

FINAL REPORT

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Letter of compliance

18 May 2018

The Honourable Mark Bailey MP
Minister for Transport and Main Roads
GPO Box 2644
Brisbane Qld 4001

Dear Minister Bailey

I am pleased to submit for presentation to the Parliament the *Final Report for the Department of Energy and Water Supply for the period 1 July 2017 – 12 December 2017*, including the financial statements.

The functions of the former Department of Energy and Water Supply were transferred to the Department of Natural Resources, Mines and Energy.

The final report outlines the activities and achievements of the former Department of Energy and Water Supply.

I certify that this 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 71 of this final report.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'BB', is located below the 'Yours sincerely' text.

Benn Barr
Deputy Director-General, Energy
Department of Natural Resources, Mines and Energy

About the department

Who we are

The Queensland Government established the Department of Energy and Water Supply (DEWS) through a machinery-of-government announcement on 3 April 2012, under the Public Service Act 2008, and abolished the agency on 12 December 2017. The functions of the former Department of Energy and Water Supply were transferred via machinery of government changes into the new Department of Natural Resources, Mines and Energy.

Our vision

During the year to 12 December 2017, we progressed 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

At the time of the abolishment of the department, our purpose was 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 provided a policy and regulatory platform that ensures Queenslanders have access to safe, reliable and affordable energy and water supply, while embracing the Queensland public service values.

Our services

DEWS was 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 2017–18 Service Delivery Statements, the department's services were 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 water infrastructure to support economic development.

Our operating environment

A review of our operating environment identified the following factors that impacted the department.

Energy

Customers

- There were more than two million residential household and small business electricity and gas customers in Queensland.
- There were around 20,000 large electricity customers.

Generators, transmitters and distributors

- There were four government-owned corporations providing generation, transmission (including interstate interconnectors) and distribution network infrastructure (see Appendix 2).
- There were more than 80 electricity generators currently operating in Queensland, with over 20 supplying electricity into the transmission network of the National Electricity Market—some are privately owned and others are owned by government-owned corporations.
- There was 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 were collectively serviced by a registered water service provider.

Catchment, treatment and storage

- There were 180 registered water service providers delivering potable water, non-potable water and/or sewerage services. They included local governments, government-owned corporations, statutory authorities and private businesses.
- There were 168 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 19 major dams and 66 weirs and barrages for bulk water supply outside South East Queensland.
- The Mount Isa Water Board and Gladstone Area Water Board are state-owned water authorities. The Mount Isa Water Board supply quality bulk water to the Mount Isa City Council and industrial customers, while the Gladstone Area Water Board supply treated and untreated water for domestic and industrial purposes to Gladstone Regional Council and economically significant local industries.
- There were 109 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 risks and opportunities

DEWS managed our risks and opportunities by being risk-aware. As published in the *2017-21 Strategic Plan*, these included:

Risks

- appropriate and timely response to disaster and emergency events
- management and delivery of anticipated outcomes from the implementation of the Biofuels mandate

Opportunities

- using quality data and analytics to improve policy development
- engaging effectively and early with our stakeholders to deliver better outcomes
- increasing diversity and creating an inclusive culture to enhance business outcomes.

Our performance

We continued to focus our efforts on implementing Queensland Government priorities.

Government's objectives for the community

The department used its expertise in building renewable energy and biofuels industries to contribute to the Queensland Government's objectives for the community, including 'Creating jobs and a diverse economy' and 'Protecting the environment'. We also supported 'Building safe, caring and connected communities' by setting and enforcing dam safety and drinking water quality standards, and by undertaking regional water supply planning.

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.

Powering Queensland Plan

On 5 June 2017, the Queensland Government released the \$1.16 billion Powering Queensland Plan. The plan outlined the Queensland Government's strategy to stabilise electricity costs, deliver jobs and investment, and lead the transition to a clean energy sector. Throughout 2017, DEWS continued to implement the plan.

Actions under the plan included:

- providing electricity price relief by investing \$770 million to cover the cost of the Solar Bonus Scheme between 2017–18 and 2019–20
- returning Swanbank E gas-fired power station to service to support more stable wholesale prices and ensure security of supply
- directing Stanwell Corporation to undertake strategies to place downward pressure on wholesale prices
- investigating the restructure of Government Owned Corporation generators and establish a 'CleanCo'
- delivering a \$386 million *Powering North Queensland Plan* to strengthen and diversify the north's energy supply and create a North Queensland clean energy hub, including:
 - \$150 million to develop strategic transmission infrastructure in North and North-West Queensland, subject to a feasibility study
 - \$100 million equity injection into Sunwater (and reinvestment of dividends) for improvement works at the Burdekin Falls Dam
 - \$100 million to help fund a hydro facility at the Burdekin Falls Dam subject to a business case in 2018
 - commission a hydro-electric study to assess options for deploying hydro in the state
- confirming the Queensland Government's commitment to a 50 per cent renewable energy target by 2030
- facilitating up to 400 megawatts of renewable energy, including 100 megawatts of energy storage, through a reverse auction
- improving large-scale renewable project facilitation, planning and network connections
- establishing the Queensland Energy Security Taskforce, with an immediate focus on developing a Summer Preparedness Plan for 2017–18, and providing advice to the Queensland Government on short-term and long-term plans for maintaining system security and reliability in the state, including implementing the relevant recommendations in the Finkel Review (that is, the *Independent Review into the Future Security of the National Electricity Market*)
- advocating for stable, integrated national climate and energy policies.

Regulation and oversight of biofuels mandates

The bio-based petrol (ethanol) and bio-based diesel mandates commenced on 1 January 2017, with the department continuing to regulate and provide strategic oversight of the mandates throughout the year.

The mandates require fuel sellers across Queensland to sell specified volumes of bio-based petrol (ethanol) and bio-based diesel. Reportable volumes of E10, the most popular ethanol-blended petrol grade, increased by over 75 per cent compared to baseline data that was collected in early 2016 before the mandate commenced.

Affordable Energy Plan

In October 2017, the Queensland Government announced a \$2 billion Affordable Energy Plan to help households and businesses achieve savings on their electricity bills.

As part of the plan, dividends from the public-owned electricity assets will be used to fund:

- a \$50 per year electricity rebate to all Queensland households over the next two years
- a \$20 million rebate program providing up to \$300 to help households to buy an energy efficient fridge, washing machine or air conditioner
- the new Easy Pay Reward, a \$75 payment for regional households and a \$120 payment for small businesses that move to direct debit and monthly eBilling;
- a \$4 million expansion of the Energy Savvy Families Program supporting low income regional families with a digital meter, monthly billing and energy efficiency information
- a \$20 million Business Energy Savers Program supporting agricultural customers and large business customers with audits and funding to implement energy savings actions
- a \$21 million program offering no interest loans and rebates to purchase rooftop solar and batteries
- a \$4 million trial to assist landlords and tenants to share the value of installing solar systems.

National Water Infrastructure Development Fund

Queensland is a signatory to the national project agreement for part 1 and part 2 of the Australian Government's National Water Infrastructure Development Fund (NWIDF).

The department was facilitating the delivery of and funding for 15 feasibility studies into a range of water supply proposals across Queensland via the Australian Government's NWIDF. To enable these studies to progress, the department advanced around \$14.5 million for nine of the projects. The proponents for the feasibility studies include local councils, regional associations and state water entities.

The Queensland Government has made seven applications to the Australian Government for capital funding under Part 2 of the NWIDF, most of which are on behalf of proponents. A total of \$72.4 million has been requested for projects that would primarily support an expansion of irrigated agriculture in a range of regions across Queensland.

Open data

More than 70 sets of our data resources are available to the public and free to anyone who wishes to use them.

