource and supply options to meet demand in areas of state priority.



Projects included in the priority growth areas have strategic significance for the state; and include areas identified through the Water Supply-Demand Model as having a gap between future water demand and water availability.

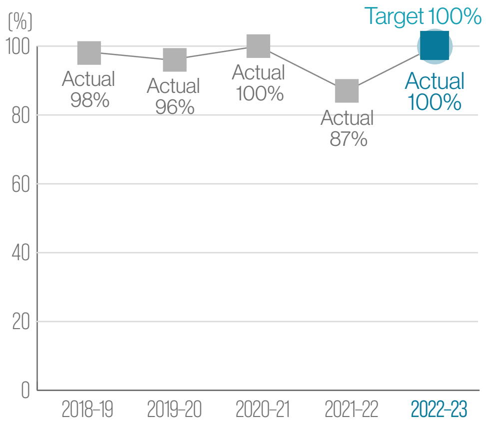
The indicator is calculated as a percentage of the priority growth areas with a water supply planning strategy (or advisory report for key stakeholders) out of the total priority growth areas that the department is currently working on. Following the completion of the planned program of projects in 2020–21, the indicator was re-set to zero in 2021–22 with a 100% completion target set for 2023–24 based on delivery of seven water supply planning projects.

Variance analysis

2022–23 budget target of 57% relates to delivery of a total of four water supply planning strategies from a total of seven over three years ending 2023–24.

Percentage of regulatory compliance activities completed as planned

Compliance activities are an integral part of the department's regulatory work and include promotion, monitoring, and enforcement. Information gathered and assessed through compliance activities is also used to inform and revise both regulation and policy frameworks as well as to inform legislative reform programs.



The department is a risk-based regulator that focuses its resources to address the areas of greatest risks to public health, the environment and water resources and is responsive to emerging risks and issues.

The prescribed premises compliance monitoring program is focused on the assessment of emissions and discharges from premises to ensure they are managed appropriately by the current instrument and relevant legislation. The program identifies premises and targets activities based on a risk assessment informed by environmental and operational risk including type of activity, compliance history and intelligence gathered, including from complaints and incidents.

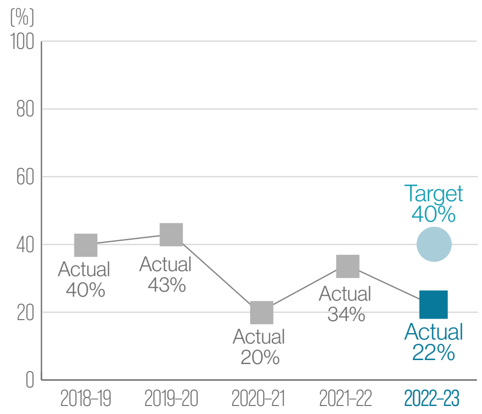
The waste sector compliance monitoring program assesses compliance at landfills and associated industries with the requirements of the landfill levy.

Variance analysis

The department conducted 140 of the 140 planned inspections for the Waste and Industry Compliance Program in 2022–23. During the year, delivery was also focused to address issues on priority premises that present the greatest risk. In addition, a further 31 unplanned inspections were completed for the levy compliance monitoring program and 13 unplanned inspections were completed for the Industry Compliance monitoring program.

Percentage of potential environmental risks identified during compliance monitoring program that are rectified within two months

Non-compliances identified through inspections undertaken as part of the prescribed premises compliance monitoring program and the waste sector compliance monitoring program are recorded and the length of time taken for these non-compliances to be rectified is tracked.



Non-compliances vary in nature, they may be administrative, technical, or operational. Administrative and technical non-compliances generally pose a low risk to public health, the environment or water resources, whereas operational non-compliances and emissions may pose a higher risk.

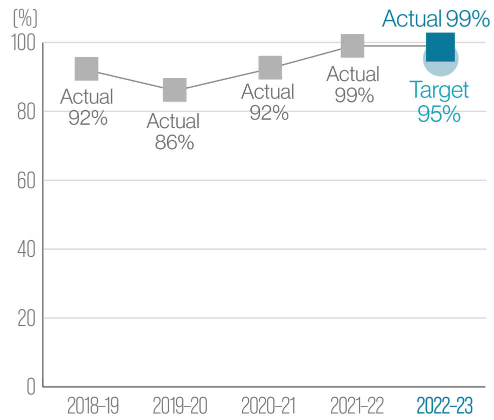
Variance analysis

During 2022–23, a total of 141 non-compliances were identified from inspections under the waste sector and the prescribed premises compliance monitoring programs.

