

ANNUAL REPORT

2015–2016

Department of Energy and Water Supply



Queensland
Government

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Letter of compliance

16 September 2016

The Honourable Mark Bailey MP
Minister for Main Roads, Road Safety and Ports and
Minister for Energy, Biofuels and Water Supply
GPO Box 2644
Brisbane Qld 4001

Dear Minister Bailey

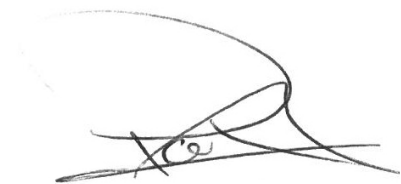
I am pleased to present to Parliament the *Annual report 2015–2016* and financial statements for the Department of Energy and Water Supply.

I certify that this annual report complies with:

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

A checklist outlining the annual reporting requirements can be found on page 67 of this annual report.

Yours sincerely



Professor Paul Simshauser
Director-General
Department of Energy and Water Supply

Director-General's message

I am pleased to present the 2015–16 annual report for the Department of Energy and Water Supply (DEWS). The content of this report highlights how the department is meeting the objectives of the Queensland Government and outlines the progress we have made towards becoming a world-class regulatory and policy agency.

During the past year, the department has succeeded in implementing or progressing a number of significant initiatives to provide better outcomes for the state's energy and water consumers.

After extensive consultation, legislation for a biofuel mandate was introduced, requiring fuel sellers to meet targets for the sale of ethanol-blended petrol and bio-based diesel—moving Queensland towards a cleaner energy economy.

As part of the government's A Solar Future plan, the department began implementation of Solar120, a program that will support investment in large-scale solar projects in Queensland. The aim of the program is to generate, via reverse auction, 120 megawatts of solar energy—triple the government's original target announced at the last election.

During the year, the department continued work to address electricity prices and, as a result, legislation came into effect on 1 July 2016 to deregulate South East Queensland's electricity market, resulting in more competitive pricing in the region. Work to improve the situation of vulnerable customers also continued.

The department worked with local councils to develop regional water supply security assessments for Bundaberg, Rockhampton and Charters Towers. Released earlier this year, these assessments provide an understanding of the capability of each city's water supply system to meet current and future water demand.

Targeted consultation with key water industry stakeholders has been undertaken during the year to seek feedback to reshape *WaterQ: a 30-year strategy for Queensland's water sector* to ensure it remains relevant to current government policy direction.

In April, the department partnered with Powerlink to run an energy market trading simulation. Not only did this initiative provide a great training and development opportunity for industry participants in the operation of Australia's national electricity market, it also raised valuable funds for a domestic violence shelter, with which the department has a proud partnership.

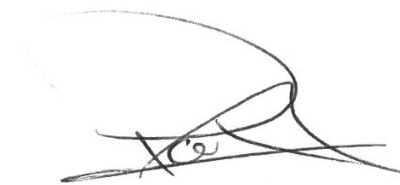
Positive partnerships and effective stakeholder engagement are important in helping the department achieve our aim of becoming world-class—in the services we provide, the processes we use and the staff we employ—and will remain a priority in the coming year. We have been working closely and successfully with other state governments through the Council of Australian Governments (COAG) Energy Council and, as a co-chair and co-sponsor of its Energy Market Transformation Project team, we are leading the regulatory response to shifts in the current electricity market in relation to new technologies and changing consumer preferences.

The vision of being world-class, and therefore aspiring to continuous improvement, is in the process of being embedded in the culture of the department and will continue to remain a focus going forward.

I am mindful that to become a high-performing agency my department needs to focus on our people and the culture of our workplace. A lot of work has been done in this space during the past year and a two-way dialogue has resulted. Staff understand that a world-class culture will drive good policy-making, which will put us 'ahead of the curve'. They understand that our decisions should be credible and evidence based, and that they are being heard in return. Therefore, we will be investing more in their technical excellence—the expertise that sets them apart and provides competitive advantage.

The year ahead is an exciting one for the department, with many of our key initiatives being put in place. Significant reform of the energy and water sectors will reshape the landscape in which we fulfil our role—to ensure Queenslanders have access to safe, reliable and affordable energy and water supply services.

Finally, I cannot let this year pass without mentioning the valuable contribution Karen Masnata made to the department. Unfortunately we lost Karen to cancer and farewellled her in January. She held the position of Deputy Director-General, Energy, and was highly respected and liked by all who worked with her.



Professor Paul Simshauser
Director-General

Departmental highlights

In 2015–16, the department delivered the following key achievements.

The Energy service area:

- » continued to implement the biofuels mandate to help grow Queensland's biofuel industry
- » supported the Minister for Energy, Biofuels and Water Supply to host the Fuel Price Summit, which allowed a greater understanding of issues for consumers, industry and regulators by exchanging views and information
- » undertook a range of activities to prepare for the deregulation of the South East Queensland retail electricity market, including development of an electricity consumer education campaign to help customers shop around for a better electricity deal
- » supported amendment of the *Energy and Water Ombudsman Act 2006* to extend access to dispute resolution services for customers using between 100 and 160 megawatt hours of electricity annually
- » provided funding for a collaboration between the Queensland Council of Social Services and the Chamber of Commerce and Industry Queensland to raise the profile of residential and small business energy customer issues and improve their engagement with the energy market to reduce their energy costs
- » supported the establishment of the Renewable Energy Expert Panel, which released an issues paper on how to develop a renewable energy economy for Queensland
- » supported the government's direction regarding the Australian Energy Regulator's determinations, which are a good result for Queenslanders—resulting in network prices declining each year until 2020
- » continued to develop the government's responses to the independent Queensland Productivity Commission inquiries into electricity prices and a fair price for solar power produced by small customers and exported onto the grid
- » supported a range of initiatives to ensure the right operating environment is created for residential battery storage and that customer information is available, including funding trials and testing by Ergon Energy

- » continued to support the merge of energy network government-owned corporations managed through a steering committee, with representatives from Queensland Treasury and DEWS, by establishing a holding company
- » continued to implement the government's A Solar Future plan by tripling the target of a reverse auction (from 40 to 120 megawatts)
- » progressed Queensland's interests at a national level through the COAG Energy Council.

The Water Supply service area:

- » commenced four and finalised three regional water supply security assessments—a further eight are underway
- » arranged for a strategic-level cost–benefit assessment of the proposal for Nullinga Dam and provided it to Building Queensland
- » led the Queensland Government response to the National Water Infrastructure Development Fund to facilitate proponents' applications to the Commonwealth for assessment as part of its funding program
- » completed the assessment of public submissions for the *Draft South East Queensland customer water and wastewater code*—following the Minister's consideration of the submissions, a final code will be published in the first half of the 2016–17 financial year
- » prepared the first comparative report of performance measures for water service providers now operating under the new legislative framework—the new legislative framework requires water service providers to report annually on key performance metrics such as water supply security, service delivery, environmental protection and demand management
- » completed 40 of 42 recommendations by the Queensland Floods Commission of Inquiry that relate to DEWS—the remaining 2 recommendations are the responsibility of third parties
- » held several workshops with stakeholders across Queensland following the Minister's announcement of the Local Management Authority project on 1 October 2015 during a visit to the Eton Irrigation Scheme.

About the department

The Queensland Government established the Department of Energy and Water Supply through a machinery-of-government announcement on 3 April 2012, under the *Public Service Act 2008*.

Our vision

In our 2015–19 strategic plan, our vision is for a prosperous Queensland through resilient and affordable energy and water supply sectors.

During the year, we reviewed our vision—to be a world-class regulatory and policy agency enabling resilient, affordable and adaptable energy and water supply industries for Queenslanders.

Our purpose

In our 2015–19 strategic plan, our stated purpose is to develop and deliver a customer-focused environment for the energy and water supply sectors in partnership with stakeholders.

When reviewing our vision in early 2016, we also updated our purpose—to ensure Queensland’s energy and water supply services are safely, efficiently and reliably provided to consumers.

Our role

In support of our vision, DEWS provides a policy, regulatory and strategy platform that ensures Queenslanders have access to safe, reliable and affordable energy and water supply.

Our services

DEWS is responsible for overseeing Queensland’s energy and water industries to ensure these essential services are provided to Queenslanders in a safe, efficient and reliable way.

As reported in the 2015–16 Service Delivery Statements, the department’s services are delivered through two main service areas.

Energy

The Energy service area ensures Queensland’s energy sector is efficient, equitable and sustainable. Our work contributes to an adaptive, resilient energy sector that powers consumer value and choice, and Queensland’s economic growth and prosperity.

Water Supply

The Water Supply service area implements water sector reform to ensure the delivery of safe, reliable and cost-effective water supplies and the safety of referable dams, and to plan for water supply security and flood mitigation.

Our operating environment

Through an analysis of our operating environment, we have assessed the following factors that may impact our operations:

- » using data insights to deliver better advice and outcomes
- » appropriately managing the impact of external forces on DEWS owned or managed infrastructure
- » focusing on global advances and trends that are transforming the energy and water supply sectors.

Energy

Customers

- » There are more than two million residential households and small business electricity and gas customers in Queensland.
- » There are more than 19 000 large and very large electricity customers.

Generators, transmitters and distributors

- » There are five government-owned corporations providing generation, transmission (including interstate interconnectors) and distribution network infrastructure (see Appendix 2).
- » There are more than 100 electricity generators currently operating in Queensland, with approximately 20 supplying electricity to the National Electricity Market—some are privately owned and others are owned by government-owned corporations.
- » There is also a substantial gas transmission network with interstate interconnectors—Wallumbilla Gas Supply Hub, Brisbane Gas Short Term Trading Market (wholesale) and localised urban distribution networks.

Water Supply

Customers

- » More than 4.4 million customers are collectively serviced by a registered water service provider.

Catchment, treatment and storage

- » There are over 170 registered water service providers delivering potable water, non-potable water and/or sewerage services. They include local governments, government-owned corporations, statutory authorities and private businesses.
- » There are currently more than 150 registered recycled water schemes.
- » Seqwater and SunWater are state-owned bulk water entities. Seqwater owns and operates 26 dams for bulk water supply in South East Queensland. SunWater owns and operates 22 dams for bulk water supply outside South East Queensland.
- » The Mount Isa Water Board and Gladstone Area Water Board are category 1 water authorities overseen by DEWS. The Mount Isa Water Board supplies bulk water to the Mount Isa City Council and industrial customers, while the Gladstone Area Water Board supplies treated and untreated water for domestic and industrial purposes to Gladstone Regional Council and local industries.

- » There are currently more than 100 referable dams in Queensland subject to dam safety regulation. These range in size from small privately owned dams (i.e. farm dams) to large dams.

Our strategic challenges and opportunities

DEWS manages challenges and opportunities by being risk aware, not risk averse. The department considered the relevant environmental factors and identified the following key strategic challenges and opportunities:

- » implementing the right policy solutions for Queensland customers
- » progressing the government agenda to produce the best outcomes for our partners and customers
- » engaging effectively and early with our partners and customers
- » facilitating cost-effective solutions that satisfy community expectations for safe and reliable infrastructure
- » embracing innovation and responding to change
- » using data effectively to understand customer needs and deliver better outcomes
- » enhancing internal collaboration to create efficiencies
- » appropriately managing the impact of external forces on DEWS owned or managed infrastructure
- » taking a balanced approach in our responses to climate impact
- » matching internal capability and capacity with workforce requirements.

Our performance

We have continued to focus our efforts on implementing the Queensland Government's direction, priorities and commitments.

Government objectives for the community

The department supports the Queensland Government's objectives for the community by committing to establishing and maintaining a policy and regulatory environment for the energy and water sectors, and ensuring integrity, accountability and consultation underpin everything we do.

Other whole-of-government plans and specific initiatives

Queensland is a signatory to the *National partnership agreement on energy efficiency* between the federal government and all states and territories. The agreement aims to deliver cost-effective energy-efficiency gains through a nationally consistent and coordinated approach, while recognising the need for flexible approaches across jurisdictions.

Open data

There are more than 60 sets of our data resources available to the public and we will continue to maintain effective processes to ensure our data is available and free to anyone who wishes to use it.

The following DEWS datasets for annual reporting purposes are available on the Queensland Government data website at www.data.qld.gov.au:

- » consultancies
- » government bodies
- » overseas travel (nil to report for the period 2015–16)
- » *Queensland language services policy* (nil to report for the period 2015–16).

The Queensland plan

DEWS policies, programs and services align with the Queensland Government's interim response to *The Queensland plan*.

The interim response supports the government's objectives for the community and identifies the priorities and key initiatives that will contribute towards implementing the vision of Queenslanders.

The department's work program primarily focuses on the government's objectives for the community of creating jobs and a diverse economy, protecting the environment and building safe, caring and connected communities.

Our objectives

The DEWS strategic plan for 2015–19 sets out five strategic objectives.

Objective 1: Customer-focused outcomes

Energy

Electricity price deregulation and consumer education campaign

Price deregulation was initially scheduled for introduction on 1 July 2015, but was delayed consistent with advice from the Queensland Council of Social Service (QCOSS) and the Queensland Consumers Association to provide the department with more time to engage and educate particularly vulnerable customers with the skills necessary to respond to deregulation.