The former DEWS datasets are available on the Queensland Government data website at www.data.qld.gov.au

Government bodies

The department had relationships with numerous government bodies—entities with decision-making powers established either by an Act of Parliament or by a decision of executive government.

The Ministerial Advisory Council for Flood Mitigation Manuals was not required to meet for the period 1 July to 12 December 2017.

Our objectives

The DEWS strategic plan for 2017–21 set out five strategic objectives.

Objective 1: Design for future provision

Supporting the Queensland Government's A Solar Future commitments

A trial commenced to deliver cheaper solar energy for vulnerable customers in government-owned public housing. The trial comprises four separate locations, including:

- Lockhart River – a rooftop solar farm commenced construction in late 2017, reducing the amount of diesel fuel needed to power the remote isolated network
- Cairns and Rockhampton – launched in September 2017
- Logan City – work was underway by late 2017 for a launch in 2018.

Objective 2: Execute policy initiatives

Supporting growth in Queensland's biofuels industry

The E10 biofuels consumer education campaign ran for 12 months from September 2016. At the end of 2017, around 670,000 E10 vehicle compatibility checks had been completed through the E10 OK campaign website and sales of ethanol-blended fuel have trended up since the introduction of the mandate. Tracking research also indicates the campaign has improved motorist's understanding of and attitudes towards E10. The campaign was well received and consumer awareness and knowledge of E10 increased.

While consumer demand increased, the department continued to provide education and support to assist fuel sellers to meet their regulatory requirements. During 2017, the fuel industry upgraded a large number of sites to make E10 more widely available. There are now over 600 service stations in Queensland that sell E10, which is an increase of over 260 sites in under two years.

Objective 3: Ensure fair, safe, affordable and reliable services

Implementing the Powering Queensland Plan

In 2017, significant progress was made under the *Powering Queensland Plan*, including:

- the department establishing a program office to coordinate implementation of the *Powering Queensland Plan* actions, and providing secretariat support to the Queensland Energy Security Taskforce
- under the Queensland Energy Security Taskforce, delivering the Power System Summer Preparedness Plan 2017–18 to the shareholding ministers in September 2017 to ensure Queensland's electricity network was ready for the challenges of summer
- shareholding ministers directing Stanwell Corporation in relation to its bidding strategies in June 2017 as part of the Powering Queensland Plan announcement (wholesale market actions including announcing the return of Swanbank-E gas-fired power station to service, led to reductions in the 2018 base load generation futures price in Queensland)
- commissioning work on:
 - the feasibility study of strategic transmission infrastructure in North and North-West Queensland and expanding transmission interconnection
 - a hydro-electric study to assess options for deploying hydropower in the state.

Objective 4: Assure efficient, high-performing accountable providers

Developing the future strategic direction for water supply infrastructure in Queensland

In collaboration with the State-owned water entities, the department provided:

- a summary of the alignment of infrastructure investment
- pipeline projects for 2017–18
- a summary of future opportunities in the short to longer term
- case studies to highlight notable infrastructure deliveries
- a list of current water infrastructure projects.

In July 2017, the Queensland Government released the *Queensland Bulk Water Opportunities Statement* (QBWOS) as the future water security strategy for the State. The QBWOS delivers on our commitment under the State Infrastructure Plan. It outlines our objectives for bulk water supply and principles to guide Queensland Government investment. The QBWOS presents a framework for how to achieve a balance between better using infrastructure we already have and committing to new projects into the future. The statement details projects under consideration and identifies initiatives to reduce barriers to using the water available in our existing bulk water supply infrastructure.

Under QBWOS, SunWater has committed to several initiatives including supporting economic development, using the potential in existing assets and reviewing existing products to support the business needs of existing and potential customers.

Objective 5: Become a world-class regulatory and policy agency

Preparing for emergency events with energy and water supply entities

The *State Disaster Management Plan* describes the function, roles and responsibilities of lead agencies for Queensland's whole-of-government approach to disaster management. The department is recognised as the lead agency for electricity supply reliability, liquid fuel supply shortages and reticulated natural gas supply shortages, as well as dam safety and drinking water supply. We provided support to the Queensland Government's disaster prevention, preparation, response and recovery through regulatory oversight.

The department has developed our capability to facilitate disaster management actions and responses with energy and water entities. Liaison officers were provided with training and participated in an exercise at the State Disaster Coordination Centre where, in the event of a disaster, they were responsible for the receipt, assessment and provision of vital information to the Minister and other representatives for response and recovery operations.

Service area achievements

Energy

In 2017, the Energy service area:

- progressed the *Powering Queensland Plan*
- commenced implementation of the *Affordable Energy Plan*
- regulated and provided strategic oversight of Queensland's electricity and gas supply industries, and bio-based petrol and bio-based diesel mandates
- progressed initiatives to deliver the Government's aspirational target for one million solar residential rooftops or 3000 megawatts of installed solar photovoltaic capacity by 2020
- provided policy input and government positions for COAG Energy Council
- provided robust guidance and governance on a range of matters, in partnership with Queensland Treasury and Government Owned Corporations.

Water Supply

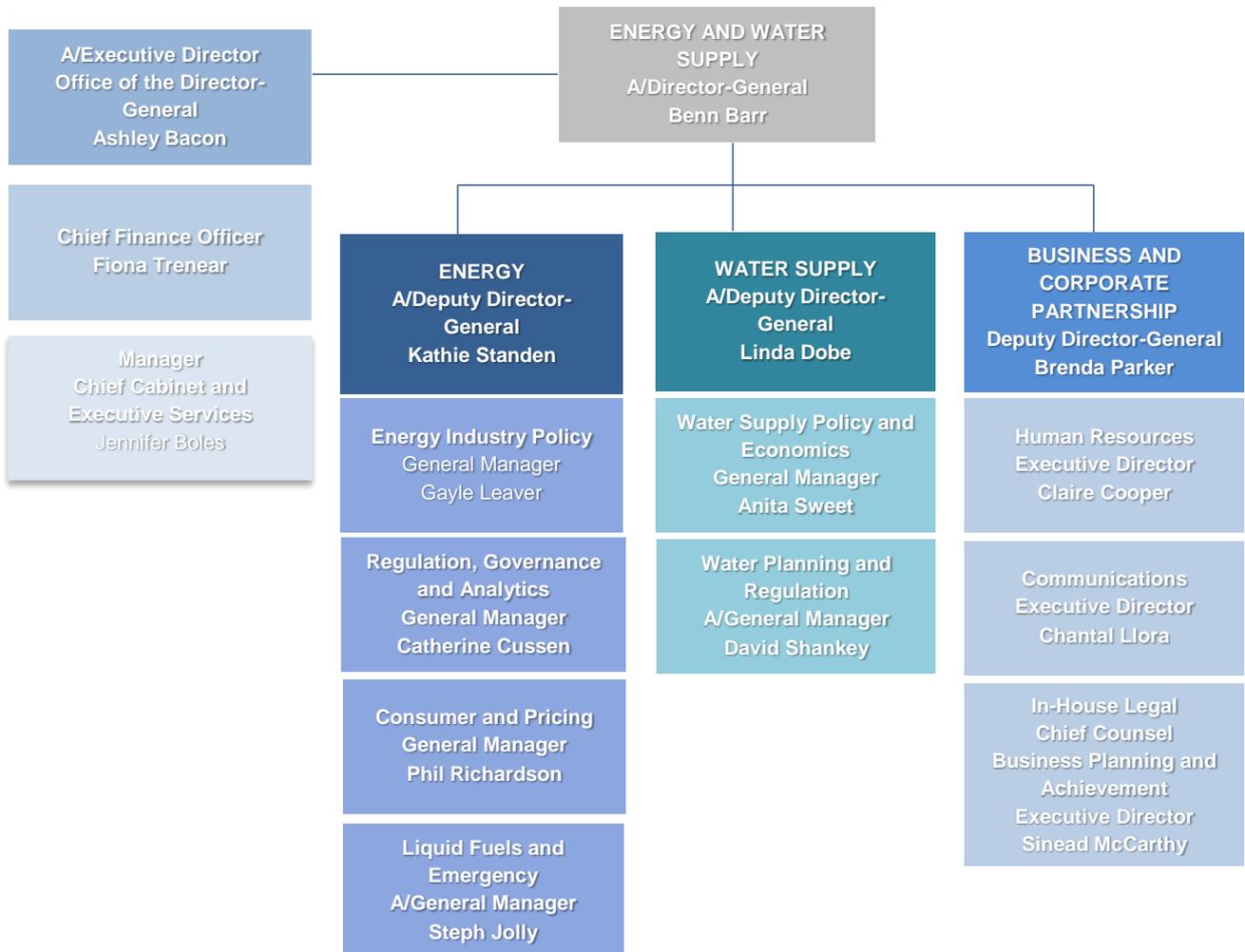
In 2017, the Water Supply service area:

- continued facilitating 15 feasibility studies under Part 1 of the NWIDF, working with the Australian Government and study proponents
- facilitated the making of seven Queensland Government applications to the Australian Government for capital funding under Part 2 of the NWIDF, most of which are on behalf of proponents
- progressed introduction of local management arrangements for SunWater irrigation channels (four transition companies are now established and final due diligence is well underway for those schemes, and further investigations into revised business proposals are underway for four channels)
- progressed two regional water supply security assessments for Emerald and Mackay
- developed and delivered the Queensland Bulk Water Opportunities Statement
- progressed an interim report to the Prime Minister and Premier about solutions for short-, medium- and long-term water security for Townsville (via the Townsville Water Security Taskforce, a partnership between the federal and state governments and Townsville City Council)
- negotiated and executed two grant funding deeds between the department and the Townsville City Council to provide a total of \$225 million including \$10 million to help the Townsville community adopt water efficient practices and devices, and \$215 million to support council in constructing a duplicate water supply pipeline from the Haughton Main Channel to Ross River Dam
- contributed to the whole-of-government response to Tropical Cyclone Debbie, through activation of departmental emergency management procedures and arrangements to assist with the coordinated management of water issues (including representation within the State Disaster Coordination Centre and Queensland's Disaster Management Committee).

Governance: structure and management

Organisational structure

(as at 12 December 2017)



Executive Management Team

The Executive Management Team (EMT) functioned 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 functioned as the department's Strategic Finance Committee, supported by the Operational Finance Committee.

The collective responsibility of the EMT was to ensure integration and collaboration on strategic issues across the department, and the prioritisation of resources and capabilities to facilitate and deliver key outcomes.

The EMT membership comprised:

Chair: Director-General

Members: Deputy Director-General, Energy

Deputy Director-General, Business and Corporate Partnership

Deputy Director-General, Water Supply

Executive Director, Office of the Director-General

Executive Management Team profiles

Paul Simshauser, Director-General

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

Prior to his role as Director-General, 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 in Commerce, has a Master's 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.

Paul left the department on 24 November 2017.

Benn Barr, Deputy Director-General, Energy (acting Director-General as at 12 December 2017)

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

Benn commenced acting in the role of Deputy Director-General, Water Supply on 27 July 2017, and acting Director-General on 13 November 2017.

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

In July 2013, Brenda Parker commenced as Deputy Director-General, Business and Corporate Partnership. Brenda was responsible for leading and managing effective and efficient corporate services within an evolving service delivery environment across multiple agencies.

Prior to this, 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.

Ken Sedgwick, Deputy Director-General, Water Supply

In August 2015, Ken Sedgwick commenced as Deputy Director-General, Water Supply. Ken was 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.

Ken left the department on 27 July 2017.

David Shankey, Executive Director, Office of the Director-General

David was appointed as Executive Director, Office of the Director-General on 14 February 2017.

David was responsible for leading the ministerial, executive and finance services of the department, including parliamentary activities and disaster management across energy and water, and specific projects as requested by the Director-General.

David also provided the secretariat function for the EMT. David has over 10 years' experience working in public policy and media roles, and graduated from The University of Queensland with a Bachelor of Laws and a Bachelor of Commerce.

Phil Richardson, acting Deputy Director-General, Energy

Phil acted in this role from 1 July 2017 to 7 July 2017 and 31 July 2017 to 27 October 2017.

Kathie Standen, acting Deputy Director-General, Energy as at 12 December 2017

Kathie acted in this role from 30 October 2017.

Linda Dobe, acting Deputy Director-General, Water Supply as at 12 December 2017

Linda acted in this role from 13 November 2017.

Ashley Bacon, acting Executive Director, Office of the Director-General as at 12 December 2017

Ashley acted in this role from 13 November 2017.

EMT committees

In accordance with the department's corporate governance framework, the EMT was supported by committees that performed specific tasks or assignments. The committees met either fortnightly or bi-monthly, depending on their work programs.

The committees in place as at 12 December, 2017 were the:

- Audit and Risk Committee
- Operational Finance Committee
- Agency Consultative Committee
- ICT Investment and Strategy Committee
- Diversity and Inclusion Committee.

Public Sector Ethics Act 1994

The department considered the conduct and performance of employees central to achieving its deliverables and objectives. During the 2017 operating period, a comprehensive online training program continued across the department, with specific education for inductees on the code of conduct and the ethics principles of the *Public Sector Ethics Act 1994*. Specific training was delivered to managers and supervisors on the implementation of the sector-wide Capability and Performance Excellence framework. The training provided mechanisms that support early intervention and local resolution of unsatisfactory conduct and performance.

The online code of conduct training was updated annually, and all staff were required to complete it each year.

Governance: risk management and accountability

Risk management

Effective risk management in DEWS ensured we made informed decisions, met our compliance obligations and ensured the safety and wellbeing of our people and the community. The department recognised that risk is characterised by both threat and opportunity, and managed risk to enhance opportunities and reduce threats that may have impacted on the department's business plans and objectives.

The risk management policy and procedure, which aligned with standard AS/NZS ISO 31000:2009 Risk management—principles and guidelines and Queensland Treasury's *A guide to risk management: July 2011*, outlined the principles and responsibilities for risk management across the department. DEWS fostered a risk-aware culture in all decision-making through the application of high quality, integrated risk analysis and management, which enabled informed decisions to be made at the right time and facilitated visibility of sources of uncertainty.

During 2017, the department further refined its approach to proactively identifying, analysing and responding to risk. The department continued to regularly review and monitor its operational risks (including financial, compliance, safety and wellbeing) as part of its quarterly reporting process.

Queensland Audit Office

The Queensland Audit Office (QAO) reports to Parliament on a range of matters. As at 12 December 2017, there were no reports tabled in Parliament that related to the department.

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 three times in the period 1 July 2017 to 12 December 2017. 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 was directly responsible to the Director-General and acted as a forum for dialogue between the Director-General, senior management, Internal Audit Services 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)
- Patrice Sherrie, external member
- Benn Barr, acting Deputy Director-General, Water Supply (internal member) and standing invited guest as acting Director-General
- Kathie Standen, acting Deputy Director-General, Energy (internal member)
- Linda Dobe, General Manager, Water Planning and Regulation (proxy for acting Deputy Director-General, Water Supply (internal member)) and acting Deputy Director-General, Water Supply

Gayle Leaver, General Manager, Energy Industry Policy (proxy for acting Deputy Director-General, Energy (internal member)).

The committee's two external members received a combined total remuneration of \$7,200 (excluding GST) for their role on the committee during the period 1 July 2017 to 12 December 2017. In addition, a total of \$2,400 (excluding GST) is due to be paid in total to the two external members for the DEWS final ARC meeting (to be held on 16 April 2018).