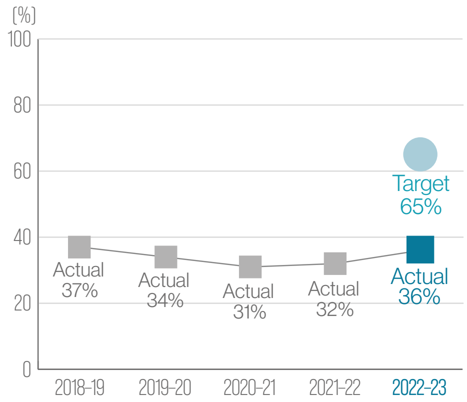
The target of 40% of non-compliances being closed within two calendar months was not achieved, with 22% of non-compliances closed within the specified timeframe. A further 8.5% were closed in the reporting period; however, not within the target timeframe. The resolution of the identified non-compliances is often protracted depending upon the complexity of the non-compliance identified and take longer than the two-calendar-month target timeframe to resolve.

Percentage of advice and recommendations that met Ministerial approval, without the need for significant modification

This indicator seeks to ensure that the advice provided by the department is consistent with the State Government's policy direction by measuring how well it meets the Minister for Environment's expectations.



Percentage of municipal solid waste reported as diverted from landfill through recycling compared to waste strategy target in the Perth metropolitan region



The indicator relates to the State Government's waste management target of recovering 67% of municipal solid waste (MSW) by 2025, as described in the waste strategy.

Due to the significant time required to gather the relevant information, 2021–22 data, as reported in *Waste and recycling in Western Australia 2021–22*, was used to calculate this indicator for 2022–23. From 2021, the data is derived from annual returns submitted under regulation 18C of the Waste Avoidance and Resource Recovery Regulations 2008 and composition data submitted with waste levy returns. Data was sourced from voluntary surveys prior to 2019–20.

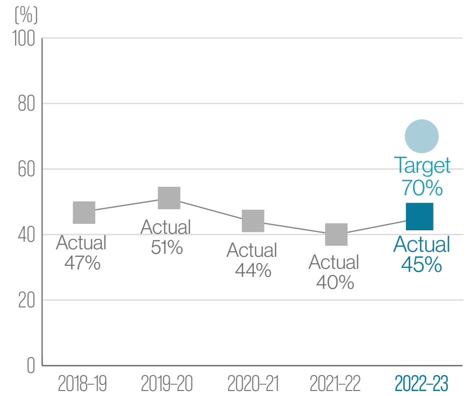
Variance analysis

The 2022–23 Target was not met due to lower-than-expected performance of local government services. Two-bin kerbside waste services typically only recover about 20% of waste from landfill, while three-bin GO (garden organics) services can recover more than 50%. To meet the Target, every local government will need to provide a three-bin kerbside collection system that includes separation of food organics and garden organics (FOGO). During the data collection period, eight of the 33 local governments had implemented kerbside FOGO collection systems. Two more local governments have implemented FOGO following the data collection period and 10 have committed to implementing it in their waste plans.

The waste strategy sets a target for three-bin FOGO (food organics garden organics) services in the Perth and Peel regions by 2025. These services can recover 65% or more of kerbside waste collections. Increased adoption of FOGO services is expected to lead to increased recovery rates.

The overall diversion rate has increased by 4% from the 2021–22 Actuals to 2022–23 Actuals with three more local governments implementing FOGO collections systems during 2022–23.

Percentage of commercial and industrial waste reported as diverted from landfill through recycling compared to the statewide waste strategy target



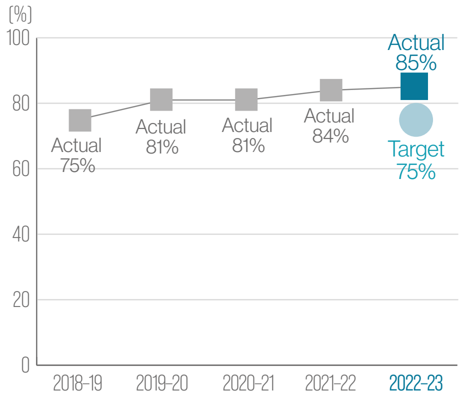
The indicator relates to the State Government's waste management target of recovering 75% of commercial and industrial (C&I) waste by 2025, as described in the waste strategy.

Due to the significant time required to gather the relevant information, 2021–22 data, as reported in *Waste and recycling in Western Australia 2021–22*, was used to calculate this indicator for 2022–23. From 2021, the data is derived from annual returns submitted under regulation 18C of the Waste Avoidance and Resource Recovery Regulations 2008 and composition data submitted with waste levy returns. Data was sourced from voluntary surveys prior to 2019–20.

Variance analysis

Waste recovery in the C&I sector increased by five percentage points in 2022–23. C&I waste recovery performance was higher due to a 176,000-tonne increase in the amount of recovered materials reported from 2021–22 to 2022–23. Recent, and future investments in recycling infrastructure by the State and Federal governments will help to minimise reliance on international markets. A review of the Waste Avoidance and Resource Recovery Strategy 2030 is currently underway to identify further actions to improve the recovery rates in the C&I waste sector.

Percentage of construction and demolition waste reported as diverted from landfill through recycling compared to the statewide waste strategy target



The indicator relates to the State Government's waste management target of recovering 77% of construction and demolition (C&D) waste by 2025, as described in the waste strategy.