To support customers—particularly vulnerable customers—through the deregulation process, the department worked with Newgate Communications to develop a durable consumer education campaign to motivate consumers to become more active electricity market participants and regularly shop around for a better deal. The campaign was also designed to educate and equip consumers to understand and meet their electricity needs, and help those in vulnerable groups access the benefits of being an active consumer.

In developing the campaign, DEWS consulted more than 40 community organisations representing or providing support to vulnerable consumers. The department also established an Electricity Consumer Education Campaign Steering Committee to provide guidance and advice on the approach to the campaign. Steering committee members included QCOSS, the Council on the Ageing Queensland, the Chamber of Commerce and Industry Queensland (CCIQ), Energy Australia and the Energy Council of Australia.

The campaign, commencing in July 2016, will run for approximately six months using multiple media channels including television, cinema, print and digital. Education information and support resources will also be rolled out with the support of community organisations across South East Queensland.

Water Supply

Draft South East Queensland water and wastewater code

The department continued its consultation on the *Draft South East Queensland customer water and wastewater code*. The draft code proposed the following key changes:

- » improving structure and readability
- » clearly stating the rights and obligations of South East Queensland water service providers and residential customers
- » outlining minimum service standards for water and wastewater services to be achieved by South East Queensland service providers.

In order to receive further feedback from industry and stakeholders, further consultation was undertaken in the first half of 2016 through a stakeholder forum.

The Minister for Energy, Biofuels and Water Supply will consider all submissions in preparing a final code, which is expected to be published during 2016–17.

Objective 2: Support economic and jobs growth

Energy

Biofuels mandate

On 1 December 2015, the Queensland Parliament unanimously passed the *Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Act 2015*. This Act establishes a biofuels mandate that will require fuel sellers across Queensland to sell specified volumes of bio-based petrol (ethanol) and bio-based diesel. Arrangements for the implementation of the mandate from 1 January 2017 are well underway.

The passage of this Act was the culmination of several months of extensive consultation with the community and industry. This included the release of a discussion paper, statewide public forums and targeted stakeholder meetings. These were followed by a comprehensive parliamentary committee inquiry into the biofuels mandate, which the department supported through briefings and responses to questions raised by the committee.

During the month of April 2016, Queensland fuel sellers were required by law to provide details of their business, the types of fuel sold at each fuel facility and the volume of fuel sold via an online portal on the department's website. The department conducted an extensive communications effort to inform fuel sellers about this new requirement and provided assistance to individual fuel sellers with registration enquiries. This confidential data is assisting the government to better understand the structure of the industry and has provided baseline data for the administration of the biofuels mandate.

In addition to these activities, DEWS prepared for the commencement of the mandate by developing compliance and enforcement protocols, and a guideline to help fuel sellers apply for exemption in situations where extraordinary circumstances may prevent them from selling the mandated volumes of biofuel. Work also progressed on development of a comprehensive consumer education campaign aimed at motorists.

Water Supply

Regional water supply security assessments

Making sure communities have enough water for periods of drought and to meet long-term growth is the responsibility of water service providers. To help them meet this responsibility, the department is partnering with local councils in a rolling program of water supply security assessments for regional Queensland communities.

The aim of the assessments is to reach a shared understanding of the capability of each community's water supplies, and the risks and challenges ahead. Regional water supply security assessments will better position councils (in consultation with their communities) to plan and design the most affordable and desirable options for their future water supply needs, and determine an appropriate level of service for their water supply.

During 2015–16, 3 assessments were completed, bringing the total number of assessments completed as at 30 June 2016 to 7. Assessments are currently being developed for 13 more towns, and up to 5 more assessments could be completed before the end of the 2016–17 financial year.

Regional water supply security assessments have been published for the communities of Bundaberg, Cairns, Charters Towers, Hervey Bay, Maryborough, Rockhampton and Townsville—these have been positively received.

Objective 3: Innovative solutions

Energy

Battery storage

During the year, the Queensland Government sponsored the inaugural Battery Storage Summit in Brisbane. This summit was designed to showcase Queensland's research and development, innovation, key industry projects and investment opportunities in the storage industry. With momentum building around residential battery storage, the department has been actively involved in a range of initiatives to ensure that the right operating environment is created and customer information is available.

The department has created a number of web pages for people considering installing battery storage so they understand how a battery works and the information they should seek prior to purchasing a battery. In addition to this, two animated videos were created to explain battery storage and how a household can use it.

The safety of customers is paramount, and that is why the department has provided financial support to help fast-track the development of an Australian standard to deal with the safe installation of batteries. To accompany this, we have been working with our national and state counterparts to ensure appropriate training programs are available so battery installations can be completed by skilled technicians. The department also continues to fund trials and testing undertaken by Ergon Energy in order to understand batteries, how they operate and how they can be best integrated into our electricity grid.

Water Supply

Local management arrangements

The department progressed local management arrangement reforms relating to the future ownership and operation of SunWater's eight channel irrigation schemes.

The proposed reforms involve four of the schemes (St George, Emerald, Theodore and Eton) being offered to local SunWater customers to take over ownership of the schemes. Companies comprising irrigation customers and independent experts are being established to enter into discussions with the government on the final terms of potential scheme transfers.

For the other remaining four schemes (Bundaberg, Burdekin, Mareeba and Lower Mary), interim boards—again comprising irrigation customers and independent experts—are being established to reconsider their interest in taking ownership of their respective schemes and are invited to prepare revised business proposals setting out how the schemes could operate under local ownership and control.

This project seeks to empower local irrigation customers in their channel irrigation schemes, including the implementation of scheme-specific initiatives that optimise scheme operations, increase efficiencies to reduce costs and develop local innovative solutions.

Objective 4: Partner effectively

Energy

Fuel Price Summit

On 2 March 2016, the Minister for Energy, Biofuels and Water Supply hosted a Fuel Price Summit attended by representatives for the fuel industry and consumer groups including the Royal Automobile Club of Queensland (RACQ), the Queensland Government and the Australian Competition and Consumer Commission (ACCC). The summit allowed an exchange of views and information between consumer and industry representatives and regulators to foster a greater understanding of the issues by all parties.

Participants agreed that there was value in the ACCC conducting a market study in Queensland similar to the one the ACCC conducted in Darwin in 2015, which resulted in reduced Darwin petrol prices. The ACCC is the organisation that has the tools and expertise, such as their compulsory information gathering powers, to properly investigate petrol markets. The Queensland Government publicly called on the ACCC to conduct a petrol market study in Queensland.

Following the summit, on 19 April 2016, the chairman of the ACCC announced that a petrol market study would be conducted in Cairns. The study will allow the ACCC to understand why petrol prices in Cairns are so high and help identify steps that could be taken to increase transparency and promote competition in the Cairns fuel market.

Water Supply

Queensland Water Regional Alliance Program

DEWS has continued its partnership with LGAQ, *qldwater* and over 25 participating councils investigating collaboration on water and sewerage services in 4 regions. In July 2015, the Queensland Government committed to funding the Queensland Water Regional Alliance Program (QWRAP) until 2018 with \$600 000 per year. The parties have also been consulting about adding a fifth group to QWRAP. Three of the four initial QWRAP regions have developed a formal Water Alliance and the fourth is negotiating terms of reference for regional arrangements.

Objective 5: Be the best

Our people and culture

During 2015–16, continuous improvement activities continued across the department in support of our blueprint—our guiding document on delivering better outcomes for our customers, and our strategic and cultural vision for establishing the department as the best and most knowledgeable source of advice for both government and customers.

The focus areas for the year were based on acknowledging the parts of the blueprint we had successfully implemented and identifying those parts that required attention.

Effective partnering

A focus of the department’s Customer Engagement Consultative Committee, formed in late 2015, was improving the ways in which DEWS engages with partners and stakeholders across the department.

A key project initiated under this program was the development of a stakeholder engagement strategy that included an annual external stakeholder survey designed to capture the areas of focus and concern for our partners. A dedicated ‘sprint’ opportunity—a short-term internal staff development position—was created to deliver this important piece of work.

Also during the year, the department published a *Catalogue of services*—the first of its kind in the Queensland public sector. This publication, which lists all the roles and services undertaken and delivered by the department, provides an invaluable reference tool for both staff and our partners when planning engagement and collaboration initiatives.

Build our analytical capability

Quality data and analytics enable the department to make robust decisions, ensuring current and future problem-solving in the energy and water supply sectors is relevant to government and meets community needs.

During the year, the department’s analytical capability continued to be enhanced through the work of its Data and Analytics Consultative Committee. A key initiative was the creation of a customer analytics ‘dashboard’—another first for the Queensland public sector. Each month, data from departmental correspondence, media clips, telephone enquiries and web activity is collated and, using specialised software, presented in a single easy-to-interpret graphic format.

Other achievements during the year included the purchase of new analytical software across the agency to aid the visualisation, analysis and sharing of department-held data, and development of a GIS mapping platform for the department. To support the new technology, a number of peer learning sessions were held to enhance the analytical capability of staff.

An inclusive, high-performing workforce

The department launched a number of important internal initiatives during the year to build the workforce of the future. A formal reward and recognition program was introduced and the department’s leadership training programs were delivered.

The DEWS Diversity and Inclusion framework was launched in November 2015. This framework outlines the department’s approach, which is to grow together as an organisation, with each employee embracing individuality and having opportunities for development and job satisfaction. A dedicated Diversity and Inclusion Council was established to drive and promote the framework, and oversee a number of workstreams.

Key initiatives delivered during the year included the:

- » introduction of an annual Diversity and Inclusion Survey to identify staff understanding and needs
- » launch of an audiovisual engagement piece, entitled *My story*, sharing personal stories to demonstrate that diversity and inclusion affects all employees
- » creation of greater opportunity across the organisation through short-term job transfer placements (or sprints) and a consistent approach to higher duties.

To promote a flexible workplace, the Parents and Carers Network—a first among Queensland Government agencies—was established, providing peer support to for employees managing work and personal responsibilities. Staff training was also held during the year to raise awareness about unconscious bias and raise awareness of mental health issues.



Looking forward: 2016–17

Towards the end of 2015–16, we revised our strategic plan to deliver on the government’s energy and water supply commitments, and on our new vision to be a world-class regulatory and policy agency.

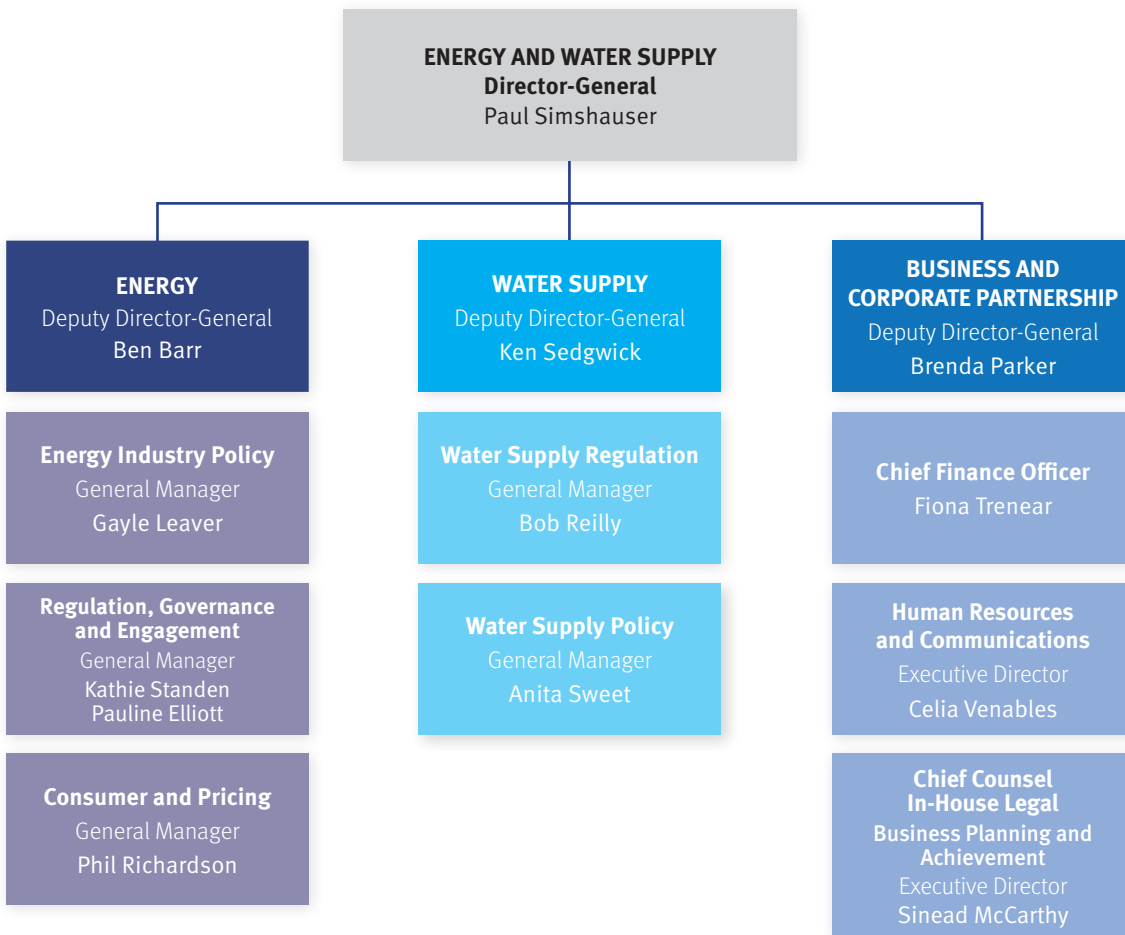
The department’s objectives for 2016–20 are to:

- » provide whole-of-government leadership for the energy and water supply sectors—delivering better outcomes for Queensland
- » improve outcomes for stakeholders and customers—engaging with our partners to ensure the best possible outcomes
- » meet our future business needs—ensuring improved efficiency and effectiveness in our work
- » maximise learning and development opportunities for staff—building the capability and capacity of our workforce.