Internal audit

The formation of Internal Audit Services (IAS) was approved on 12 June 2012. IAS is a business unit within the Department of Environment and Science, 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 IAS are established in the 2017–18 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).

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

IAS reported to the Audit and Risk Committee and its function is independent of management and external auditors. Assurance activities undertaken included compliance and operational reviews, and information system and special review assignments as requested by management.

As at 12 December 2017, IAS completed the following reviews under the DEWS *Strategic internal audit plan—July 2017 to June 2018*:

- Large Customer Adjustment Trial Grants Program Phase 2
- Project Health Check of Renewables – Solar for Public Housing Pilot Programs.

The following review was in progress as at 12 December 2017:

- DEWS Grants Administration – NWIDF.

IAS employees are members of professional bodies, including the Institute of Internal Auditors and Association of Chartered Certified Accountants (ACCA).

IAS considers there are adequate controls in place to minimise the opportunity for fraud or mismanagement in those areas of the department that were subject to internal audit under the program of work approved by the Director-General.

External scrutiny

Queensland Government agencies can be reviewed or audited by a number of different authorities and bodies, including the Queensland Audit Office, parliamentary committees, the Crime and Corruption Commission, the Queensland Ombudsman, the Information Commissioner Queensland and the Office of the State Coroner.

Information systems

During the reporting period, DEWS continued to operate, maintain, develop and decommission a range of information systems to support services, initiatives and corporate operations. A highlight included the launch of a Dam Safety Customer Relationship Management (CRM) system in August 2017 to replace the Referable Dams Register. The system captures a large suite of dam safety information centrally, which has greatly benefited the Dam Safety team and enhanced their reporting capabilities.

Recordkeeping

The department operated a recordkeeping strategy to ensure that the department was compliant with legislation and the relevant Information Standards. Policies were in place for Recordkeeping, Email Management, Retention and Disposal of Records, Managing Information on Shared Network Drives, Information Security and Digitisation Disposal.

The department used a corporate electronic document and records management system (eDOCS) and staff were encouraged to maximise the use of digital records in business processes. Two retention and disposal schedules for Energy Regulation and Water were put in place for records disposal across the department.

Governance: human resources

Workforce planning and performance

Workforce profile

The Queensland public sector quarterly workforce profile for the December 2017 quarter, based on Minimum Obligatory Human Resource Information (MOHRI) data, shows that DEWS had 224.47 full-time equivalent (FTE) staff and a permanent separation rate of 1.04 per cent.

The ending of temporary contracts, resignations and retirements led to a 7.51 per cent permanent separation rate for the final period for DEWS.

During the period, no early retirement or retrenchment packages were paid.

Strategic workforce planning framework

The Strategic Workforce Plan outlined the department's people strategies to achieve a world-class regulatory and policy agency.

To achieve the goals of the workforce plan, purpose-designed strategies were implemented during the final period (captured in the following sections).

Diversity and inclusion

The department is committed to creating and embedding an inclusive and diverse workplace.

In 2017–2018 the department has continued to apply the Diversity and Inclusion Framework that was launched in December 2015.

Key initiatives delivered during the year included:

- continuing support of LGBTIQ+ (lesbian, gay, bisexual, transgender, intersex and queer) through Pride in Diversity membership, champions, training events, awareness raising and open communication
- progressing milestones and deliverables of the DEWS-Ability Strategy which sets out expectations regarding the respect and equal opportunity to be given to our employees, prospective employees and customers with a disability
- establishing a partnership agreement with Job Access and built relationships with disability service providers to increase employment opportunities for people with a disability
- continuing promotion and support of flexible working arrangements
- establishing a multi-agency working group to research the historical use of controlled wages by former energy agencies and provided information sessions to staff
- continuing the roll-out of the 'Building on the strengths of our stories' Cultural program for staff
- development and implementation of the DEWS Indigenous Employment Pathways Traineeship Program in recognition of the use of controlled wages in expanding the electricity supply in Queensland.

Employee performance management

To attain a workplace culture of respect and a workplace that delivers results, performance and development agreements, code of conduct requirements, and sector-wide Conduct and Performance Excellence training continued to be reinforced.

Capability framework

Identified through the department's Strategic Workforce Plan, the capability framework focused on professional development in 2017. The objective was to support our people to be influential, credible, authoritative and respected in analytics and their respective technical areas of expertise.

To build this capability the department continued to deliver:

- the Karen Masnata scholarship
- the Persuasive Communication Program
- the Stakeholder Engagement Program
- 'TED, LED and FED' lunchtime forums
- a redesigned workforce that focused on recruiting analytical capability within the business
- a specifically designed Graduate Certificate in Policy Analysis program, which commenced in June 2017.

Working for Queensland Employee Opinion Survey

The department undertook a significant engagement and communication campaign to increase employee participation in the annual sector-wide Working for Queensland Employee Opinion Survey. The results of the survey showed significant improvement in a number of areas.

The Executive Management Team prioritised taking action in response to the survey feedback, and it was a critical informer of the workforce strategies implemented during the period.

Industrial and employee relations

The department had in place a contemporary Human Resource Management Framework that included a suite of resources and guidance on employee entitlements and resolution of issues that may have arisen in the workplace. Information was proactively distributed and assistance provided to managers and employees to ensure employees were receiving their correct entitlements.

Of note is the recent implementation of changes resulting from the new *Industrial Relations Act 2016* and amendments to the *Public Service Act 2008*. New resources were developed and information sessions entitlements. They included the new general protections regime, new appeal rights in relation to unfair treatment, conversion of temporary and casual positions to permanent positions, and new application process and disputes procedure for flexible working arrangements.

Ongoing consultative discussions were held with Together Queensland and the Industrial Union of Employees and Professionals Australia through regular formalised meetings of the Agency Consultative Committee. Essentially, the role of the Agency Consultative Committee was to ensure that the department implements and complies with all relevant arrangements under the *Industrial Relations Act 1999*, *Public Service Act 2008* and State government entities certified agreement 2015 (core agreement). Particular focus was placed on current and emerging industrial issues, workforce strategy and organisational change issues.

Safe and healthy workforce

The department continued its commitment to create and communicate a culture that promotes safety as an absolute priority. The commitment to the safety and wellbeing of all employees included offering a wide range of resources, systems and governance structures to assist with operational requirements, and the implementation of work practices and procedures to prevent injury while undertaking departmental operations in our community.

Contributing to a safe and healthy workforce, the department continued to partner and support Windana domestic and family violence shelter and offered mechanisms to support staff affected by domestic and family violence. The department's wellbeing program focused on educating our people to look after their physical, mental, emotional and financial wellbeing to contribute to a healthy and safe workplace.

Financial statements

for the period ended 12 December 2017

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**Statement of Comprehensive Income
for the period ended 12 December 2017**

CONSOLIDATED

	Notes	12 December 2017 \$'000	2017 \$'000
Income from Operations			
Appropriation revenue	3	36 382	57 721
Grants and other contributions	4	5 077	5 331
Other revenue		118	314
Total Income from Operations		41 577	63 366
Expenses from Operations			
Employee expenses	5	13 108	26 684
Supplies and services	6	13 812	24 009
Grants and subsidies	7	16 195	10 154
Other expenses	8	679	1 364
Depreciation and amortisation		4	29
Total Expenses from Operations		43 796	62 240
Operating Result for the Year		(2 219)	1 127
Other Comprehensive Income			
Other comprehensive income		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income		(2 219)	1 127

The accompanying notes form part of these financial statements.