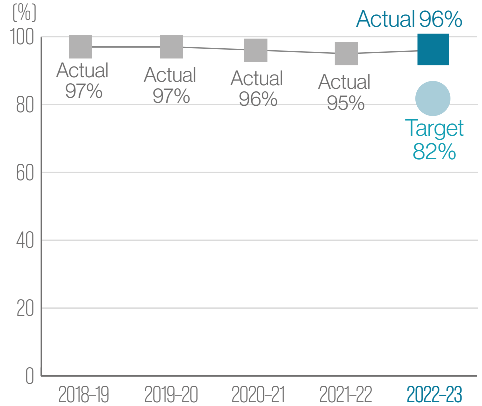
Due to the significant time required to gather the relevant information, 2021–22 data, as reported in *Waste and recycling in Western Australia 2021–22*, was used to calculate this indicator for 2022–23. From 2021, the data is derived from annual returns submitted under regulation 18C of the Waste Avoidance and Resource Recovery Regulations 2008 and composition data submitted with waste levy returns. Data was sourced from voluntary surveys prior to 2019–20.

Variance analysis

Relatively higher scheduled increases in the waste levy, compared to those that applied to the MSW and C&I streams since 2015, have made C&D waste landfilling more cost prohibitive.

The variance between the 2022–23 Target and the 2022–23 Actual is most likely due to the ongoing stockpiling of C&D waste in lieu of disposal, which acts to inflate the reported recovery rate. Waste levy avoidance may also contribute to the reported diversion rate.

The EPA's satisfaction with the department's environmental impact assessment (EIA) service, during the year, in line with best practice principles of EIA



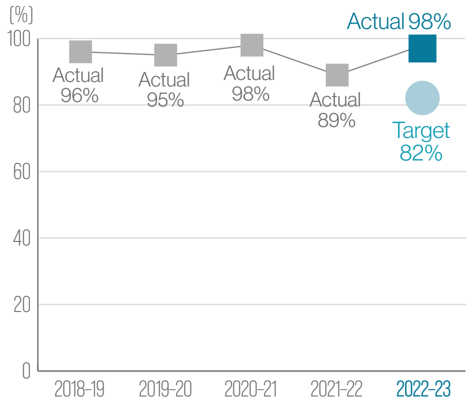
The indicator is determined through surveys of the EPA's members (service recipients) who rate the quality of each service against best practice principles (currently, the International Association for Impact Assessment's Principles of EIA Best Practice).

Variance analysis

The department strives to ensure that all advice provided to the EPA is as practical, efficient, rigorous, participative and fit-for-purpose as possible. In line with this goal, this year the EPA considered the EIA services provided by the department were of a very high standard, which resulted in the KPI Target being exceeded by more than 10%.

Percentage of project-specific conditions which did not require significant change following the appeal process

The indicator assists stakeholders in ascertaining the quality of conditions recommended by the department's EIA services. The department provides periodic reports to the EPA outlining the results of the appeals process and drawing attention to significant changes to the recommended conditions. This provides an important part of the State Government's expectation of a 'continuous improvement loop' in the appeals process.



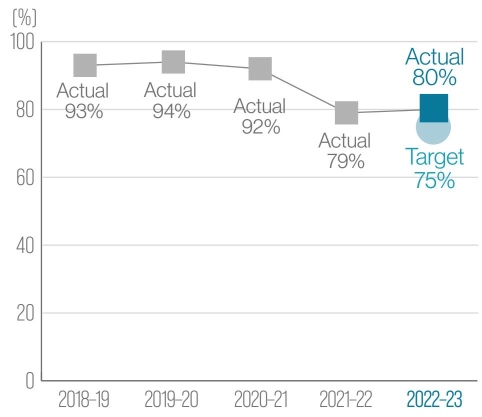
A significant change can be deemed as a substantial change to the form of a condition, the deletion or addition of a new condition, or a substantial change to the outcome or objective specified in a condition. A substantial change to the specified requirements of an environmental management plan or environmental monitoring plan and a change to a prescribed action are determined on a case-by-case basis.

Variance analysis

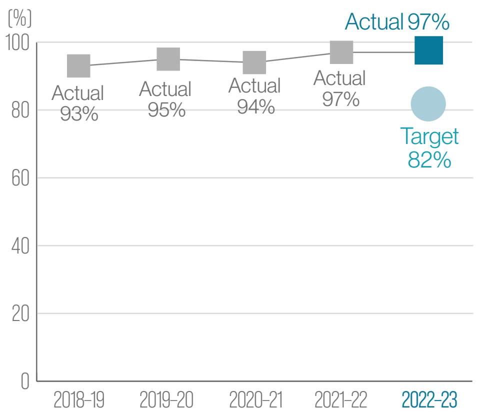
The department strives t ensure the conditions recommended to the EPA are as robust and comprehensive as the project requires and therefore does not require substantial change by the Office of the Appeals Convenor. In line with this goal, this year the department's recommended conditions required minimal substantial changes and therefore exceeded the KPI Target by more than 10%.