Governance: structure and management

Organisational structure

DEWS is responsible for overseeing Queensland's energy and water industries. The department's services are delivered through two divisions—Energy and Water Supply—and corporate support is provided by the Business and Corporate Partnership division.



Executive Management Team

The Executive Management Team (EMT) functions as the department's board of management—overseeing the present and future work requirements of the department, and providing policy and strategic direction. The EMT also functions as the department's Strategic Finance Committee, which is supported by an operational level Finance Committee.

As at 30 June 2016, the EMT membership comprised:

- » Professor Paul Simshauser, Director-General
- » Ken Sedgwick, Deputy Director-General, Water Supply
- » Benn Barr, Deputy Director-General, Energy
- » Brenda Parker, Deputy Director-General, Business and Corporate Partnership.

Benn Barr was appointed to the role as Deputy Director-General, Energy, on 23 November 2015 after relieving in the role from 20 October 2014 to 22 November 2015.

Paul Simshauser, Director-General

Paul Simshauser was appointed Director-General of DEWS in July 2015.

Prior to his current role, Paul was AGL Energy's Chief Economist. He has also held senior executive positions at Stanwell Corporation, NewGen Power and Babcock & Brown.

Paul holds bachelor degrees in Economics and Commerce, has a Masters Degree in Accounting and Finance, and a PhD in Economics. He is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

Paul is also Professor of Economics at Griffith University's Business School, and is widely published on energy economics in academic journals.

Ken Sedgwick, Deputy Director-General, Water Supply

In 2012, Ken Sedgwick commenced as Deputy Director-General, Water Supply.

Ken is responsible for leading and implementing water policy, reform and regulation to ensure the water supplied to Queensland communities is safe, reliable and delivered cost-effectively.

Prior to this role, Ken was Acting Deputy Under-Treasurer in Queensland Treasury and Trade, where he also worked in a variety of senior roles, including leading Treasury's involvement in the many structural changes that occurred within the Queensland water industry.

Prior to his Treasury career, Ken worked in the former Department of Primary Industries in Brisbane and Townsville.

Benn Barr, Deputy Director-General, Energy

In 2015, Benn Barr commenced as Deputy Director-General, Energy.

Benn is responsible for leading and managing the roles and responsibilities of the Energy division, which includes the delivery of a cost-effective, safe, secure and reliable energy supply.

Benn is also responsible for implementing the government's renewable energy commitments.

Benn has over 20 years' public policy experience in Queensland and Australian governments, and graduated from James Cook University with a Bachelor of Economics.

Brenda Parker, Deputy Director-General, Business and Corporate Partnership

In July 2013, Brenda Parker commenced as Deputy Director-General, Business and Corporate Partnership.

Brenda is responsible for leading and managing effective and efficient corporate services within an evolving service delivery environment across multiple agencies.

Prior to this current role, Brenda led the Corporate Services Renewal Taskforce at the Public Service Commission, which was responsible for identifying and implementing recommendations to improve the manner in which corporate services are delivered across all government agencies.

Brenda has over 20 years' experience in the public sector, including key leadership roles in the provision of corporate services, and has a wealth of experience in human resources, workplace health and safety, rehabilitation and risk management.

EMT committees

In accordance with the department's corporate governance framework, the EMT is supported by committees that perform specific tasks or assignments—they are being reviewed to ensure they align with the priorities of the Director-General and EMT. The committees meet either fortnightly or bimonthly, depending on their work programs.

The committees in place during 2015–16 were the:

- » High Performance Framework Steering Committee
- » Customer Engagement Consultative Committee
- » Data and Analytics Consultative Committee
- » DEWS Innovation and Science Committee
- » ICT Investment and Strategy Committee.

Other committees included the:

- » Agency Consultative Committee
- » DEWSLink
- » Business and Corporate Partnership Board.

Public Sector Ethics Act 1994

The department considers the conduct and performance of employees central to achieving its deliverables and objectives. In 2015–16, comprehensive online training continued, with specific education for inductees on the code of conduct and the ethics principles of the *Public Sector Ethics Act 1994*. Specific training was also delivered to managers and supervisors surrounding implementation of the sector-wide Capability and Performance Excellence framework, providing mechanisms that support early intervention and local resolution of unsatisfactory conduct and performance.

The code of conduct remained accessible on the department's intranet, supported by policies and resources aligned to the code that formed the basis for human resource management and decision-making.

Governance: risk management and accountability

Risk management

Effective risk management in DEWS ensures we can make informed decisions, meet our compliance obligations and ensure the safety and wellbeing of our people and the community. DEWS recognises that identifying and responding to risk is a cornerstone of our governance framework. The risk management policy and procedure outline the principles and responsibilities for risk management across the department.

During 2015–16, we further embedded our approach to the identification, analysis and remediation of risk by reviewing our strategic risks while continuing to review and monitor operational risk (including financial, compliance and workplace health and safety).

Queensland Audit Office

The Queensland Audit Office (QAO) continues to add value to the public sector through reporting to Parliament on a range of matters.

QAO report 1 to Parliament, *Results of audit: internal control systems 2014–15—report 1: 2015–16*, evaluated systems of financial control with specific emphasis on the effectiveness of internal financial management reporting, as well as disaster recovery planning in relation to computer systems after disruptive events such as floods and power outages. The department has taken a number of actions to address the recommendations, including:

- » updating and approving disaster recovery plans to incorporate continuity and disaster actions
- » developing checklists to provide clarity around who undertakes which tasks during testing
- » constructing a test register and putting an assurance certificate in place to ensure disaster recovery plans are tested.

QAO report 13 to Parliament, *Cloud computing—report 13: 2015–16*, examined how well departments are adopting the Queensland cloud computing strategy in modernising their ICT assets and services to deliver business value while managing risks.

DEWS assessed the recommendations made by QAO for all departments and, during 2015–16, the department commenced work to improve cloud computing strategies.

Audit and Risk Committee

The Audit and Risk Committee was established in accordance with the Financial and Performance Management Standard 2009 (s. 35). The committee met five times in the period 1 July 2015 to 30 June 2016. The committee observed the terms of its charter, having due regard to the *Audit committee guidelines: improving accountability and performance*, issued by Queensland Treasury (June 2012).

The committee is directly responsible to the Director-General and acts as a forum for dialogue between the Director-General, senior management, the Queensland Government Internal Audit Service and the QAO.

The committee provided governance oversight and advice to the Director-General in relation to all aspects of its charter responsibilities.

The committee comprised the following membership:

- » Peter Dowling, external member (chair)
- » Benn Barr, Deputy Director-General, Energy (member)
- » Ken Sedgwick, Deputy Director-General, Water Supply (member)
- » Kathie Standen, General Manager, Energy (permanent proxy to Benn Barr)
- » Patrice Sherrie, external member.

The committee's two external members received a combined total remuneration of \$12 000 (excluding GST) for their role on the committee during 2015–16.

Internal audit

The formation of the Queensland Government Internal Audit Service (QGIAS) was approved on 12 June 2012. QGIAS is a business unit within the Department of Environment and Heritage Protection, and provides internal audit services to four other Queensland Government agencies as part of a co-sourced corporate services arrangement.

The role, operating environment and operating parameters of QGIAS are established in the 2015 internal audit charter (which has due regard to professional standards) and the *Audit committee guidelines: improving accountability and performance*, issued by Queensland Treasury (June 2012).

QGIAS provides independent assurance and advice to the Director-General, senior management and the Audit and Risk Committee. It enhances the DEWS corporate governance environment through an objective, systematic approach to evaluating the effectiveness and efficiency of corporate governance processes, internal controls, risk assessment and management practices. This is in keeping with the role and responsibilities detailed in the *Financial Accountability Act 2009*.

QGIAS reports to the Audit and Risk Committee at scheduled meetings five times per year. Its function is independent of management and external auditors.

QGIAS activities also include financial, compliance and operational reviews; information system and data integrity reviews; and special review assignments as requested by management.

Information systems and recordkeeping

DEWS continues to operate, maintain, develop and decommission a range of information systems to support services, initiatives and corporate operations. DEWS is operating a recordkeeping strategy to ensure the department is compliant with the *Public Records Act 2002*, *Public Service Act 1996* and *Information standard 40—recordkeeping*. Policies are in place for recordkeeping, email management, retention and disposal of records, managing information on shared network drives and information security.

The Recordkeeping Digital Transition Program supports and facilitates the move from the paper to a digital recordkeeping paradigm—Born Digital, Stay Digital. A new *Digitisation disposal policy* has been approved and is being implemented to support the new digital recordkeeping paradigm.

Records Management Services is responsible for providing a compliant recordkeeping framework for the department. Increasing numbers of records are being received, captured and managed electronically. Recordkeeping considerations are being formally addressed in both the development and decommissioning of business systems.

Electronic Document and Records Management System (eDRMS) training and recordkeeping support has been provided to DEWS staff to support the location move to 1 William Street.

The energy retention and disposal schedule has been approved by the State Archivist. A comprehensive retention and disposal schedule for water records has been developed and is being reviewed prior to submission to Queensland State Archives for approval. Time-expired records have been identified for disposal and have been securely disposed of. Permanent records have been identified and are being prepared for transfer to Queensland State Archives.

Governance: human resources

Workforce planning and performance

Workforce profile

As at 30 June 2016, DEWS employed 210.74 full-time equivalent staff.

The ending of temporary contracts, resignations and retirements led to a 4.3 per cent permanent separation rate for DEWS in 2015–16.

During the period, two employees received redundancy packages at a cost of \$358 235.

Strategic workforce planning framework

The department operates in a policy and regulatory environment that oversees the supply of water and energy services by industry to Queenslanders. The department achieves this by delivering innovative policy, planning and regulatory solutions in partnership with stakeholders to support cost-effective, safe, secure and reliable energy and water supply.

Strategic workforce planning ensures the department has a capable and high-performing workforce that delivers better services to Queenslanders. A planned and focused approach to workforce planning will enable the department to attract, develop and retain a suitable workforce and identify critical skills gaps. This ensures the human resource strategies and policies are aligned with maximising the capacity of the existing workforce and shaping the desired future workforce. The strategies to address the gaps will inform the talent management programs and capability development initiatives of the department.

Diversity and inclusion

Our focus is to embrace our diversity and individuality to create opportunities for development and employee engagement. We work together to foster an inclusive culture, and identify and deploy learning and networking opportunities that help us all succeed.

To drive and promote inclusive leadership and cultural change, the EMT has established a Diversity and Inclusion Leadership Council. With strong links to the business, the council oversees workstreams designed to change business practices, reform ways of working and provide tools to support individual and business needs.

Employee performance management

Employee performance management is undertaken by the department through a suite of talent and performance management programs. These enable the department's commitment to being a great place to work.

All employees commencing with the department are required to participate in a comprehensive online and local induction training process, to ensure that their obligations and responsibilities as public service employees are articulated and fulfilled.

The department has a comprehensive approach to performance and development. A capability framework and self-assessment tool developed specifically for DEWS is available for staff and management, with a suite of performance and development agreement templates and tools. This ensures our management and staff undertake consistent and effective performance management and development actions.

Leadership framework

Our leadership strategy is a holistic approach to building a balanced and capable leadership group that will guide our people to the desired future outlined in our strategic documents—our blueprint, strategic plan and catalogue of services.

This strategy is designed to achieve behavioural change within our leadership group so that we are better equipped to create change, influence and inspire, do the right things and realise our desired future. It's not only the capability of our people that we hope will change, but also our attitude towards learning and the relationships we form with our peers, business partners and customers.

Capability framework

An integral part of the department's performance and development approach is the DEWS capability framework and self-assessment tool. These have been designed specifically for the department to ensure we have a common framework that clearly defines the consistent language and expected behaviours to complement our values and align to our strategic objectives. Our performance and development agreement templates and support tools ensure our management and staff undertake consistent and effective performance management and development actions.