**Statement of Financial Position
as at 12 December 2017**

CONSOLIDATED			
	Notes	12 December 2017	2017
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	9	26 785	25 839
Receivables	10	2 099	1 349
Prepayments	11	807	198
Total Current Assets		29 691	27 386
Non-Current Assets			
Property, plant and equipment	12	216	219
Total Non-Current Assets		216	219
		29 907	27 605
Current Liabilities			
Payables	13	5 250	4 816
Accrued employee benefits	14	861	1 286
Other current liabilities	15	11 392	7 247
Total Current Liabilities		17 503	13 349
Non-Current Liabilities			
Lease liability		850	482
Total Non-Current Liabilities		850	482
		18 353	13 831
Total Liabilities			
Net Assets		11 554	13 774
Equity			
Contributed equity		10 515	10 515
Asset revaluation surplus		68	68
Accumulated surplus		972	3 191
Total Equity		11 554	13 774

**Statement of Changes in Equity
for the period ended 12 December 2017**

	Contributed Equity \$'000	Accumulated Surplus \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance as at 1 July 2016	12 215	2 064	68	14 347
Operating result from operations	-	1 127	-	1 127
<i>Transactions with Owners as Owners</i>				
Appropriated equity withdrawal	(1 700)	-	-	(1 700)
Balance as at 30 June 2017	10 515	3 191	68	13 774
Balance as at 1 July 2017	10 515	3 191	68	13 774
Operating result from operations	-	(2 219)	-	(2 219)
Balance as at 12 December 2017	10 515	972	68	11 554

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the period ended 12 December 2017

CONSOLIDATED

	Notes	12 December 2017 \$'000	2017 \$'000
Cash Flows from Operating Activities			
<i>Inflows:</i>			
Service appropriation receipts	3	39 904	57 867
Grants and other contributions		5 077	5 331
GST input tax credits received from ATO		2 649	2 661
GST collected from customers		21	97
Other		66	539
<i>Outflows:</i>			
Employee expenses		(13 533)	(26 418)
Supplies and services		(12 691)	(21 235)
Grants and subsidies		(17 067)	(9 558)
GST paid to suppliers		(2 783)	(2 737)
GST remitted to ATO		(22)	(96)
Other expenses		(676)	(937)
Net cash provided by operating activities		946	5 514
Cash Flows from Financing Activities			
<i>Outflows:</i>			
Equity withdrawals		-	(1 700)
Net cash used in financing activities		-	(1 700)
Net increase in cash and cash equivalents		946	3 814
Cash and cash equivalents at the beginning of the financial year		25 839	22 025
Cash and cash equivalents at end of financial year		26 785	25 839

The accompanying notes form part of these financial statements

**Statement of Cash Flows
for the period ended 12 December 2017**

Notes to the Statement of Cash Flows

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	12 December 2017 \$'000	2017 \$'000
Operating Result	(2 219)	1 127
<i>Non-cash items included in operating result:</i>		
Depreciation and amortisation expense	4	29
Net losses on disposal of property, plant and equipment	-	29
<i>Change in assets and liabilities:</i>		
(Increase) in receivables	(618)	(298)
(Increase) in prepayments	(609)	(93)
(Increase) in GST input tax credits receivable	(132)	(75)
Increase in payables	434	2 973
Increase (decrease) in accrued employee benefits	(425)	265
Increase in other current liabilities	4 145	1 075
Increase in lease liability	368	482
Net cash provided by operating activities	946	5 514

**Statement of Comprehensive Income by Major Departmental Service
for the period ended 12 December 2017**

	Energy		Water Supply		Total	
	12 Dec 2017	2017	12 Dec 2017	2017	12 Dec 2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income from Operations						
Appropriation revenue	14 538	29 543	21 846	28 178	36 382	57 721
Grants and other contributions	5 077	5 310	-	21	5 077	5 331
Other revenue	32	85	84	229	118	314
Total Income from Operations	19 647	34 938	21 930	28 428	41 577	63 366
Expenses from Operations						
Employee expenses	6 341	12 474	6 766	14 210	13 108	26 684
Supplies and services	9 400	15 576	4 412	8 433	13 812	24 009
Grants and subsidies	3 633	6 329	12 562	3 825	16 195	10 154
Other expenses	271	545	408	819	679	1 364
Depreciation and amortisation	2	14	2	15	4	29
Total Expenses from Operations	19 647	34 938	24 150	27 302	43 796	62 240
Operating Result for the Year	-	-	(2 219)	1 127	(2 219)	1 127
Other Comprehensive Income						
Other comprehensive income	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	-	-	-
Total Comprehensive Income	-	-	(2 219)	1 127	(2 219)	1 127

**Statement of Assets and Liabilities by Major Departmental Service
as at 12 December 2017**

	Energy		Water Supply		Total	
	12 Dec 2017 \$'000	2017 \$'000	12 Dec 2017 \$'000	2017 \$'000	12 Dec 2017 \$'000	2017 \$'000
Current Assets						
Cash and cash equivalents	15 303	11 721	11 482	14 118	26 785	25 839
Receivables	1 166	634	933	715	2 099	1 349
Prepayments	378	101	429	97	807	199
Total Current Assets	16 847	12 456	12 845	14 930	29 691	27 386
Non-Current Assets						
Property, plant and equipment	213	214	3	5	216	219
Total Non-Current Assets	213	214	3	5	216	219
Total Assets	17 060	12 670	12 848	14 935	29 907	27 605
Current Liabilities						
Payables	3 839	2 707	1 411	2 109	5 250	4 816
Accrued employee benefits	459	567	403	719	861	1 286
Other current liabilities	8 004	4 822	3 388	2 425	11 392	7 247
Total Current Liabilities	12 302	8 096	5 201	5 253	17 503	13 349
Non-Current Liabilities						
Provision for lease liability	411	227	439	256	850	482
Total Non-Current Liabilities	411	227	439	256	850	482
Total Liabilities	12 713	8 323	5 640	5 509	18 353	13 831
Net Assets	4 347	4 347	7 207	9 426	11 554	13 774

**Administered Statement of Comprehensive Income
for the period ended 12 December 2017**

	Notes	12 December 2017 \$'000	2017 \$'000
Income and expenses administered on behalf of the whole of Government			
Administered Income			
Appropriation revenue	19	233 063	1 394 055
User charges and fees		150	304
Total Administered Income		233 213	1 394 359
Administered Expenses			
Supplies and services	20	871	670
Grants and subsidies	21	230 721	1 385 153
Depreciation and amortisation		1 470	8 230
Other expenses and loss on disposal of non-current assets		1	2
Transfer of administered revenue to government		150	304
Total Administered Expenses		233 213	1 394 359
Operating Result for the Year		-	-
Other Comprehensive Income			
<i>Items that will not be reclassified to Operating Result</i>			
Decrease in asset revaluation surplus		-	(51 250)
Total items that will not be reclassified to Operating Result		-	(51 250)
Other comprehensive income		-	-
Total Other Comprehensive Income		-	(51 250)
Total Comprehensive Income		-	(51 250)

The accompanying notes form part of these financial statements

**Administered Statement of Financial Position
as at 12 December 2017**

	Notes	12 December 2017 \$'000	2017 \$'000
Assets and liabilities administered on behalf of the whole of Government			
Administered Assets			
Current Assets			
Cash and cash equivalents	22	65 310	86 227
Receivables	23	39 544	38 598
Prepayments		299	-
Total Current Assets		105 153	124 825
Non-Current Assets			
Property, plant and equipment	24	126 245	127 715
Total Non-Current Assets		126 245	127 715
Total Assets		231 398	252 540
Administered Liabilities			
Current Liabilities			
Payables	25	103 961	122 987
Payables to Government		1 179	1 826
Total Current Liabilities		105 141	124 813
Total Liabilities		105 141	124 813
Net Assets		126 257	127 727
Equity			
Contributed equity		(18 150)	(16 680)
Asset revaluation surplus		175 128	175 128
Accumulated surplus		(30 721)	(30 721)
Total Equity		126 257	127 727