Percentage of assessments that met agreed timelines

This indicator measures the department's effectiveness in completing the assessment and providing the assessment report to the Minister in a timely manner. The timeline for an assessment may vary according to the complexity of the project and is usually agreed with the proponent soon after the level of assessment is determined. The assessment timeline is stated in the EPA's Report. The timeline refers to the time between the receipt of the final information (that has been endorsed by the EPA) for the assessment and providing the assessment report to the Minister (12 weeks).



The EPA's satisfaction with the department's provision of environmental management services during the year



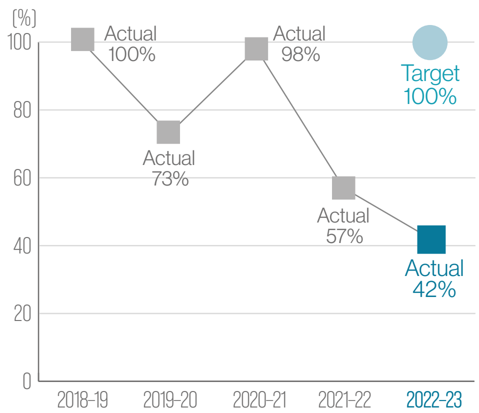
The level of quality is determined by the EPA with reference to the desirable underlying qualities of good environmental management advice. The EPA rates the quality of advice on strategic advice, statutory policies or guidelines provided by the department.

Each of the EPA members who participate in a decision rates the product on a scale of one to five (poor to excellent) and the scores of each member are averaged, combined, and proportionally adjusted to a percentage. The final indicator is the average rating awarded to all environment management services endorsed by the EPA during the period.

Variance analysis

The department strives to ensure that all environmental management services provided to the EPA have a clear purpose, are rigorous, readable, applicable, and consistent, and informed by stakeholder input as possible. In line with this goal, this year the EPA considered the EIA services provided by the department were of a very high standard, which resulted in the KPI Target being exceeded by more than 10%.

The number of Ministerial Statements audited compared to targets



Compliance monitoring is managed through a structured annual compliance management program. The annual program sets out the number of audits to be undertaken and using a priority matrix, identifies the Ministerial Statements to be audited.

The Minister imposes conditions on proposals to ensure that they are managed in an environmentally acceptable manner.

Variance analysis

The variance from the 2021–22 Actual and 2022–23 Target to 2022–23 Actual is due to some compliance resources being refocused on high-risk compliance matters which resulted in a number of complete audit reports not being approved prior to the end of 2022–23.

Key efficiency indicators

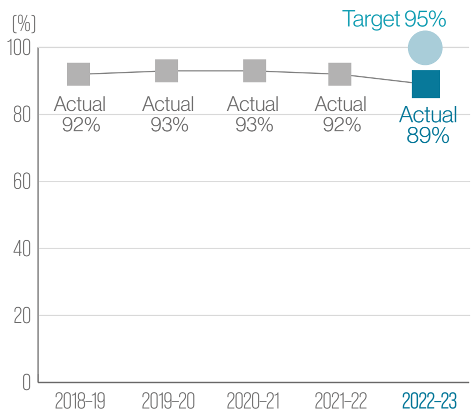
Service 1: Water information and advice

The department enables investment decisions of regional and state significance through the provision of data and information on the quantity, quality, location of, and demand for, water across the state. The information also underpins policy advice for consideration by State Government and supports other government agencies and stakeholders in their planning for future economic growth, and urban and rural development.

▶ Proportion of statutory referrals from decision-making authorities where advice is provided within target timeframes

Technically proficient, reliable, and timely advice on the state's water resources enables effective decision-making by decision-making authorities (DMAs) that directly supports growth, development, and investment for the long-term benefit of the state. DMAs include the:

- Environmental Protection Authority
- Other State Government agencies
- Local government authorities



This includes advice about water availability; the avoidance, management, and mitigation of impacts on water resources; and the protection of public drinking water sources.

This indicator represents a measure of the department's timeliness with respect to the provision of advice on various statutory referrals from DMAs. It demonstrates the efficiency with which the department is meeting statutory timeframes in providing water information and advice.

A statutory referral is a formal request for water advice from a DMA that has a statutory timeframe associated with the provision of that water advice. This indicator is calculated as a percentage of the total number of statutory referrals from DMAs to the department for advice that met the 35-business-day timeframe within the period.

▶ Average cost per referral assessment[1]

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
11,442	7,182	5,125	5,418	**7,960**	**6,046**

Note1 – The description of the key efficiency indicator has been changed from 'Average cost per statutory referral assessment' to 'Average cost per referral assessment' to more accurately reflect the current methodology. There has been no change to the cost allocation methodology. The change was approved by the Under Treasurer on 23 June 2023.

This measure provides information on the amount of operational expenditure being used for statutory referrals that enable decisions on proposals that support the state's growth and development.