DEWS has made further commitment to employee development and performance management by focusing on timely, valued and meaningful approaches to recognising high performance across the department through our Reward and Recognition Program. This program provides our staff with the ability to easily recognise the capabilities, work and values of their colleagues, as well as enable management to efficiently reward team and individual high performance with a range of products, such as donations to charities.

Working for Queensland Employee Opinion Survey

Integral to the department's ongoing success as a world-class regulatory and policy agency is our focus on our people. In response to the Working for Queensland survey results, the Director-General introduced a strategy that outlined tactics targeted at the pillars of a contemporary and high-performing workforce—leadership, diversity and inclusion, safety and wellbeing, and technical capability.

Industrial relations and a safe and healthy workforce

Of note is the recent implementation of The State Government Entities Certified Agreement 2015 (the core agreement) and the modern Public Service Officers and Other Employees Award—State 2015, both of which apply to employees up to AO8 classification level.

A comprehensive suite of resources on employee entitlements and guidance on resolving workplace issues is proactively distributed to managers and employees.

Ongoing consultative discussions are held with Together Queensland, the Industrial Union of Employees and Professionals Australia through regular formalised meetings of the Agency Consultative Committee.

The role of the Agency Consultative Committee is to ensure that the department implements and complies with all relevant arrangements under the *Industrial Relations Act 1999*, the *Public Service Act 2008* and the core agreement, with focus placed on current and emerging industrial issues, workforce strategy and organisational change issues.

Flexible work arrangements are also important to the department. The range of options include family-friendly work practices, such as support for mothers returning to work through our breastfeeding policy. Under existing policy, employees have the ability to utilise accrued leave, job sharing, part-time employment, phased retirement and telecommuting arrangements. The department has a toolkit to help managers and employees understand and implement these flexible working options.

The department is committed to the health and wellbeing of all employees, offering facilitated training for both managers and staff in managing mental health in the workplace and building resilience.

Financial performance

The financial statements included in this annual report contain comprehensive financial data on:

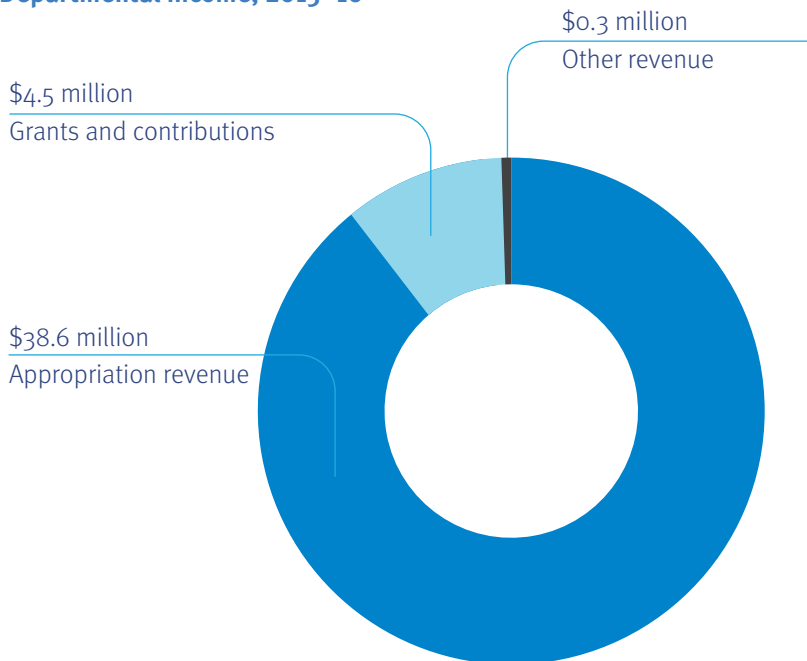
- » controlled entity, which refers to the funds and assets within the control of the department
- » administered activities, which refers to activities the department does not control but is charged with administering the funds on a whole-of-government basis.

The department supports the Queensland Government’s objectives for the community by committing to establish and maintain a policy and regulatory environment for the energy and water sectors, and ensuring integrity, accountability and consultation underpin everything we do.

Our income

Income for 2015–16 was \$43.4 million (2014–15: \$45.3 million) and was predominantly departmental services appropriation to deliver energy and water supply services.

Departmental income, 2015–16



Our expenditure

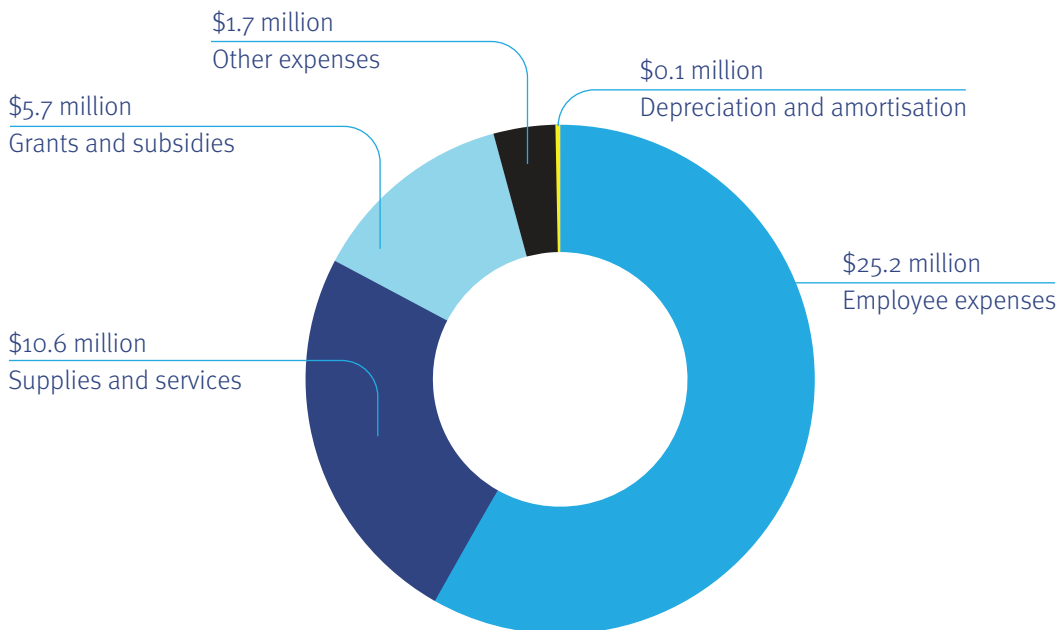
Expenses for the year amounted to \$43.4 million (2014–15: \$45.3 million). Lower expenditure in 2016 was primarily due to timing of expenditure relating to the electricity consumer education campaign and local management arrangement programs. The primary expenses were employee costs, supplies and services, and grants and subsidies.

Employee expenses include salaries, related taxes and superannuation contributions totalling \$25.2 million (2014–15: \$24.7 million), which represents 58.2 per cent of total expenses. Supplies and services for 2015–16 totalled \$10.6 million (2014–15: \$9.3 million), 24.5 per cent of total expenditure. Payments to contractors and consultants of \$3.5 million and accommodation expenses of \$2.8 million were the predominant expenses within supplies and services (59.8 per cent). Grants and subsidies expenditure totalled \$5.7 million (2014–15: \$6.4 million) and represented 13.1 per cent of total expenditure.

Payment to the Australian Energy Market Commission was the predominant expense within grants and subsidies (78.1 per cent). This represents Queensland's share of the commission's costs, which is recovered from electricity and gas transmission entities.

We remain committed to managing our financial performance and minimising our liabilities and risks. Our financial performance is closely monitored within our corporate governance framework to align with departmental priorities.

Departmental expenses, 2015–16





Financial statements: 30 June 2016

Foreword and general information

DEWS is a Queensland Government department established under the *Public Services Act 2008*. DEWS is controlled by the State of Queensland, which is the ultimate parent.

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



Department of Energy and Water Supply

Financial Statements

For the Year Ended 30 June 2016

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Department of Energy and Water Supply
Statement of Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income from Continuing Operations			
Appropriation revenue	3	38,601	40,521
Grants and other contributions	4	4,480	4,183
Other revenue		284	551
Total Income from Continuing Operations		43,365	45,255
Expenses from Continuing Operations			
Employee expenses	5	25,244	24,726
Supplies and services	6	10,621	9,349
Grants and subsidies	7	5,672	6,398
Other expenses	8	1,688	4,590
Depreciation and amortisation		140	192
Total Expenses from Continuing Operations		43,365	45,255
Operating Result for the Year		-	-
Other Comprehensive Income			
<u>Items that will not be reclassified subsequently to operating result:</u>			
Increase in asset revaluation surplus		-	68
Total Other Comprehensive Income		-	68
Total Comprehensive Income		-	68

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Comprehensive Income by Major Departmental Service
for the year ended 30 June 2016

	Energy			Water Supply			Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Income from Continuing Operations								
Appropriation revenue	18,020	17,944	20,581	22,577	38,601	40,521		
Grants and other contributions	4,457	4,153	22	30	4,480	4,183		
Other revenue	94	208	191	343	284	551		
Total Income from Continuing Operations	22,571	22,305	20,794	22,950	43,365	45,255		
Expenses from Continuing Operations								
Employee expenses	11,895	11,371	13,350	13,355	25,244	24,726		
Supplies and services	5,043	3,940	5,576	5,409	10,621	9,349		
Grants and subsidies	4,822	4,764	850	1,633	5,672	6,398		
Other expenses	748	2,138	941	2,451	1,688	4,590		
Depreciation and amortisation	63	91	77	101	140	192		
Total Expenses from Continuing Operations	22,571	22,305	20,794	22,950	43,365	45,255		
Operating Result for the Year	-	-	-	-	-	-		
Other Comprehensive Income								
Items that will not be reclassified subsequently to operating result:								
Increase (decrease) in asset revaluation surplus	-	68	-	-	-	68		
Total Other Comprehensive Income	-	68	-	-	-	68		
Total Comprehensive Income	-	68	-	-	-	69		
Allocation of income and expenses from corporate services inclusive of whole of department expenses								
Income	-	-	-	-	-	-		
Expenses	4,161	6,056	5,058	6,732	9,220	12,788		

Department of Energy and Water Supply
Statement of Financial Position
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current Assets			
Cash and cash equivalents	9	22,025	18,306
Receivables	10	976	1,226
Prepayments	x	105	120
Total Current Assets		23,106	19,652
Non Current Assets			
Property, plant and equipment	11	278	789
Total Non Current Assets		278	789
Total Assets		23,384	20,441
Current Liabilities			
Payables	12	1,844	736
Accrued employee benefits	13	1,021	924
Other	14	6,172	4,435
Total Current Liabilities		9,037	6,094
Total Liabilities		9,037	6,094
Net Assets		14,346	14,346
Equity			
Contributed equity		12,215	12,215
Asset revaluation surplus		68	68
Accumulated surplus	z	2,064	2,064
Total Equity		14,346	14,346

The accompanying notes form part of these statements.

Department of Energy and Water Supply
Statement of Assets and Liabilities by Major Departmental Service
for year ended 30 June 2016

	Energy		Water Supply		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current Assets						
Cash and cash equivalents	8,342	8,612	13,684	9,694	22,025	18,306
Receivables	613	860	363	366	976	1,226
Other current assets	56	51	49	69	105	120
Total Current Assets	9,011	9,522	14,095	10,129	23,106	19,652
Non-Current Assets						
Property, plant and equipment	242	711	36	77	278	789
Total Non-Current Assets	242	711	36	77	278	789
Total Assets	9,253	10,234	14,131	10,206	23,384	20,441
Current Liabilities						
Payables	938	294	906	441	1,844	736
Accrued employee benefits	476	486	545	438	1,021	924
Other	2,298	2,100	3,874	2,335	6,172	4,435
Total Current Liabilities	3,712	2,880	5,325	3,213	9,037	6,094
Total Liabilities	3,712	2,880	5,325	3,213	9,037	6,094
Net Assets	5,541	7,353	8,806	6,993	14,346	14,346

Department of Energy and Water Supply
Statement of Changes in Equity
for the year ended 30 June 2016

	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Contributed Equity \$'000	Total \$'000
Balance as at 1 July 2015	2,064	68	12,215	14,346
Operating result from continuing operations	-	-	-	-
Other Comprehensive Income Increase in asset revaluation surplus	-	-	-	-
<i>Transactions with Owners as Owners</i> Equity withdrawal	-	-	-	-
Balance as at 30 June 2016	2,064	68	12,215	14,346
Balance as at 1 July 2014	2,064	-	14,237	16,301
Operating result from continuing operations	-	-	-	-
Other Comprehensive Income Increase in asset revaluation surplus	-	68	-	68
<i>Transactions with Owners as Owners</i> Equity withdrawal	-	-	(2,022)	(2,022)
Balance as at 30 June 2015	2,064	68	12,215	14,346

The accompanying notes form part of these statements

**Department of Energy and Water Supply
Statement of Cash Flows
for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities			
<i>Inflows:</i>			
Service appropriation receipts	3	39,343	39,529
GST input tax credits received from Australian Taxation Office		1,075	1,865
GST collected from customers		30	37
Other		4,580	4,877
<i>Outflows:</i>			
Employee expenses		(25,147)	(24,770)
Supplies and services		(9,520)	(10,434)
Grants and subsidies		(5,672)	(11,872)
GST paid to suppliers		(1,156)	(1,801)
GST remitted to Australian Taxation Office		-	(87)
Other		(308)	(873)
Net cash provided by (used in) operating activities		3,226	(3,529)
Cash Flows from Investing Activities			
<i>Inflows:</i>			
Loans and advances redeemed		500	1,000
<i>Outflows:</i>			
Payments for property, plant and equipment		(6)	(19)
Net cash provided by investing activities		494	981
Cash Flows from Financing Activities			
<i>Outflows:</i>			
Equity withdrawals		-	(2,022)
Net cash used in financing activities		-	(2,022)
Net increase (decrease) in cash and cash equivalents		3,719	(4,570)
Cash and cash equivalents at beginning of financial year	9	18,306	22,876
Cash and cash equivalents at end of financial year		22,025	18,306

The accompanying notes form part of these statements.