**Administered Statement of Changes in Equity
for the period ended 12 December 2017**

	Contributed Equity	Accumulated Surplus	Asset Revaluation Reserve	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	(10 016)	(30 721)	226 379	185 642
Operating result from operations	-	-	-	-
<i>Other Comprehensive Income</i>				
Increase/(decrease) in asset surplus	-	-	(51 250)	(51 250)
<i>Transactions with Owners as Owners</i>				
Equity withdrawal	(8 230)	-	-	(8 230)
Equity injection	1 700	-	-	1 700
Net transfers out to other Queensland Government entities	(134)	-	-	(134)
Balance as at 30 June 2017	(16 680)	(30 721)	175 128	127 727
Balance as at 1 July 2017	(16 680)	(30 721)	175 128	127 727
Operating result from operations	-	-	-	-
<i>Transactions with Owners as Owners</i>				
Equity withdrawal	(1 470)	-	-	(1 470)
Balance as at 12 December 2017	(18 150)	(30 721)	175 128	126 257

The accompanying notes form part of these financial statements

**Administered Statement of Cash Flows
for the period ended 12 December 2017**

	Notes	12 December 2017 \$'000	2017 \$'000
Cash flows administered on behalf of the whole of Government			
Cash flows from operating activities			
<i>Inflows:</i>			
Administered appropriation receipts	19	232 806	1 445 611
User charges and fees		150	304
GST input tax credits received from ATO		21 556	65 103
Other		154	-
<i>Outflows:</i>			
Administered appropriation receipts returned to Queensland Treasury		-	(269)
Grants and subsidies		(4 816)	(776 982)
Community service obligation payments		(243 586)	(571 481)
Supplies and services		(2 514)	(650)
GST paid to suppliers		(24 666)	(64 803)
Other		(1)	(501)
Net cash provided by (used in) operating activities		(20 916)	96 332
Cash flow from financing activities			
<i>Inflows:</i>			
Equity injections		-	1 700
<i>Outflows:</i>			
Equity withdrawals		-	(8 230)
Net cash used in financing activities		-	(6 530)
Net increase (decrease) in cash and cash equivalents		(20 916)	89 802
Administered cash and cash equivalents at the beginning of financial year		86 227	(3 575)
Cash and cash equivalents at the end of financial year	22	65 310	86 227

The accompanying notes form part of these financial statements

**Administered Statement of Cash Flows
for the period ended 12 December 2017**

Reconciliation of Operating Result to Net Cash Provided by Operating Activities

	12 December 2017 \$'000	2017 \$'000
Operating Result for the Year	-	-
Depreciation and amortisation expense	1 470	8 230
<i>Change in administered assets and liabilities:</i>		
Decrease in receivables	1 688	50 525
(Increase)/decrease in GST input tax credits receivable	(3 110)	300
(Increase)/decrease in other current assets	(299)	-
Increase/(decrease) in payables	(19 025)	36 710
Increase/(decrease) in payables to Government	(1 641)	567
Net cash provided by (used in) operating activities	(20 916)	96 332

**Administered Statement of Comprehensive Income by Major Departmental Service
as at 12 December 2017**

	Energy		Water Supply		Total	
	12 Dec 2017	2017	12 Dec 2017	2017	12 Dec 2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income and expenses administered on behalf of the whole of Government						
Administered Income						
Appropriation revenue	225 724	1 373 192	7 339	20 863	233 063	1 394 055
User charges and fees	150	304	-	-	150	304
Total Administered Income	225 874	1 373 496	7 339	20 863	233 213	1 394 359
Administered Expenses						
Supplies and services	-	-	871	670	871	670
Grants and subsidies	225 724	1 373 192	4 996	11 961	230 721	1 385 153
Depreciation and amortisation	-	-	1 470	8 230	1 470	8 230
Other expenses and loss on disposal of non-current assets	-	-	1	2	1	2
Transfer of administered revenue to government	150	304	-	-	150	304
Total Administered Expenses	225 874	1 373 496	7 339	20 863	233 213	1 394 359
Operating Result for the Year	-	-	-	-	-	-
Other Comprehensive Income						
<i>Items that will not be reclassified to Operating Result</i>						
Decrease in asset revaluation surplus	-	-	-	(51 250)	-	(51 250)
Total items that will not be reclassified to Operating Result	-	-	-	(51 250)	-	(51 250)
Other comprehensive income	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	(51 250)	-	(51 250)

**Administered Statement of Assets and Liabilities by Major Departmental Service
as at 12 December 2017**

	Energy		Water Supply		Total	
	12 Dec 2017 \$'000	2017 \$'000	12 Dec 2017 \$'000	2017 \$'000	12 Dec 2017 \$'000	2017 \$'000
Asset and liabilities administered on behalf of the whole of Government						
Current Assets						
Cash and cash equivalents	61 975	81 734	3 335	4 493	65 310	86 227
Receivables	39 496	38 335	47	263	39 544	38 598
Prepayments			299		299	
Total Current Assets	101 471	120 069	3 681	4 756	105 153	124 825
Non-Current Assets						
Property, plant and equipment			126 245	127 715	126 245	127 715
Total Non-Current Assets			126 245	127 715	126 245	127 715
Total Assets	101 471	120 069	129 926	132 471	231 398	252 540
Current Liabilities						
Payables	101 274	119 798	2 687	3 189	103 961	122 987
Payables to Government	185	258	994	1 568	1 179	1 826
Total Liabilities	101 459	120 056	3 682	4 756	105 141	124 813
Administered Net Assets	12	12	126 245	127 715	126 257	127 727

Notes to the Financial Statements for the period ended 12 December 2017

General Information

The Department of Energy and Water Supply (the department) 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.

Following the Queensland state election, under Department Arrangements Notice (No. 3) 2017, the Department of Energy and Water Supply was abolished as at 12 December 2017 and the responsibilities transferred to the Department of Natural Resources, Mines and Energy.

The head office and principal place of business of the department is Level 34, 1 William Street Brisbane Qld 4000.

As a result of the machinery-of-Government change outlined below, the department is no longer considered a going concern. While it is not a going concern, these final financial statements have been prepared consistent with the going concern basis, as the transferred functions and services are expected to continue to operate as normal into the foreseeable future within the Department of Natural Resources, Mines and Energy.

The values of assets and liabilities reported in these financial statements represent their carrying amounts immediately prior to the machinery-of-Government change taking effect. These represent the values of the assets and liabilities transferred to and recognised by the recipient department.

Statement of Compliance

The department has prepared these financial statements in compliance with section 47 of the Financial and Performance Management Standard 2009. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for profit entities.

The department did not voluntarily change any of its accounting policies during the period to 12 December 2017.

The Reporting Entity

The consolidated financial statements include the income, expenses, assets, liabilities and equity of the 'economic entity' comprising the department and the entities it controls where these items are material. All transactions and balances internal to the economic entity have been eliminated in full.

Machinery-of-Government Changes

Details of Transfer: Department of Energy and Water Supply was abolished and transferred to the Department of Natural Resources, Mines and Energy.

Basis of Transfer: Public Service Departmental Arrangements Notice (No.3) dated 12/12/2017

Date of Transfer: Effective from 12 December 2017.

All assets and liabilities included in these statements as at 12 December 2017 were transferred as a result of this change.