The indicator is relevant to the service because it is a directly attributable operational cost incurred in service delivery to meet the desired outcome.

An assessment is generated from both a formal request for water advice from a DMA or proponent such as under the Better Urban Water Management Framework. The indicator is calculated using the total cost of the water information and advice service divided by the total number of assessments conducted within the period.

Variance analysis

The reduction in the average cost per referral assessment in 2022–23 from the 2022–23 Target is driven by a reduction in the total costs of service resulting from workforce priorities for resourcing of regulatory approvals. The increase in the average cost per referral assessment from the 2021–22 Actual to the 2022–23 Actual is due to an increase in the total costs of service, more than compensated by an increase in the number of assessments compared to the 2021–22 Actuals.

▶ Average cost per water measurement site managed

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
7,118	9,437	7,437	5,944	**9,389**	**6,638**

Access to reliable and current information about water resources – quantity and quality – is a core input to decision-making by State Government and water-dependent businesses that enables growth and development of the state.

Stakeholders access water information and data to support investment and business decisions. It also supports accurate water resource management decisions and advice. To service this need, the department measures or holds water data for more than 116,000 groundwater and surface water field sites, verifies, and stores the data and makes it available as water information.

Regular or periodic field measurements are essential to maintain up-to-date data, and verification, storage and accessibility are essential to make data available as reliable information.

This indicator is calculated by dividing the annual cost of water measurement and water information functions by the number of active operational sites.

Variance analysis

The decrease in the actual average cost per water measurement site managed from the 2022–23 Target is mainly due to lower cost allocations, with the volume of water measurement sites remaining relatively consistent. The increase in the actual average cost per water measurement site managed from the 2021–22 Actual to the 2022–23 Actual is due to higher cost allocations more than compensated by an increase in the number of water measurement site managed compared to 2021–22.

The department undertakes and facilitates water planning, allocation, and optimisation to ensure the sustainable management of water resources for the longterm benefit of the state, which relies on good science. This includes planning and allocating water for sustainable productive use, protecting public drinking water sources, and ensuring the sustainability of water resources and their dependent ecosystems.

▶ Average cost per plan, report, or guidance document to support water planning, allocation, and optimisation

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
431,338	348,488	233,709	268,753	**282,257**	**243,074**

Water resources need to be sustainably managed to achieve sufficient water quantity and quality for current and future needs. Increasingly precise, systematic, and transparent management is produced in science-based water allocation and optimisation plans, reports, and guidance documents. They guide and define management decisions to meet demand and avoid, mitigate, or minimise unsustainable impacts on resources. With this in place sufficient good-quality surface and groundwater will remain an ongoing part of future water supply for economic and population growth and the liveability of towns and cities.

Average cost is calculated by dividing the cost of the services by the total number of the following types of documents or advice produced:

1. Plans
   - Water allocation plan
   - Drinking water source protection plan
   - Statement of response to public submissions
2. Plans for public comment
   - Water allocation plan for public comment
   - Water source protection plan for public comment
3. Technical reports
   - Drinking water source protection area assessments
   - Environmental water requirements report, or provisions report
   - Allocation limits methods report
4. Guidance documents
   - Water quality protection notes and information sheets
   - Local water licensing strategy (e.g. Indigenous Land Use Agreement, allocation statement)
5. Status reports including:
   - Annual or tri-annual compliance Jandakot, and Gnangara compliance reports
   - Water allocation plan evaluations
   - Drinking water source protection reviews
   - State-wide planning reports (e.g. water resources inventory)
   - Pre-planning or implementation phase status reports (e.g. discussion paper, review of allocation limits or components)
   - Communication products (or sets of communication products) (e.g. water availability outlooks, website text, fact sheets).

Variance analysis

The decrease in the Actual from the 2022–23 Target to the 2022–23 Actual is mainly due to lower cost allocations to support water planning, allocation, and optimisation with the actual total number of documents being delivered remaining the same as planned.

▶ Average cost per hour of scientific support for water planning, allocation, and optimisation

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
145	161	172	185	**178**	**197**

The sustainable management of water resources for the long-term benefit of the state relies on quality and contemporary water science. The indicator will enable judgement about the efficient application of the department's science capacity.

This indicator shows the average cost of providing scientific support for the achievement of water planning, allocation, and optimisation outcomes.

This indicator is calculated by dividing annual cost of full-time equivalent (FTE) and operational expenses by total hours worked by employees directly supporting scientific outcomes for this service.

Variance analysis

The increase in the actual average cost per hour of scientific support for water planning, allocation, and optimisation from the 2022–23 Target is due to higher cost allocations, further impacted by lower number of hours for scientific support for water planning, allocation and optimisation.

Responsible, proportional regulation ensures investment, growth and development is underpinned by sustainable management of the state's water resources for the longterm benefit of the state. This service includes the management of water licensing. It also includes the management of the legislation governing the operations of water service providers.