Notes to the Statement of Cash Flows

Reconciliation of Operating Surplus to Net Cash from Operating Activities

	2016 \$'000	2015 \$'000
Operating result for the year	-	-
Depreciation and amortisation expense	140	192
Net losses on disposal of property, plant and equipment	378	46
Goods and services received below fair value	-	(50)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(200)	564
(Increase)/decrease in other current assets	15	(70)
(Increase)/decrease in GST input tax credits receivable	(51)	14
Increase/(decrease) in accounts payable	2,847	(4,127)
Increase/(decrease) in accrued employee benefits	97	(99)
Net cash provided by (used in) operating activities	3,226	(3,529)

General information

The Department of Energy and Water Supply (DEWS) is a Queensland Government Department established under the *Public Service Act 2008* and is controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is: Level 13, 41 George Street Brisbane Qld 4000.

Statement of Compliance

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

These general purpose financial statements have been prepared on an accrual basis, in accordance with Australian Accounting Standards and Interpretations. In addition, these financial statements comply with the Queensland Treasury's Minimum Reporting Requirements for the period ending 30 June 2016, and other authoritative pronouncements.

To comply with the Australian Accounting Standards and interpretations, the department has applied those requirements applicable to not-for-profit entities, as the department is a not-for-profit government department.

The Reporting Entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the department where these items are material. Except where stated, the historical cost convention is used.

Presentation Matters

Rounding and Comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after reporting date, or the department does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

Authorisation of Financial Statements for Issue

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

1. Objectives and Principal Activities of the Department

The Department of Energy and Water Supply (DEWS) is responsible for overseeing Queensland's energy and water industries to ensure these services are provided to Queensland consumers in a safe, efficient and reliable way.

The department's functions are delivered through two main service areas: 'Energy' and 'Water Supply':

Energy

The Energy service area objective is to develop policy, reform and regulate the Queensland energy sector to ensure cost-effective, secure and reliable energy supply. It is also responsible for delivering and implementing the Queensland government's energy strategy, informed by the outcomes of the government's review on electricity sector reform, to address cost-of-living pressures and sustainability of the sector.

Water Supply

The Water Supply service area objective is to ensure the delivery of safe, reliable and cost-effective water supplies and the safety of referable dams, and to plan for water supply security and flood mitigation. It is also responsible for delivering and implementing strategies for Queensland's water sector and regulating water supply so that agriculture, mining, industry and regional and urban communities have access to a cost-effective, safe, secure and sustainable water supply.

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

2. Other Information

(a) Financial Instruments

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

The department does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the department holds no financial assets classified at fair value through profit or loss.

As the department is appropriation funded the only financial instruments for the department are cash, receivables and payables, these are all current and can be found in the departments Statement of Financial Position.

(b) Taxation

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

(c) Key Management Personnel Disclosures

Details of Key Management Personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2015-16 and 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Director-General

The Director-General is responsible for the efficient, effective and economic administration of the department.			
Incumbent	Contract classification and appointment authority	Date of Initial Appointment	Date of Resignation or Cessation
Current	CEO s92 & s93 Public Service Act 2008	28 August 2015	-
Current (when Acting)	CEO s94 Public Service Act 2008	27 July 2015	27 August 2015
Former	CEO s93 Public Service Act 2008	23 September 2013	27 August 2015

Deputy Director-General, Energy

The Deputy Director-General is responsible for the efficient, effective and economic administration of the Energy functions and responsibilities of the department.			
Incumbent	Contract classification and appointment authority	Date of Initial Appointment	Date of Resignation or Cessation
Current	SES 3 s110 Public Service Act 2008	23 November 2015	-
Current	SES 3 equivalent s122 Public Service Act 2008	21 July 2015	22 November 2015

Deputy Director-General, Water Supply

The Deputy Director-General is responsible for the efficient, effective and economic administration of the Water Supply functions and responsibilities of the department.			
Incumbent	Contract classification and appointment authority	Date of Initial Appointment	Date of Resignation or Cessation
Current	SES 3 s110 Public Service Act 2008	20 August 2015	-
Current	SES 3 equivalent s122 Public Service Act 2008	20 August 2012	19 August 2015

Deputy Director-General, Business and Corporate Partnership*

The Deputy Director-General provides strategic leadership and direction of the departments corporate and business support functions of the agency.			
Incumbent	Contract classification and appointment authority	Date of Initial Appointment	Date of Resignation or Cessation
Current	SES 3 s110 Public Service Act 2008	29 July 2013	-

*Costs of this position are funded by the Department of Natural Resources and Mines as per the Corporate Partnership Agreement between the two departments.

Remuneration Policies

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

Remuneration expenses for key management personnel comprise of the following components:

Short term employee expenses which include:

1. salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position;
2. performance payments recognised as an expense during the year; and
3. non-monetary benefits - consisting of provision of car parking together with fringe benefits tax applicable to the benefit.

Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Separation Payments for former Director-General

The mutually agreed terms for separation of the former Director-General considered all relevant clauses of their contract. The payment for the former Director-General's separation was determined and paid in September 2015 and is included in the KMP remuneration expense for 2015-16.

Performance Payments

Details of Performance Payment entitlements by Key Management Personnel:

Position	Summary of Basis for Entitlement and Assessment	Expensed in 2015-16		Expensed in 2014-15	
		Date Paid	Amount	Date Paid	Amount
Current Director-General	The remuneration package for the current Director-General does not provide for any performance or bonus payments	N/A	N/A	N/A	N/A
Former Director-General	The remuneration package for the former Director-General provided for performance payments (also known as "At Risk" Component) to be made conditional on the achievement of objectives that were documented in that position's performance agreement. The basis for payment was subject to a rigorous and independent assessment of those performance objectives and agreed KPI's being achieved, culminating in recommendations to the Premier. The Premier retained ultimate discretion as to whether payment of the "at risk" component was paid, including the amount payable. The former Director-General became entitled to receive a performance payment in respect of the 2013-14 year following authorisation of the former Premier.	N/A	N/A	29 October 2014	\$20,068
Deputy Director-General, Energy	The remuneration package for the Deputy Director-General, Energy includes a performance payment for 2014-15 up to a maximum of 15% of that position's total fixed remuneration This incentive payment was paid in two payments of which 3% was payable in February 2015 and the remaining 12% paid in August 2015.	7 August 2015	\$24,987	4 March 2015	\$6,247
Deputy Director-General, Water Supply	The remuneration package for the Deputy Director-General, Water Supply includes a performance payment for 2014-15 up to a maximum of 15% of that position's total fixed remuneration This incentive payment was paid in two payments of which 3% was payable in February 2015 and the remaining 12% paid in August 2015.	21 August 2015	\$29,124	4 March 2015	\$7,281
Total Performance Payments			\$54,111		\$33,596

KMP Remuneration Expense

The following disclosures focus on the expense incurred by the department that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

2015-16						
Position	Short Term Employee Expenses		Long Term Employee Expenses	Post - Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director-General – Current	380	9	9	44	-	442
Director-General - Former	332	1	1	7	166	508
Deputy Director-General, Energy - Current	244	10	5	20	-	278
Deputy Director-General, Water Supply	241	10	5	24	-	280
Deputy Director-General, Business and Corporate Partnership*	-	-	-	-	-	-

2014-15						
Position	Short Term Employee Expenses		Long Term Employee Expenses	Post - Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Director-General	382	6	8	42	-	439
Deputy Director-General, Energy	251	4	7	23	-	283
Acting Deputy Director-General, Energy	172	5	4	16	-	197
Deputy Director-General, Water Supply	224	9	5	24	-	261
Deputy Director-General, Business and Corporate Partnership*	-	-	-	-	-	-

* As noted above this position is shared with the Department of Natural Resources and Mines (DNRM) and is fully funded by DNRM as per the Corporate Partnership arrangement. Remuneration is disclosed in the financial statements of DNRM.

(d) Accounting Policies and Basis for Fair Value Measurement

What is Fair Value?

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the department include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the department include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the department assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

Fair Value Measurement Hierarchy

All assets and liabilities of the department for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- **Level 1** - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- **Level 2** - represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- **Level 3** - represents fair value measurements that are substantially derived from unobservable inputs.

None of the department's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

(e) Accounting Estimates and Judgements

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

Estimates and assumptions with the most significant effect on the financial statements are outlined in the following notes:

Valuation of Property, Plant and Equipment – Note 11
Depreciation and Amortisation – Note 11
Commitments – Note 15
Administered Items – Note 18

Further, the matters covered in each of those notes (except for Depreciation and Amortisation and Commitments) necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of the department's assets and liabilities in the next reporting period. Reference should be made to the respective notes for more information.

(f) New and Revised Accounting Standards

The department did not voluntarily change any of its accounting policies during 2015-16.

Two Australian Accounting Standards have been early adopted for the 2015-16 year as required by Queensland Treasury. These are:

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]

The amendments arising from this standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identification and location of significant accounting policies and the presentation of sub-totals, and provides clarity on aggregating line items. It also emphasises only including material disclosures in the notes. The department has applied this flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the notes.

AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities [AASB 13]

This standard amends AASB 13 Fair Value Measurement and provides relief to not-for-profit public sector entities from certain disclosures about property, plant and equipment that is primarily held for its current service potential rather than to generate future net cash inflows. The relief applies to assets under AASB 116 Property, Plant and Equipment which are measured at fair value and categorised within Level 3 of the fair value hierarchy (refer to Note 18). As a result, the following disclosures are no longer required for those assets. In early adopting the amendments, the following disclosures have been removed from the 2015-16 financial statements:

- disaggregation of certain gains/losses on assets reflected in the operating result;
- quantitative information about the significant unobservable inputs used in the fair value measurement; and
- a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

No new Australian Accounting Standards effective for the first time in 2015-16 had any material impact on this financial report.

(g) Future Impact of Accounting Standards not yet effective

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

AASB 124 - Related Party Disclosures

From reporting periods beginning on or after 1 July 2016, the department will need to comply with the requirements of AASB 124 Related Party Disclosures. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. The department already discloses information about the remuneration expenses for key management personnel (refer to Note 2(c)) in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for the department's financial statements will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

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

3. Appropriation Revenue

Reconciliation of Payments from Consolidated Fund to Appropriated Revenue Recognised in Operating Result

	2016	2015
	\$'000	\$'000
Budgeted appropriation revenue	45,514	46,257
Lapsed appropriation revenue	(6,171)	(6,728)
Total Appropriation Receipts (cash)	39,343	39,529
Plus: Opening balance of appropriation revenue payable	4,435	1,737
Less: Closing balance of appropriation revenue payable	(6,172)	(4,435)
Net Appropriation Revenue	37,606	36,832
Plus: Deferred appropriation payable to Consolidated Fund (expense)	995	3,689
Appropriation Revenue Recognised in Statement of Comprehensive Income	38,601	40,521

Appropriations provided under the *Appropriation Act 2015* are recognised as revenue when realised. Approval has been obtained from Queensland Treasury to recognise accrual adjustments to departmental services revenue.

4. Grants and Other Contributions

	2016	2015
	\$'000	\$'000
Industry contributions	4,439	4,126
Services received at below fair value	41	58
Total	4,480	4,183

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

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

In addition to the corporate services delivered from within the department, it also participates in a corporate partnership arrangement whereby certain agencies “host” a number of strategic and operational corporate services to DEWS as “recipient” department.

The “host” agency of each corporate service function receives the appropriation of funds and reports full time equivalent positions in the respective agency. The model is multi-layered for different corporate services functions. That is, some functions are provided to two agencies, and some provided to six agencies with any combination in between.

As a “recipient” agency, DEWS receives defined services from the following agencies:

- Department of Agriculture and Fisheries (Information Management, Telecommunications)
- Department of Natural Resources and Mines (Accommodation Services, Legal Services, Human Resources, Corporate Communications, Privacy and Ethics, Financial Policy)
- Department of Environment and Heritage Protection (Strategic Procurement, Right to Information and Internal Audit).