**Notes to the Financial Statements
for the period ended 12 December 2017**

Controlled Entities

The following entities are directly controlled by the department and relate to local management arrangements (LMA) for irrigation channel schemes. The projects' objective is to facilitate the future implementation of local management arrangements for SunWater Limited's eight channel irrigation schemes:

For the period 1 July 2017 to 12 December 2017

Name of Controlled Entity	Purpose and Principal Activities of Entity	% Interest in Entity and Basis of Control	Total Assets \$'000	Total Liabilities \$'000	Total Expense \$'000	Operating Result \$'000
LMA Support Services Pty Ltd	Administration and support to the activities and objectives of the Local Management Arrangements transition and investigation schemes to facilitate the future implementation.	100% interest in ordinary share capital enabling control of majority voting rights	\$400	\$400	\$1,815	-
Mallawa Irrigation Ltd	Entities created for the transition schemes of Emerald, Eton, St George and Theodore where there is a strong commitment to the concept of local management and where government has determined that locally managed schemes can be financially viable. The entities have been created to represent the interests of customers, undertake further investigations and to negotiate terms of transfer with government. There are no financial transactions in the current financial year as the terms of transition are being negotiated	100% interest in membership interests including voting rights	-	-	-	-
Fairbairn Irrigation Network Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-
Eton Irrigation Scheme Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-
Theodore Water Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-

**Notes to the Financial Statements
for the period ended 12 December 2017**

For the period 1 July 2016 to 30 June 2017

Name of Controlled Entity	Purpose and Principal Activities of Entity	% Interest in Entity and Basis of Control	Total Assets \$'000	Total Liabilities \$'000	Total Expense \$'000	Operating Result \$'000
LMA Support Services Pty Ltd	Administration and support to the activities and objectives of the Local Management Arrangements transition and investigation schemes to facilitate the future implementation.	100% interest in ordinary share capital enabling control of majority voting rights	\$394	\$394	\$1,997	-
Mallawa Irrigation Ltd	Entities created for the transition schemes of Emerald, Eton, St George and Theodore where there is a strong commitment to the concept of local management and where government has determined that locally managed schemes can be financially viable. The entities have been created to represent the interests of customers, undertake further investigations and to negotiate terms of transfer with government. There are no financial transactions in the current financial year as the terms of transition are being negotiated	100% interest in membership interests including voting rights	-	-	-	-
Fairbairn Irrigation Network Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-
Eton Irrigation Scheme Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-
Theodore Water Pty Ltd		100% interest in ordinary share capital enabling control of majority voting rights	-	-	-	-

Controlled Entities Comprising the Economic Entity

The consolidated financial statements of the economic entity comprise the transactions and balances of the department and the directly controlled entities listed above.

The auditor for the department and all controlled entities is the Auditor-General of Queensland.

Disclosures about wholly-owned Controlled Entities

In September 2016, the department participated, with the approval of the Treasurer, in the formation of LMA Support Services Pty Ltd (the company) and controls 100% of the share capital and voting rights in the company. The company's registered office is in Brisbane, Queensland and is not-for-profit in nature, being formed to provide a procurement and co-ordination function to support the Local Management Arrangement (LMA) project. The LMA project is to facilitate the future implementation of local management arrangements for SunWater's eight channel irrigation schemes.

The company supports the irrigators and other irrigation scheme customers in the transfer of the Transition Schemes to local management arrangements and supports the Investigation Schemes in preparing revised business cases for transferring the Investigation Schemes to local management arrangements in the future. The company's constitution requires that the company receives and administers funding from the State to act as agent for, and to support the activities of, the Transition and Investigation Schemes.

The department is the sole contributor of resources to LMA Support Services Pty Ltd via grant funding. The company intends to complete their activities in 2018 and it is likely that the company will be wound up upon finalisation of these activities, this is subject to the Government's decision on whether any of the Investigation Schemes are also ready to commence the transition to local management arrangements, in which case LMA

Notes to the Financial Statements for the period ended 12 December 2017

Support Services Pty Ltd may be engaged to support that process. Four companies have also been established, with the approval of the Treasurer, for the Transition Schemes including Mallowa Irrigation Limited, Fairbairn Irrigation Network Pty Ltd, Eton Irrigation System Pty Ltd and Theodore Water Pty Ltd. These entities are 100% controlled by the department however, there are no financial transactions for the current financial period as funding is administered on their behalf by LMA Support Services Pty Ltd.

Presentation

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.

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.

Authorisation of Financial Statements for Issue

The statements are authorised for issue by the Acting Director-General and the Chief Finance Officer (as at the date of abolition of the former department) at the date of signing of the Management Certificate.

Basis of Measurement

Historical cost is used as the measurement basis in this financial report except for land, buildings, infrastructure, and heritage and cultural assets which are measured at fair value.

1. Objectives and Principal Activities of the Department

The Department of Energy and Water Supply 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 ensure 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 objective is to implement 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.

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

**Notes to the Financial Statements
for the period ended 12 December 2017**

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 department's 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). FBT and GST are the only taxes accounted for by the department. GST credits receivable from and GST payable to the ATO are recognised (refer to Note 10 and Note 21).

(c) Key Management Personnel (KMP) Disclosures

Details of Key Management Personnel

The department's responsible Minister is the Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department. Further information about these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Position Responsibility
Director-General	Overall efficient, effective and economic administration of the department.
Deputy Director-General, Energy	Strategic leadership and direction of the Energy functions and responsibilities of the department.
Deputy Director-General, Water Supply	Strategic leadership and direction of the Water Supply functions and responsibilities of the department.
Executive Director, Office of the Director-General	Strategic advice and analysis to the Director-General on departmental, financial, public administration and governance matters.
Deputy Director-General, Business and Corporate Partnership	Strategic leadership and direction of the department's corporate and business support functions of the agency.

No new roles were required following the abolition of the former department affecting these financial statements.

KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet.

As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other 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.

**Notes to the Financial Statements
for the period ended 12 December 2017**

Remuneration expenses for those key management personnel comprise 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 a KMP 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.

Remuneration Expenses

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

1 July 2017 to 12 December 2017

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 (to 24/11/2017)	150	8	3	21	-	182
Deputy Director-General, Energy (to 30/7/2017)	17	1	-	1	-	19
Deputy Director-General, Energy (Acting) 31/7/2017 to 27/10/2017	62	3	1	6	-	72
Deputy Director-General, Energy (Acting) 28/10/2017 to 12/12/2017	27	1	1	2	-	31
Deputy Director-General, Water Supply (to 30/7/2017)	19	1	-	2	-	22
Deputy Director-General, Water Supply (Acting) 31/7/2017 to 12/12/2017	95	4	2	10	-	111
Executive Director, Office of the Director-General	57	4	1	6	-	68
Deputy Director-General, Business and Corporate Partnership*	-	-	-	-	-	-

**Notes to the Financial Statements
for the period ended 12 December 2017**

1 July 2016 to 30 June 2017

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post - Employment Expenses	Termination Benefits	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Director-General	432	11	8	51	-	503
Deputy Director-General, Energy	242	11	5	25	-	282
Deputy Director-General, Water Supply	224	11	4	25	-	264
Executive Director, Office of the Director-General (from 14/02/2017)	70	4	1	6	-	82
Deputy Director-General, Business and Corporate Partnership*	-	-	-	-	-	-

* 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 will be disclosed in the financial statements of Department of Natural Resources, Mines and Energy (DNRME - former DNRM) for the year ending 30 June 2018.

(d) Related Party Transactions

Transactions with people/entities related to KMP

There were no relationships or transactions with individuals or entities related to the department's key management personnel impacting these financial statements.

Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding for its services are appropriation revenue and equity injections, both of which are provided in cash via Queensland Treasury.

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 free of charge from the following agencies:

- Department of Agriculture and Fisheries (Records Management)
- 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).

DEWS also receives Information and Communication Technology services on a fee for service basis from the Department of Agriculture and Fisheries.

Notes to the Financial Statements for the period ended 12 December 2017

(d) Property, Plant and Equipment and Depreciation Expense

Accounting Policy – Recognition and Acquisition

Basis of Capitalisation and Recognition Thresholds

Items of property, plant and equipment with a historical cost or other value equal to or exceeding the following thresholds in the year of acquisition are reported as Property, Plant and Equipment in the following classes:

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

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

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for the department. Subsequent expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of that asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

Acquisitions of Assets

Historical cost is used for the initial recording of all property, plant and equipment 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.