▶ Average cost of assessing a water licence application by risk assessment category:

Risk assessment category	Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
Low	3,788	3,284	3,412	3,348	**3,782**	**4,018**
Medium	5,051	4,378	4,549	4,464	**5,043**	**5,357**
High	6,313	5,473	5,686	5,580	**6,303**	**6,697**

Responsible, proportional regulation gives confidence that Western Australia's water resources are being sustainably managed for the long-term benefit of the state.

Water licensing is the main tool for sharing and allocating the state's water resources. A licence to take water authorises a licensee to take a specified volume of water from a particular water resource and is the principal tool for ensuring sustainable productive use of water in Western Australia. Other licences and permits administered by the department authorise the construction and alteration of water access infrastructure, such as wells and dams, as well as activities that interfere with the beds and banks of watercourses.

This indicator enables judgement about the costs of the department's water licence application assessments, within a risk-based assessment framework.

The indicator shows the average cost to assess a licence or permit application by risk category grouping. The indicator includes applications for permits to interfere with bed and banks, licences to construct a well, licences to access water, and renewal of and amendments to existing licences to access water, trades, transfers, and agreements.

The indicator is calculated by dividing the departmental cost of providing the water licensing service per application risk category, by the total number of licence and permit applications assessed within each risk category, within the period.

Variance analysis

The increase in the average cost of assessing a water licence application across all water licence application risk categories from the 2021–22 Actual to the 2022–23 Actual is mainly due to higher cost allocations, further impacted by lower volumes.

▶ Average time taken (days) to assess a licence application by risk assessment category:

Risk assessment category	Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
Low	57	46	30	35	**65**	**43**
Medium	133	85	39	52	**75**	**57**
High	213	87	47	65	**95**	**85**

Water licences are one of the fundamental assets that support investment decisions in water-dependent industries. Investment decisions by licensees, existing and prospective, are also time-bound and require that applications for access to water are dealt with by the department in a timely manner.

The department ensures that the level of assessment effort applied to a water licence application is proportionate to the risk posed should a licence be granted, for example higher-risk licence applications are generally more complex and require more time to assess.

Risk categories for water licence or permit applications guide the level of assessment that is carried out by the department based on the risk should a licence or permit be granted. Risk categories are defined as low, medium, or high. Primary factors considered when assigning an assessment risk category are the volume of water being requested, how much water is available in the resource where the water is being requested, and potential impact of the proposed water use on other water users and/or the environment, including cumulative impacts.

This indicator enables judgement about the department's efficiency in decision-making for water licence and permit applications within this risk-based assessment framework.

The indicator shows the average time taken to assess a water licence or permit application by risk category. The indicator includes applications for permits to interfere with bed and banks, licences to construct a well, licences to take water, and renewal of and amendments to existing licences to take water, trades, transfers, and agreements.

The indicator is calculated by dividing the total time taken to assess all water licence and permit applications within each risk category, by the total number of licence and permit applications assessed within each risk category, within the period.

The measurement of assessment timeframes includes 'stop the clock'. When a water licence application assessment process is outside of the department's control, the time taken during this assessment process is not included when calculating application assessment times. The assessment clock is 'stopped' in these instances.

Variance analysis

The average time taken to process a water licence application has been significantly reduced in 2022–23 over the 2022–23 Targets across all water licence application risk categories, driven by the successful implementation of the water licensing backlog action plan and several other water licensing business performance initiatives. The 2022–23 Targets were outperformed across all risk categories (average 23% reduction).

Importantly, it should be noted that the average processing duration for low-risk applications, which represented more than 70% of the total water licence applications processed in 2022–23, is 22 days (or 33%) less than the target of 65 days.

The increase in average time taken to process a licence application by low and high-risk assessment category from the 2021–22 Actual to the 2022–23 Actual is due to complexity and variability of a range of factors including compliance monitoring and enforcement activities, and complexity of licence assessment processes undertaken for each application.

▶ Average cost of compliance monitoring and enforcement action

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
608	205	118	130	**156**	**206**

The department relies on water usage information for accurate water resource management advice and decisions. The department's compliance monitoring of licenced use provides accurate information on actual licenced water use to ensure the sustainable management of water resources for the long-term benefit of the state.

The department undertakes compliance monitoring and, where appropriate, enforcement action when licenced water use is found to be not in accordance with terms, restrictions, and conditions. Compliance monitoring within a risk-based framework ensures the department fulfils its legislative requirements, while ensuring efficient and sustainable productive water use.

Investment decisions by licensees, existing and prospective, are time-bound and require that applications for access to water are dealt with by the department in a timely manner. Water licences are one of the fundamental assets that support investment decisions.

This indicator is calculated using the departmental cost of compliance and enforcement activities divided by the number of compliance and enforcement actions undertaken by the department during the year.

The enforcement actions include the following activities undertaken by the department when licenced water use is found to be inconsistent with the licence terms, restrictions, and conditions:

- educational letters
- licence amendments
- warnings, infringements, or direction notices
- prosecutions.