5. Employee Expenses

	2016	2015
	\$'000	\$'000
Employee Benefits		
Wages and salaries	19,076	18,864
Employer superannuation contributions	2,520	2,495
Annual leave expense	2,050	1,888
Long service leave expense	436	433
Termination benefits	363	645
Other employee benefits	22	20
Employee Related Expenses		
Workers' compensation premium	114	89
Fringe Benefits Tax (FBT)	49	47
Other employee related expenses	613	246
Total	25,244	24,726
Full-Time Equivalent Employees	211	211

Employee Benefits

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

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Workers compensation insurance is a consequence of employing employees, but it is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

Wages and Salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at their undiscounted values.

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

Annual Leave and Long Service Leave

The department is part of The Queensland Government's Annual Leave Central Scheme (ALCS) and Long Service Leave Scheme. Under these schemes, a levy is made on the department to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the scheme quarterly in arrears.

Superannuation

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

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

Key management personnel and remuneration disclosures are detailed in Note 2.

6. Supplies and Services

	2016	2015
	\$'000	\$'000
Consultants and contractors	3,539	2,711
Accommodation expenses	2,814	2,661
Shared services costs	777	968
Computer expenses	1,211	1,097
Service delivery costs	640	784
Portable and attractive equipment	527	6
Travel	225	244
Motor vehicle expenses	78	65
Subscriptions and memberships	18	33
Other	791	779
Total	10,621	9,349

7. Grants and Subsidies

	2016	2015
	\$'000	\$'000
Queensland contribution to Australian Energy Market Commission (AEMC) ¹	4,430	4,360
Contribution to Queensland Water Regional Alliances Program (QWRAP) ²	600	130
Other	642	1,908
Total	5,672	6,398

1. AEMC functions under the National Electricity Law, National Gas Law and the National Energy Retail Law. Queensland is one of the contributors to the AEMC, participating in the National Electricity Market and the National Gas Market.
2. QWRAP is managed by the Local Government Association of Queensland (LGAQ) for investigation and transition to collaborative regional arrangements for the provision of drinking water and sewerage services.

8. Other Expenses

	2016	2015
	\$'000	\$'000
Deferred appropriation refundable to Consolidated Fund	995	3,689
External audit fees ¹	84	203
Legal fees	134	92
Insurance premiums - QGIF	50	50
Net losses from disposal of property, plant and equipment	378	46
Ex-gratia payment	-	6
Other	48	503
Total	1,688	4,590

1. Total audit fees quoted by the Queensland Audit Office relating to the 2015-16 financial statements are \$135,800 (2015: \$135,800). There are no non-audit services included in this amount. The 2014-15 audit fee was over accrued by \$53k which had a resulting impact on the reduced audit fee reported in 2015-16.

Special payments - include ex gratia expenditure and other expenditure that the department is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2009*, the department maintains a register setting out details of all special payments greater than \$5,000.

Insurance premiums - the department's non-current physical assets, apart from its non-commercial water infrastructure assets, are insured through the Queensland Government Insurance Fund with premiums being paid on a risk assessment basis.

9. Cash and Cash Equivalents

	2016	2015
	\$'000	\$'000
Cash at bank	22,024	18,305
Imprest accounts	1	1
Total	22,025	18,306

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash on hand, cash at bank and cash and cheques received but not banked at 30 June.

Departmental bank accounts grouped within the whole-of-Government set-off arrangement with the Queensland Treasury Corporation do not earn interest on surplus funds.

10. Receivables

	2016	2015
	\$'000	\$'000
Trade debtors	259	32
Loans and advances	-	500
Annual leave reimbursements	347	382
Other receivables	107	99
	713	1,013
GST input tax credits receivable	263	169
GST payable	-	44
	263	213
Total	976	1,226

Trade debtors are recognised at the amounts due at the time of sale or service delivery, i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

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

Other debtors generally arise from transactions outside the usual operating activities of the department and are recognised at their assessed value.

The department does not have an allowance for impairment loss as all receivables are assessed as recoverable.

11. Property, Plant and Equipment

Recognition Thresholds for Property Plant and Equipment

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

Asset Class	Threshold
Plant and equipment	\$ 5,000
Heritage and Cultural	\$ 5,000

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

Expenditure incurred in maintaining an asset within its normal operating capacity until the conclusion of its useful life is regarded as repairs and maintenance and is expensed. Expenditure that enhances an existing asset, significantly replaces or refurbishes an asset, or extends the asset's useful life, capacity, function and/or efficiency is capitalised into the carrying amount of the asset.

Acquisitions of Assets

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

Where assets are received free of charge from another Queensland Government department (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation. Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government department, are recognised at their fair value at date of acquisition in accordance with *AASB 116 Property, Plant and Equipment*.

Measurement of Property Plant and Equipment using Fair Value

Heritage and cultural assets are measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation.

The cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Measurement of Property Plant and Equipment using Cost

Plant and equipment is measured at cost in accordance with the Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for such plant and equipment at cost does not materially differ from their fair value.

Revaluations

Revaluations using independent professional valuer or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Depreciation of Property Plant and Equipment

Heritage and Cultural assets are not depreciated as they have an unlimited useful life.

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

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

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

Physical asset class	Rate %
Plant and equipment	2 – 33.3

Property, Plant and Equipment – Balances and Reconciliations of Carrying Amount

	Plant & Equipment	Heritage & Cultural Assets	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Gross	985	210	1,195
Less: Accumulated depreciation	(917)	-	(917)
Carrying amount at 30 June 2016	68	210	278

Represented by movement in carrying amount:

Carrying amount at 1 July 2015	579	210	789
Acquisitions	6	-	6
Disposals	(378)	-	(378)
Depreciation	(140)	-	(140)
Carrying amount at 30 June 2016	68	210	278

	Plant & Equipment	Heritage & Cultural Assets	Total
	2015	2015	2015
	\$'000	\$'000	\$'000
Gross	1,536	210	1,746
Less: Accumulated depreciation	(957)	-	(957)
Carrying amount at 30 June 2015	579	210	789

Represented by movement in carrying amount:

Carrying amount at 1 July 2014	760	143	902
Acquisitions	19	-	19
Disposals	(39)	-	(39)
Net revaluation increments	-	68	68
Depreciation	(160)	-	(160)
Carrying amount at 30 June 2015	579	210	789

Plant and equipment

The department has plant and equipment with an original cost of \$0.780 million (2014-15 \$0.390 million) and a written down value of zero still being used in the provision of services. These assets will be replaced or disposed as required by the department in 2016-17 or subsequent years.

Heritage and Cultural

Heritage and cultural assets is related to a structure called "Eye to The Sky" built by Graham Chalcraft. The structure is located on the southern breakwater spit to the Magnetic Island Harbour complex located at Nelly Bay. The artwork was appraised by Artfully Valuers effective June 2015. As there is no active market for this asset, the fair value is determined by estimating the cost to reproduce the item with the features and materials of the original items, with substantial adjustments made to take into account the artworks characteristics.

12. Payables

	2016	2015
	\$'000	\$'000
<i>Current</i>		
Trade creditors	1,771	736
Grants and subsidies payable	73	-
Total	1,844	736

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

13. Accrued Employee Benefits

	2016	2015
	\$'000	\$'000
Annual leave levy payable	567	503
Salaries and wages outstanding	344	315
Long service leave levy payable	110	105
Other	-	1
Total	1,021	924

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

14. Other Liabilities

	2016	2015
	\$'000	\$'000
<i>Current</i>		
Appropriation revenue refundable	6,172	4,435
Total	6,172	4,435

15. Commitments for Expenditure

	2016 \$'000	2015 \$'000
(a) Non-Cancellable Operating Lease Commitments		
Commitments under operating leases at the reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
Building accommodation and other leases	879	17,233
	879	17,233
Not later than one year	876	2,433
Later than one year but not later than five years	3	9,886
Later than five years	-	4,914
Total	879	17,233

(b) Other Expenditure Commitments

Other expenditure committed at the reporting date (inclusive of non-recoverable GST input tax credits) are payable:

Operating expenses	3,533	887
	3,533	887
Not later than one year	3,533	879
Later than one year but not later than five years	-	8
Later than five years	-	-
Total	3,533	887

(c) Grants and Subsidies

Grants and subsidy commitments at the reporting date (inclusive of non-recoverable GST input tax credits) are payable:

Grants and subsidies	4,865	300
	4,865	300
Not later than one year	4,265	281
Later than one year but not later than five years	600	19
Later than five years	-	-
Total	4,865	300

The department does not have any capital commitments.

16. Contingencies

Litigation in Progress

As at 30 June 2016 there is one claim against the department filed in the Supreme Court (2015: 2 claims filed in the Supreme Court).

It is not possible to make reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time.

17. Budget to Actual Comparison

This section discloses the department's original published budgeted figures for 2015-16 compared to actual results, with explanations of major variances, in respect of the department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

Statement of Comprehensive Income

	Variance Notes	Original Budget 2016 \$'000	Actual Result 2016 \$'000	Variance \$'000	Variance % of Original Budget
Income from Continuing Operations					
Appropriation revenue	1	45,514	38,601	(6,913)	-15%
Grants and other contributions	2	-	4,480	4,480	100%
Other revenue	2	4,573	284	(4,289)	-94%
Total Income from Continuing Operations		50,087	43,365	(6,722)	-13%
Expenses from Continuing Operations					
Employee expenses		24,936	25,244	308	1%
Supplies and Services	3	18,111	10,621	(7,491)	-41%
Grants and subsidies	4	6,350	5,672	(678)	-11%
Other expenses	5	469	1,688	1,219	260%
Depreciation and amortisation	6	220	140	(80)	-36%
Total Expenses from Continuing Operations		50,087	43,365	(6,722)	-13%
Operating Result for the Year		-	-	-	-

Statement of Financial Position

Current Assets					
Cash and cash equivalents	7	15,606	22,025	6,419	41%
Receivables	8	1,120	976	(144)	-13%
Prepayments		29	105	76	260%
Total Current Assets		16,755	23,106	6,351	38%
Non-Current Assets					
Property plant and equipment	5	557	278	(279)	-50%
Total Non-Current Assets		557	278	(279)	-50%
Total Assets		17,312	23,384	6,072	35%
Current Liabilities					
Payables		1,941	1,844	(97)	-5%
Accrued employee benefits		1,091	1,021	(70)	-6%
Other	7	-	6,172	6,172	100%
Total Current Liabilities		3,032	9,037	6,005	198%
Total Liabilities		3,032	9,037	6,005	198%
Net Assets/Total Equity		14,280	14,346	67	0%

Statement of Cash Flows

	Variance Notes	Original Budget 2016 \$'000	Actual Result 2016 \$'000	Variance \$'000	Variance % of Original Budget
Cash flows from operating activities					
<i>Inflows:</i>					
Service Appropriation receipts	1	45,514	39,343	(6,171)	-14%
GST input tax credits received from Australian Taxation Office	9	2,521	1,075	(1,446)	-57%
GST collected from customers		32	30	(2)	-6%
Other		4,573	4,580	7	0%
<i>Outflows:</i>					
Employee expenses		(24,771)	(25,147)	(376)	2%
Supplies and services	3	(18,623)	(9,520)	9,103	-49%
Grants and subsidies	4	(6,350)	(5,672)	678	-11%
GST paid to suppliers	9	(2,364)	(1,156)	1,208	-51%
GST remitted to Australian Taxation Office	9	(32)	-	32	-100%
Other		(544)	(308)	236	-43%
Net cash provided by (used in) operating activities		(44)	3,226	3,270	-7431%
Cash flows from investing activities					
<i>Inflows:</i>					
Loans and advances redeemed		500	500	-	0%
<i>Outflows:</i>					
Payments for property, plant and equipment	10	(64)	(6)	58	-90%
Net cash provided by (used in) investing activities		436	494	58	13%
Net increase in cash and cash equivalents		392	3,719	3,327	849%
Cash and cash equivalents at beginning of financial year		15,214	18,306	3,092	20%
Cash and cash equivalents at end of financial year		15,606	22,025	6,419	41%

Explanation of Major Variances

- The reduction in appropriation funding in the current financial year is due to deferrals of funding to 2016-17 for projects including the Energy Consumer Education Campaign and Local Management Arrangements.
- The variances relate to the reclassification of funds received from energy market participants in reimbursement of the Queensland contribution to the Australian Energy Market Commission (AEMC) as grants and other contributions.
- The actual figure is lower than the budgeted figure primarily due to reduced contractor and consultant's payments in 2015-16, which have been deferred to 2016-17, including the Energy Consumer Education Campaign and the Local Management Arrangements.
- The variance primarily relates to a reduction of the contribution commitment for 2015-16 to the Council of Australian Governments (COAG).
- The actual figure is higher than budget primarily due to appropriation refunded to Treasury and a loss on partial retirement of plant and equipment which were not included in the original budget.
- Actual depreciation has been lower than budget and this has been amended during the year.
- The actual figure is higher than the budget due to unspent appropriation funds and deferrals at year-end. This in turn becomes an appropriation payable to Queensland Treasury.
- Actual receivables are lower than anticipated outstanding amounts at year end.
- The Department spent lower expenditure on contractor and consultant payments and other program costs on programs deferred to 2016-17 resulting in lower GST remitted to the Australian Taxation Office (ATO).
- The actual figure is lower than the budget due to reduced need for purchase of property, plant and equipment following the decision to relocate to 1 William St.

18. Administered Items

The department administers, but does not control, certain activities on behalf of the Government. In doing so, it has responsibility for administering those activities (and related transactions and balances) efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

Reconciliation of Payments from Consolidated Fund to Appropriation Income

	2016	2015
	\$'000	\$'000
Budgeted appropriation	465,849	711,178
Transfers from other headings	2,053	-
Lapsed appropriation	-	(66,017)
Unforeseen expenditure	45,680	-
Total Administered Appropriation receipts (cash)	513,582	645,161
Less: Opening balance of appropriation revenue receivable	(25,747)	(70,000)
Plus: Closing balance of appropriation revenue receivable	84,248	25,747
Plus: Opening balance of appropriation revenue payable	-	41,064
Less: Closing balance of appropriation revenue payable	(1,259)	-
Net Appropriation Revenue	570,824	641,972
Plus: Deferred appropriation refundable to Consolidated Fund	709	11,664
Appropriation revenue recognised in Statement of Comprehensive Income	571,533	653,637

Schedule of Administered Income and Expenditure

	Energy		Water Supply		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Administered Income						
Appropriation revenue	548,546	630,169	22,987	23,468	571,533	653,637
User charges and fees	274	760	-	-	274	760
Other revenue	-	471	-	-	-	471
Total Administered Income	548,820	631,400	22,987	23,468	571,807	654,868
Administered Expenses						
Supplies and services	-	-	1,929	1,115	1,929	1,115
Grants and subsidies	547,910	618,504	12,269	13,640	560,179	632,144
Depreciation and amortisation	-	-	8,717	8,712	8,717	8,712
Other expenses	-	-	1,622	-	1,622	-
Total Administered Expenses	547,910	618,504	24,536	23,468	572,447	641,972
Net Operating Result before Transfers to Government	910	12,896	(1,550)	-	(640)	12,896
Transfers of administered appropriation to govt	636	11,664	73	-	709	11,664
Transfer of administered revenue to government	274	1,232	-	-	274	1,232
Operating Surplus (Deficit)	-	-	(1,623)	-	(1,623)	-

Department of Energy and Water Supply
Notes to the Financial Statements
for the year ended 30 June 2016

Schedule of Administered Assets and Liabilities

	Energy		Water Supply		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current Assets						
Cash and cash equivalents	(7,676)	72,393	4,101	3,410	(3,575)	75,803
Receivables	89,410	35,778	13	909	89,423	36,687
Other current assets	-	-	-	102	-	102
Total Current Assets	81,735	108,171	4,114	4,421	85,848	112,593
Non-Current Assets						
Property, plant and equipment	-	-	207,422	228,456	207,422	228,456
Total Non-Current Assets	-	-	207,422	228,456	207,422	228,456
Total Assets	81,735	108,171	211,536	232,878	293,271	341,049
Current Liabilities						
Payables	82,786	110,240	3,491	4,043	86,277	114,283
Other Current Liabilities	636	-	623	-	1,259	-
Total Current Liabilities	83,422	110,240	4,114	4,043	87,536	114,283
Total Liabilities	83,422	110,240	4,114	4,043	87,536	114,283
Net Administered Assets/Equity	(1,687)	(2,069)	207,422	228,834	205,735	226,766

Property, Plant and Equipment

Recognition Thresholds for Property Plant and Equipment

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

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

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

Expenditure incurred in maintaining an asset within its normal operating capacity until the conclusion of its useful life is regarded as repairs and maintenance and is expensed. Expenditure that enhances an existing asset, significantly replaces or refurbishes an asset, or extends the asset's useful life, capacity, function and/or efficiency is capitalised into the carrying amount of the asset.

Revaluation of Property Plant and Equipment Measured at Fair Value

Property, plant and equipment classes measured at fair value are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process undertaken for the infrastructure assets has been managed by a team in the department's Rockhampton branch, who determine the specific revaluation practices and procedures.

The Department owns a number of non-commercial water infrastructure assets and have recognised these assets under the Non-Current Asset Policies for the Queensland Public Sector. These assets are valued using the Depreciated Replacement Cost (DRC) method and applying the Modern Engineering Equivalent Replacement Asset (MEERA) approach i.e. where the replacement cost of an asset is assessed on the basis of design and construction using modern technology.

Revaluations using independent professional valuer or internal expert appraisals are undertaken at least once every five years. However if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal.

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case a revaluation is warranted).

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 2).

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

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

Impairment of Non-Current Assets

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

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

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

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

Depreciation of Property Plant and Equipment

Land and Heritage and Culture assets are not depreciated as they have an unlimited useful life.

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

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

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

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

Physical asset class	Rate %
Buildings	2 - 20
Infrastructure	2 - 5
Plant and equipment	2 - 33.3

Department of Energy and Water Supply
Notes to the Financial Statements
for the year ended 30 June 2016

Property, plant and equipment reconciliation

	Land	Buildings	Plant & Equipment	Infrastructure	Work in Progress	Total
	2016	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	523	98	117	558,892	-	559,629
Less: Accumulated depreciation	-	(27)	(17)	(352,163)	-	(352,207)
Carrying amount at 30 June 2016	523	70	100	206,729	-	207,422

Represented by movement in carrying amount:

Carrying amount at 1 July 2015	524	73	105	227,642	111	228,456
Acquisitions	-	-	7	-	-	7
Transfers out to other Queensland Government entities	-	-	-	(1,622)	-	(1,622)
Transfers between asset classes	-	-	-	111	(111)	-
Net revaluation decrements	(2)	-	-	(10,700)	-	(10,702)
Depreciation	-	(3)	(12)	(8,702)	-	(8,717)
Carrying amount at 30 June 2016	523	70	100	206,729	-	207,422

	Land	Buildings	Plant & Equipment	Infrastructure	Work in Progress	Total
	2015	2015	2015	2015	2015	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	524	98	110	563,543	111	564,386
Less: Accumulated depreciation	-	(24)	(5)	(335,901)	-	(335,930)
Carrying amount at 30 June 2015	524	73	105	227,642	111	228,456

Represented by movement in carrying amount:

Carrying amount at 1 July 2014	709	77	-	236,347	48	237,180
Acquisitions	-	-	-	-	173	173
Transfers out to other Queensland Government entities	(185)	-	-	-	-	(185)
Transfers between asset classes	-	-	110	-	(110)	-
Depreciation	-	(3)	(5)	(8,705)	-	(8,712)
Carrying amount at 30 June 2015	524	73	105	227,642	111	228,456

Land

The department's land revaluation was undertaken in May 2016 using indices provided by State Valuation Services (SVS) and the carrying amount as at 30 June 2016 for land assets reflects the changes as advised by the SVS.

Infrastructure

The department's non-commercial water assets were last revalued by qualified departmental engineers in May 2014, using a depreciated replacement cost approach (as there is no active market for such assets). The depreciated replacement cost was based on a combination of internal records of the original cost of the plant, adjusted for contemporary technology and construction approaches (MEERA). Significant judgement is also used to assess the remaining service potential of the assets, given local climatic and environmental conditions, projected usage, and records of the current condition of the assets.

A review on the fair value of the department's infrastructure was undertaken in May 2016 using indices as determined by the department's qualified engineers and the current condition of each asset. As part of this exercise three structures were re-lived and values adjusted accordingly.

The department is currently in the process of transferring these assets to other entities and/or government departments in accordance with the departments Total Asset Management Plan.

Categorisation of fair values recognised as at 30 June 2016 (refer to note 1 (d))

	Level 2 \$'000	Level 3 \$,000	Total \$'000
Land and Buildings	593		593
Infrastructure		206,729	206,729

Categorisation of fair values recognised as at 30 June 2015

	Level 2 \$'000	Level 3 \$,000	Total \$'000
Land and Buildings	598		598
Infrastructure		227,642	227,642

Assets where current use is not highest and best use

The department owns and operates a number of structures in regional and remote Queensland for the benefit of local communities. The main benefits are water supply for towns, mines, agriculture, domestic and stock purposes; recreation and tourism; basic flood mitigation, emergency water reserves and road access. Future potential for other economic use of water entitlements and these structures could, for some assets, be more than the current use. The department is not prevented from transferring these assets to another entity that could deliver greater social and economic benefits to the community, although this would require agreement of the Government.

Administered Activities – Budget to Actual Comparison and Variance Analysis

Statement of Comprehensive Income

	Variance Notes	Original Budget 2016 \$'000	Actual Result 2016 \$'000	Variance \$'000	Variance % of Original Budget
Income from Continuing Operations					
Appropriation revenue	1	465,849	571,533	105,684	23%
User charges and fees		260	274	14	5%
Total Income from Continuing Operations		466,109	571,807	105,698	23%
Expenses from Continuing Operations					
Supplies and services	2	3,621	1,929	(1,692)	-47%
Grants and subsidies	1	453,522	560,179	106,657	24%
Depreciation and amortisation		8,706	8,717	11	0%
Other expenses	3	-	1,622	1,622	100%
Total Expenses from Continuing Operations		465,849	572,447	106,598	23%
Net Operating Result before transfers to government		260	(640)	(900)	-346%
Transfers of administered appropriation to government		-	709	709	-
Transfers of administered revenue to government		260	274	14	5%
Operating Result for the Year		-	(1,623)	(1,623)	-
Total Comprehensive Income		-	(1,623)	(1,623)	-

Statement of Financial Position

Current Assets

Cash and cash equivalents	4	35,588	(3,575)	(39,163)	-110%
Receivables	5	45,704	89,423	43,719	96%
Total Current Assets		81,292	85,848	4,556	6%

Non-Current Assets

Property, plant and equipment	6	221,901	207,422	(14,479)	-7%
Total Non-Current Assets		221,901	207,422	(14,479)	-7%
Total Assets		303,193	293,271	(9,922)	-3%

Current Liabilities

Payables	1	82,636	87,536	4,900	6%
Transfers to Government Payable	7	260	-	(260)	-100%
Total Current Liabilities		82,896	87,536	4,640	6%
Total Liabilities		82,896	87,536	4,640	6%
Net Assets/Total Equity		220,297	205,735	(14,562)	-7%

Notes Explaining Major Variances for Administered Activities

1. The actual Ergon CSO payments under the Uniform Tariff Policy was higher than budgeted. This is mainly due to higher network costs and shifts in loads and tariffs during the year.
2. The actual figure is lower than the budgeted figure due to project delays for repairs and maintenance on water infrastructure assets.
3. The variance relates to the disposal of Infrastructure through the transfer of Bajool Weir to the Department of Transport and Main Roads.

Notes Explaining Major Variances for Administered Activities (continued)

4. The actual figure for Ergon CSO claims at year end was higher than the anticipated claims.
5. The actual figure is higher than budgeted figure due to the recognition of a receivable from Treasury for additional funding to cover the unbudgeted Ergon CSO claim.
6. The variance relates to the unbudgeted revaluation of three water infrastructure assets, and the transfer of the Bajool Weir to the Department of Transport and Main Roads.
7. The actual figure is less than the budgeted figure due to the return of funds for Gas and Electricity Licence Fees occurring in June 2016. The department revised the budget down to nil.

Management Certificate

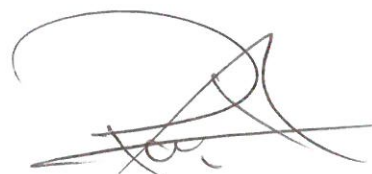
Department of Energy and Water Supply

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Department of Energy and Water Supply for the financial year ended 30 June 2016 and of the financial position of the department at the end of the year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Fiona Trenear BEcon, BCom, FCPA
Chief Finance Officer
25 August 2016



Paul Simshauser
Director-General
25 August 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Report

I have audited the accompanying financial report of the Department of Energy and Water Supply, which comprises the statement of financial position and statement of assets and liabilities by major departmental services as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental services for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificates given by the Director-General and Chief Finance Officer.