Variance analysis

The increase in the average cost of compliance monitoring and enforcement action from the 2022–23 Target and the 2021–22 Actual reflects a continued large amount of compliance activity associated with the final stage of the water metering regulation resulting in higher cost allocations, further impacted by a small reduction in the number of compliance monitoring and enforcement actions associated with water metering regulations.

The increase in the average cost of compliance monitoring and enforcement action from the 2021–22 Actual to the 2022–23 Actual is mainly due to higher cost allocations, further impacted by a decrease in the number of compliance monitoring and enforcement actions during 2022–23.

The department seeks to prevent, control, and abate activities with the potential to cause pollution or environmental harm. It has adopted a risk-based approach to delivering its regulatory role, which broadly fits into three main functions:

1. approvals and licensing
2. monitoring, audit, and compliance inspections
3. enforcement, including complaint and incident investigation.

▶ Average cost per works approval and licence application
▶ Average cost per native vegetation clearing permit application

Efficiency indicator	Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
Average cost per works approval and licence application	47,505	47,220	51,891	55,425	**60,931**	**73,244**
Average cost per native vegetation clearing permit application	29,865	17,644	33,217	30,353	**35,895**	**33,764**

These measures of efficiency were established to reflect the costs per regulatory action for an instrument for the department's industry regulation and native vegetation regulation functions. These are considered relevant efficiency indicators as they:

- capture the primary regulatory functions of the department
- measure the amount of resources required to assess and determine an industry regulation instrument and native vegetation instrument
- are of interest to parties paying regulatory fees
- are relevant to the review and determination of the department's regulatory fees and charges.

The indicators are considered relevant to the service as they can track the efficiency of the assessment of regulatory instruments over time and provide a simple metric for users of the department's budget statements and annual report.

For works approvals and licences, the indicator is calculated by dividing the total group costs deemed relevant to the agency activity of carrying out and administering the function of works approvals and licences – being applications assessment and decision-making on works approval and licence applications under Part V Division 3 of the *Environmental Protection Act 1986* – by the number of work approvals, licences, licence renewals and amendments assessed to provide the average cost.

For clearing permit applications, the indicator is calculated using the same method, by dividing the total group costs deemed relevant to the agency activity of carrying out and administering the function of clearing permit applications – being assessment and decision-making on clearing permit applications and amendments to clearing permit applications under Part V Division 2 of the *Environmental Protection Act 1986* – by the number of clearing permit applications and amendment applications assessed, to provide the average cost.

Variance analysis

The increase in average cost per Works Approval and Licence Application from the 2021–22 Actuals and the 2022–23 Target is due to higher cost allocations, further impacted by a reduction in the number of Works Approval and Licence Applications decided during the year.

The increase in average cost per native vegetation clearing permit application from the 2021–22 Actual to the 2022–23 Actual is due to higher cost allocations, further impacted by a decrease in the number of native vegetation clearing permit applications decided during 2022–23.

Develop and implement policies and strategies that promote environmental outcomes.

▶ Average cost per hour of policy advice and recommendations

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
84	118	148	273	**398**	**328**

This measure of efficiency was established to reflect the cost per hour of policy advice. This is considered a relevant efficiency indicator as it:

- captures a significant function of the department
- measures the amount of resources required to develop and implement policies and strategies
- is of interest as it shows the cost of policy development
- is relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to this service as they can track the efficiency of the policy development and implementation over time and provide a simple metric for users of the department's budget statements and annual report.

The indicator is calculated by totaling the functional group costs associated with agency activity of carrying out and administering the function of providing policy advice and recommendations. The advice and recommendations relate to the development, review and amendment of environmental policy, national policy, primary and subsidiary legislation, and environmental programs, providing advice to the Minister and the State Government in relation to legislation administration. The total number of available FTE hours for the services is divided into the costs to provide an average cost per hour of policy advice and recommendations.

Variance analysis

The decrease in average cost per hour of policy advice and recommendations from the 2022–23 Target is due to lower cost allocations more than offset by lower number of hours of policy advice and recommendations. The increase in average cost per hour of policy advice and recommendations from the 2021–22 Actual to the 2022–23 Actual is largely due to higher cost allocations impacted by higher FTEs allocations.

Waste avoided and the recovery of materials from landfill maximised.

▶ Cost of landfill levy compliance as a percentage of landfill levy income collected

Actual 2018–19 %	Actual 2019–20 %	Actual 2020–21 %	Actual 2021–22 %	Target 2022–23 %	Actual 2022–23 %
2.10	1.94	1.60	1.87	**1.50**	**1.64**

This measure of efficiency was established to reflect the cost of levy compliance as a percentage of the landfill levy income collected. This is considered a relevant efficiency indicator as it:

- measures the number of resources applied to the waste avoidance strategies and landfill diversion strategies
- is of interest as it shows the cost of managing the waste strategies
- is relevant to the use of funds being expended to develop and implement strategic policy and legislation that promotes sustainable environmental outcomes.