The Accountable Officer's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

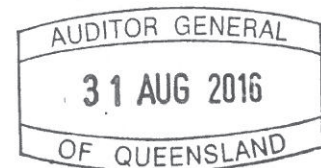
- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Department of Energy and Water Supply for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



A M GREAVES FCA FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

Appendix 1: Legislation administered by DEWS

Electricity Act 1994

Electricity–National Scheme (Queensland) Act 1997

Energy and Water Ombudsman Act 2006

Gas Supply Act 2003

Gladstone Power Station Agreement Act 1993

Liquid Fuel Supply Act 1984

National Energy Retail Law (Queensland) Act 2014

National Gas (Queensland) Act 2008

Nuclear Facilities Prohibition Act 2007

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

South East Queensland Water (Restructuring) Act 2007

In so far as the minister is a jointly responsible minister for the purpose of chapter 2 of this Act

Water Act 2000

Chapter 2, part 2, division 2A and 4; chapter 2A; chapter 4 (to the extent that it is relevant to category 1 water authorities); chapter 9, part 2 and, to the extent relevant to all these parts, chapters 5, 6 and 7

Chapter 8, section 999 and part 4A (jointly administered with the Minister for State Development and Minister for Natural Resources and Mines)

Chapter 8, Part 5 (jointly administered with the Minister for State Development and Minister for Natural Resources and Mines; and the Minister for Environment and Heritage Protection and Minister for National Parks and the Great Barrier Reef)

Water Efficiency Labelling and Standards (Queensland) Act 2005

Water Supply (Safety and Reliability) Act 2008

Appendix 2: Government-owned corporations (2015–16)

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

Appendix 3: Performance statement (2015–16)

Performance measures

Service standard	Notes	2015–16 target/estimate	2015–16 actual
Service area: Energy			
Service: Energy strategy			
Level of stakeholder satisfaction		80%	80%
Initiatives of PowerQ (the 30-year electricity strategy), as they relate to DEWS, are being delivered and implemented	1	90%	89%
Service: Energy regulation			
Level of compliance with energy regulatory and shareholder service requirements by energy retailers, distributors and generators:			
<ul style="list-style-type: none"> compliance monitoring of electricity and gas licence holders, including annual reporting and fees 	2	90%	Not available
<ul style="list-style-type: none"> community infrastructure designation applications to be reviewed and processed in a robust manner for consideration and approval by the minister within a four-month period 		100%	100%
Service area: Water supply			
Service: Water supply strategy			
Level of stakeholder satisfaction	3	80%	60%
Initiatives of WaterQ (the 30-year water strategy), as they relate to DEWS, are being delivered and implemented	4	80%	73%
Service area: Water supply regulation			
Percentage of the state's drinking water services that have appropriate drinking water quality monitoring and response frameworks in place	5	100%	98%

Variance reporting

1. During 2015–16, 18 actions were identified to be delivered or commenced, with 16 actions completed, 1 discontinued and 1 delayed. PowerQ is no longer an active strategy document for the department or the government. A review has been completed.
2. From 1 July 2015, electricity retailers were no longer authorised under the *Electricity Act 1994*. They are now regulated at the national level by the Australian Energy Regulator. This has reduced the risk of non-compliance, monitoring required and the department’s collection of annual fees. Annual reports are not due to the regulator until 31 October each year. Therefore, the 2015–16 results will be published on the department’s website in December 2016.
3. Nine stakeholders at the CEO or executive level were interviewed by an external provider to better understand their experiences, perceptions, expectations and satisfaction levels in relation to the department’s role in Queensland’s water supply policy issues, at both the state and national levels. The result of this new survey reflects the impact of the long-term strategy for the water supply sector being reviewed during 2015–16.
4. Some long-term strategies for the water supply sector were delivered and implemented to meet project milestones within the 2015–16 financial year. Of the 11 actions that DEWS was responsible for, 8 were either completed or are being delivered (including those that commenced in 2014). Action 5.2, which was to promote and support service provider–led capital advisory boards, did not commence as planned. Preliminary investigations were undertaken for actions 1.1 (innovative tariff structures) and 2.1 (investigate tenant billing). Initial results showed that these actions were not feasible. The non-completion of these actions is due to the fact that WaterQ is currently being reconsidered to ensure alignment with current Government policy.
5. As at 30 June 2016, the 100% target was not achieved as two service providers were issued warning letters and did not demonstrate related compliance with their drinking water quality management plans at that time.

Discontinued measures

Performance measures included in the 2015–16 Service Delivery Statements that have been discontinued or replaced are reported in the following table. For those measures that are being discontinued from the Service Delivery Statements, please refer to the notes below for further information.

Service standard	Notes	2015–16 target/ estimate
Service area: Energy		
Level of stakeholder satisfaction with engagement on key programs/ initiatives (rated satisfied or very satisfied)	1	80%
Service: Water supply		
Level of stakeholder satisfaction with engagement on key programs/ initiatives (rated satisfied or very satisfied)	1	80%

Note

1. The previous online survey of stakeholder satisfaction with engagement on the department’s key programs/initiatives is no longer relevant while the long-term strategies for electricity and water supply are under review. A new face-to-face survey of key stakeholders regarding engagement on Queensland’s energy and/or water supply policy issues, at both the state and national levels, provides levels of overall satisfaction with the department’s approach and quality of engagement activities undertaken. This new survey data aligns with some elements of the previous survey for longitudinal information; however, the stakeholder group may change from year to year.

Appendix 4: Report of the regulator's activities under the *Water Supply (Safety and Reliability) Act 2008*

Under the *Water Supply (Safety and Reliability) Act 2008* (the Act), the Chief Executive of the department, as the regulator, is responsible for a number of duties including the preparation of an annual report. Other functions include maintaining a register of service providers and monitoring compliance. Regulated activities include drinking water quality, recycled water, performance reporting and demand management. Water Supply Regulation within Water Planning and Regulation is the unit responsible for managing the department's water quality regulation responsibilities. Throughout this appendix, 'the regulator' means 'Water Supply Regulation'.

Voluntary compliance is encouraged and supported by the regulator through the provision of information and advice. However, enforcement activities may be required from time to time when service providers do not meet their obligations under the Act.

This summary is the regulator's report for the period 1 July 2015 to 30 June 2016.

Service provider registrations

Under the Act, an entity that supplies water and/or sewerage services must apply for registration. Currently there are 176 registered service providers, 86 of which are drinking water service providers. These 86 service providers are responsible for the operation of 342 schemes. In 2015–16, 9 new service providers were registered, 5 cancelled and 22 service providers changed their registration details.

Drinking water quality

Drinking water service providers are local councils or other businesses who charge a fee for treating, transmitting or reticulating water for drinking purposes. Each provider is required to develop and have in place a drinking water quality management plan (DWQMP) within 12 months after their registration. All DWQMPs are submitted to the regulator for assessment and approval. There are regulatory processes in place that allow the regulator to ensure that the DWQMPs meet the required criteria before approval is granted. Once approved, a DWQMP must be complied with and regularly reviewed,

audited and amended to ensure it remains current and accurate.

Currently there are 83 service providers with an approved DWQMP and a further 3 in various stages of preparation or assessment. During 2015–16, the regulator approved 1 new plan and assessed 35 amendments to plans.

In accordance with their approved DWQMP, all registered drinking water service providers are required to:

- » monitor their drinking water quality
- » report drinking water quality incidents to the regulator.

Drinking water quality incidents

Drinking water service providers need to specify in their DWQMPs how they manage public health risks associated with their drinking water supply, and monitor an appropriate range of water quality parameters. The water quality parameters monitored are specific for each water supply and may differ from one provider to the next. Accordingly, water samples are taken regularly at nominated locations and tested for these specific parameters. The regulator uses the guideline values set under the *Australian drinking water guidelines 6: 2011* as water quality standards, and any exceedance of these standards must be reported to the regulator as 'incidents'. Reported incidents are categorised by the regulator as either 'daily' or 'rapid'. Rapid incidents are those that could potentially pose a risk to public health and the regulator works closely with Queensland Health to monitor how the service provider manages the situation.

There have been 1501 drinking water quality incidents reported to the regulator since January 2009. Of these, 143 were reported in the 2015–16 financial year, with 72 relating to *E. coli*.

DWQMPs also identify areas for improvement through an improvement plan, in which providers identify future projects, infrastructure and other strategies to provide a safe and reliable water supply. The regulator uses this information to assist with decision-making and recommendations for funding submissions through other departments.

Performance reporting

Legislation was introduced in 2014 requiring service providers to report annually on key performance indicators (KPIs)—2015 was the first year for implementation of the new framework and performance reports were due by 1 October 2015. Of the 76 service providers required to submit reports, 75 did so.

The KPIs are designed to monitor and benchmark performance on common industry metrics:

- » water supply security
- » service delivery
- » financial stability
- » infrastructure investment and maintenance
- » demand management
- » customer service affordability.

The number of KPIs reported on will vary according to the size of the provider and type of service provided.

The first annual comparative report was compiled to show customers how their service provider performs against a set of indicators. Each year, indicators will be identified for reporting. In 2015–16, the focus was on length of mains, number of connections, water demand and supply, water restrictions, water charges, financial sustainability and customer response times.

In January 2015, the regulator convened a steering committee, consisting of a small group of service providers and industry partners, to review and refine the KPIs using learnings from the first year of reporting. This process resulted in improving the practicality of the KPIs and increasing service providers' understanding of regulator expectations in completing the reporting requirements.

Customer service standards

Amendments to the customer service requirements were implemented throughout 2015. These amendments require service providers outside South East Queensland to devise targets for key customer service standard indicators, such as water and sewerage charges, incidences of service interruptions and response times to manage incidences. Providers are required to consult with their customers in devising these targets, publish their customer service standard on their web page and report annually to the regulator against these targets.

Recycled water

All recycled water schemes need to be registered; however, only certain types of schemes need to have an approved recycled water management plan (RWMP). Of the 158 registered schemes, 6 have an approved RWMP. A RWMP addresses potential hazards, assesses level of risk and identifies how risks will be managed.

Approved RWMP holders are required to keep their plans and procedures current through audits and review processes. The regulator also works closely with Queensland Health to ensure that providers appropriately manage recycled water incidents and protect public health. In 2015–16, 5 incidents were reported.

Abbreviations and glossary

ACCC	Australian Competition and Consumer Commission
Agency	a department or a statutory body as defined in the <i>Financial Accountability Act 2009</i>
ARRs	<i>Annual report requirements for Queensland Government agencies</i>
COAG	Council of Australian Governments
DEWS	Department of Energy and Water Supply
DWQMP	drinking water quality management plan
eDRMS	Electronic Document and Records Management System
EMT	Executive Management Team
FAA	<i>Financial Accountability Act 2009</i>
FPMS	Financial and Performance Management Standard 2009
GIS	geographic information system
ICT	information and communications technology
KPIs	key performance indicators
QAO	Queensland Audit Office
QGIAS	Queensland Government Internal Audit Service
Queensland Productivity Commission	Provides independent advice on complex economic and regulatory issues, and proposed policy reforms, with the objective of driving economic growth, lifting productivity and improving living standards across Queensland
QWRAP	Queensland Water Regional Alliance Program
RACQ	Royal Automobile Club of Queensland
Referable dam	A dam that presents a risk to two or more people if it fails—this does not include dams containing hazardous waste, a weir or large rainwater tanks
RWMP	recycled water management plan

Appendix 5: Compliance checklist

	Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant minister/s	ARRs— section 8	3
Accessibility	Table of contents	ARRs—section 10.1	1
	Glossary		
	Public availability	ARRs—section 10.2	ii
	Interpreter service statement	<i>Queensland language services policy</i> ARRs—section 10.3	ii
	Copyright notice	<i>Copyright Act 1968</i> ARRs—section 10.4	ii
	Information licensing	<i>Queensland Government enterprise architecture— information licensing</i> ARRs—section 10.5	ii
General information	Introductory information	ARRs—section 11.1	6
	Agency role and main functions	ARRs—section 11.2	6
	Operating environment	ARRs—section 11.3	6–7
	Machinery-of-government changes	ARRs—section 11.4	Not applicable
Non-financial performance	Government’s objectives for the community	ARRs—section 12.1	8
	Other whole-of-government plans/specific initiatives	ARRs—section 12.2	8
	<i>The Queensland plan</i>	ARRs	8
	Agency objectives and performance indicators	ARRs—section 12.3	9–13
	Agency service areas and service standards	ARRs—section 12.4	64
Financial performance	Summary of financial performance	ARRs—section 13.1	22–23
Governance— management and structure	Organisational structure	ARRs—section 14.1	15
	Executive management	ARRs—section 14.2	16
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i>	17
		ARRs—section 14.4	

	Summary of requirement	Basis for requirement	Annual report reference
Governance— human resources	Workforce planning and performance	ARRs—section 16.1	20–21
	Early retirement, redundancy and retrenchment	<i>Directive no.11/12: early retirement, redundancy and retrenchment</i> ARRs—section 16.2	20
Open data	Consultancies	ARRs—section 17 ARRs—section 34.1	8
	Overseas travel	ARRs—section 17 ARRs—section 34.2	8
	<i>Queensland language services policy</i>	ARRs—section 17 ARRs—section 34.3	8
	Government bodies	ARRs—section 17 ARRs—section 34.4	8
Financial statements	Certification of financial statements	FAA—section 62 FPMS—sections 42, 43 and 50 ARRs—section 18.1	58
	Independent auditors report	FAA—section 62 FPMS—section 50 ARRs—section 18.2	59–60
	Remuneration disclosures	<i>Financial reporting requirements for Queensland Government agencies</i> ARRs—section 18.3	37

Notes:

FAA	<i>Financial Accountability Act 2009</i>
FPMS	<i>Financial and Performance Management Standard 2009</i>
ARRs	<i>Annual report requirements for Queensland Government agencies</i>

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