The indicator is relevant to the service as it can track the efficiency of managing waste strategies and provides a simple metric for users of the department's budget statements and annual report.

The cost of landfill levy compliance as a percentage of landfill levy income collected is determined by totaling those functional group costs deemed relevant to the department's activity of carrying out and administering the function of providing landfill levy compliance – being the administration of the landfill levy returns, auditing of those returns, processing of exemptions and undertaking inspections at a range of waste facilities, and carrying out unauthorised waste activity investigations. The indicator is calculated by dividing the cost of levy compliance by the amount of landfill levy income collected for the year.

Variance analysis

The increase in the cost of landfill levy compliance as a percentage of landfill levy income collected from the 2022–23 Target is due to a relatively small increase in dedicated resources monitoring and enforcing landfill levy compliance activities more than offset by an increase in landfill levy income. The decrease in the cost of landfill levy compliance as a percentage of landfill levy income collected from the 2021–22 Actuals is due to a small decrease in dedicated resources monitoring and enforcing landfill levy compliance activities with the landfill levy income collected relatively consistent.

Conduct, for the EPA, environmental impact assessments of significant proposals and schemes.

▶ Cost per standardised unit of assessment output

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
33,082	39,924	62,466	45,444	**58,209**	**79,177**

While the variation in assessment complexity is reflected in the level of assessment set, several other factors affect how complex a proposal is to assess. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent dealing with a proposal, how the complexity weightings were allocated and trialled, in consultation with experienced officers, according to inherent proposal characteristics that cause a proposal to be more difficult rather than what causes an assessment to take more time to complete. This ensures that the indicator measures the efficiency of the department's provision of EIA advice to the EPA rather than the department's cost per hour. The total complexity is calculated by summing the individual complexities allocated to each assessment according to their inherent characteristics.

The cost per standardised unit of assessment output is calculated by dividing the total cost of assessments (including an allocation of post-approval costs and a portion of costs for policy and administrative support) by the total complexity weighting of assessments completed during the budget year.

Variance analysis

The increase in cost per standardised unit of assessment output from the 2021–22 Actual and 2022–23 Target to 2022–23 Actual is due to higher cost allocations to allocate costs to this service as well as a lower number of standardised units of assessment outputs delivered. Key reasons for lower assessment outputs include the increased complexity of proposals, the allocation of some experienced assessment staff to the development and implementation of Environment Online and delivery of *Environmental Protection Act 1986* Amendments, and also the ongoing training and development of new assessment staff as a result of high staff turnover rates.

Develop, for the EPA, statutory policies, guidelines, and strategic advice to manage environmental impacts and protect the environment.

▶ Cost per standardised unit of environmental management services output

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
21,049	34,793	34,572	26,706	**54,191**	**26,151**

Due to the variation in complexity of environmental management services provided, an average cost per piece of advice provided would not fairly represent the department's efficiency in providing such advice to the EPA. In fact, such a measure could provide a perverse incentive to produce many straightforward pieces of advice rather than tackling more complex issues that are more difficult to investigate. To account for this range in difficulty, each assessment completed is assigned a weighting.

The difficulty often influences the amount of time spent investigating a matter, how the complexity weightings were allocated, in consultation with experienced officers, according to inherent characteristics that cause a piece of environmental management advice to be more difficult rather than what causes it to take more time to complete. This ensures that the indicator measures the efficiency of the department's provision of environmental management advice to the EPA rather than the department's cost per hour.

The cost per standardised unit of environmental management services output is calculated by dividing the total cost of environmental management services (including an allocation of administrative support) by the total complexity weighting of environmental management services endorsed during the period.

Variance analysis

Strategic advice and support for environmental management services to the EPA is provided by a dedicated EPA services directorate within the department with support from other functions of the department for specialist environmental services. The cost per standardised unit of environmental management services output is lower than the 2021–22 Actual and 2022–23 Target due to an increase in the number of environmental management services outputs to deliver the amendments to the *Environmental Protection Act 1986* and the EPA procedure suite. Additional advice and support were provided by the department in 2022–23.

Service 9: Compliance monitoring services to the Minister

Audit the compliance with conditions set under Ministerial approvals and undertake enforcement action as appropriate.

▶ Average cost per environmental audit completed

Actual 2018–19 $	Actual 2019–20 $	Actual 2020–21 $	Actual 2021–22 $	Target 2022–23 $	Actual 2022–23 $
31,719	65,666	56,117	51,684	**100,191**	**148,276**

The indicator is calculated by dividing the total cost (including an allocation of administrative overheads) allocated to compliance monitoring services by the total number of audits (not including desktop scans) completed during the period.

Variance analysis

Compliance monitoring services to the Minister for Environment are provided by a dedicated compliance and enforcement directorate within the department with support from other functions of the department. The actual average cost per environmental audit completed in 2022–23 is higher than the 2021–22 Actuals and the 2022–23 Target due to lower number of environmental audits completed resulting from refocusing of resources to resolution of long-standing and high-risk compliance matters.

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