Accounting Policy – Measurement

Plant and equipment and Buildings are measured at historical cost in accordance with the Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. The carrying amounts for such assets are not materially different from their fair value.

Land, Infrastructure and 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.

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 Non Commercial Assets 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 Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are valued using the Current Replacement Cost (CRC) 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.

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. Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up to date via the application of relevant indices. The department ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The State Valuation Service (SVS) supplies

Notes to the Financial Statements for the period ended 12 December 2017

the indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to SVS. SVS provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by SVS based on the departments' own particular circumstances.

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.

Accounting Policy – Depreciation Expense

Land and heritage and cultural assets are not depreciated as they have an unlimited useful life.

Plant and equipment, buildings and infrastructure are depreciated on a straight-line basis so as to allocate the net cost 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 the department's depreciable assets, the estimated amount to be received on disposal at the end of their useful life (residual value) is determined to be zero.

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

Physical asset class	Rate %
Plant and equipment	10 – 33.3
Buildings	2 - 20
Infrastructure	2 – 5

Accounting Policy - Impairment

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 as the higher of the asset's fair value less costs of disposal and current replacement cost.

Accounting Policy - Fair Value Measurement

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 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's assets, internal records of recent construction costs (and/or estimates of such costs), 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. 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.

Notes to the Financial Statements for the period ended 12 December 2017

Details of individual assets measured under each category of fair value are set out in the tables at Notes 12 and 24.

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 or liabilities 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.

For the current financial period to 12 December 2017, the assets have been appraised as having no material fair value movements from 30 June 2017 as advised by internal engineers for infrastructure assets with reference to industry indices.

Basis for Fair Value of Assets

Heritage and Cultural Assets – Level 2

Effective Date of Last Specific Appraisal: 30 June 2015 by Artfully Valuers (specialist artwork asset valuers).

Valuation Approach: Current replacement cost (due to no active market for the asset)

Inputs: Fair value is determined by estimating the cost to reproduce the items with the features and materials of the original items, with substantial adjustments made to take into account the artworks characteristics.

Land – Level 2

Effective Date of Last Specific Appraisal: 31 May 2014 by State Valuation Service

Valuation Approach: Market-based assessment

Inputs: Publicly available data on sales of similar land in nearby localities in the six months prior to the date of the revaluation. Adjustments were made to the sales data to take into account the location, size, street/road frontage and access, and any significant restrictions for each individual land parcel.

Subsequent Valuation Activity: Updated annually applying indices provided by State Valuation Service and derived from observable market data for the respective areas.

Infrastructure – Level 3

Effective Date of Last Specific Appraisal: 1 June 2017 by GHD Australia Pty Ltd

Valuation Approach: Current replacement cost (due to no active market for such assets)

Inputs: The department's non-commercial water assets were revalued by an independent revaluation conducted by qualified valuers GHD Australia Pty Ltd on a current replacement cost basis (as there is no active market for such assets) using the Modern Engineering Equivalent Asset (MEERA) approach. 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.

**Notes to the Financial Statements
for the period ended 12 December 2017**

Categorisation of fair values recognised as at 12 December 2017

Administered Assets	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Land	422	-	422
Infrastructure	-	125 676	125 676

Categorisation of fair values recognised as at 30 June 2017

Administered Assets	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Land	422	-	422
Infrastructure	-	127 138	127 138

3. Appropriation Revenue

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

	12 December 2017	2017
	\$'000	\$'000
Budgeted appropriation revenue	39 904	57 167
Unforeseen expenditure	-	700
Total Appropriation Receipts (cash)	39 904	57 867
Plus: Opening balance of appropriation revenue payable	7 195	6 172
Less: Closing balance of appropriation revenue payable	(11 085)	(7 195)
Less: Opening balance of appropriation revenue receivable	(482)	-
Plus: Closing balance of appropriation revenue receivable	850	482
Net Appropriation Revenue	36 382	57 326
Plus: Deferred appropriation payable to Consolidated Fund (expense)	-	395
Appropriation Revenue recognised in Statement of Comprehensive Income	36 382	57 721

Appropriations provided under the *Appropriation Act 2017* 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

	12 December 2017	2017
	\$'000	\$'000
Industry contributions	5 077	5 291
Services received below fair value	-	40
Total	5 077	5 331

Grants and contributions

Grants, contributions and gifts are non-reciprocal in nature. Corresponding revenue is recognised in the year in which the department obtains control over them.

Services received below fair value

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.

**Notes to the Financial Statements
for the period ended 12 December 2017**

5. Employee Expenses

	12 December 2017	2017
	\$'000	\$'000
Employee Benefits		
Wages and salaries	10 053	20 590
Employer superannuation contributions	1 331	2 746
Annual leave levy/expense	1 084	2 108
Long service leave levy/expense	211	428
Termination benefits	-	247
Other employee benefits	22	31
Employee Related Expenses		
Workers' compensation premium	51	122
Fringe Benefits Tax (FBT)	26	56
Other employee related expenses	329	356
Total	13 108	26 684
Full-Time Equivalent Employees	228	225

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.

Sick Leave

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 and Long Service Leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, levies are payable by the department to cover the cost of employees' long service leave and annual leave (including leave loading and on costs). No provision for long service leave and annual leave is recognised in the department's financial statements. Instead, the provisions are reported on a whole of government basis under AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan - 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. The amount of contributions for defined benefit plan obligations is based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

**Notes to the Financial Statements
for the period ended 12 December 2017**

Workers' Compensation Premiums

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 is not counted in an employee's total remuneration package. It is not employee benefits and is recognised separately as employee related expenses.

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

6. Supplies and Services

	12 December 2017	2017
	\$'000	\$'000
Consultants and contractors	8 820	8 035
Advertising and promotional expenses	965	7 592
Operating lease rentals and associated costs	1 740	3 510
Computer expenses	1 025	2 094
Shared services and service delivery costs	321	909
Travel expenses	219	500
Board member fees	281	493
Telephone expenses	104	193
Recruitment costs	20	100
Other	316	583
Total	13 812	24 009

Distinction between Grants and Procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant.

Operating Lease Rentals

Operating leases include office accommodation and storage facilities which are recognised as expenses on a straight line basis over the term of the lease.

7. Grants and Subsidies

	12 December 2017	2017
	\$'000	\$'000
Contribution to Townsville City Council for the Community Water Transition Support Package ¹	10 000	-
Contribution to Australian Energy Market Commission (AEMC) ²	2 364	4 833
Contribution to National Water Infrastructure Development Fund (NWIDF) ³	2 219	3 078
Contribution to Queensland Water Regional Alliances Program (QWRAP) ⁴	269	600
Contribution to Council of Australian Governments (COAG) Energy Council ⁵	359	517
Other	984	1 126
Total	16 195	10 154

1. The Community Water Transition Support Package to carry out activities related to water security in Townsville, including community awareness and rebates.

**Notes to the Financial Statements
for the period ended 12 December 2017**

2. 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.
3. NWIDF is funded by the Australian Government to start the detailed planning necessary to build or augment existing water infrastructure, including dams, pipelines or managed aquifer recharge.
4. 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.
5. COAG Energy Council is a Ministerial forum for the Commonwealth, states and territories and New Zealand, to work together in the pursuit of national energy reforms.

8. Other Expenses

	12 December 2017	2017
	\$'000	\$'000
Deferred appropriation payable to Consolidated Fund	-	395
Legal fees	546	554
External audit fees	29	215
Insurance premiums – QGIF	23	49
Net losses from disposal of property, plant and equipment	-	29
Other	82	122
Total	679	1 364

Audit Fees - total audit fees quoted by the Queensland Audit Office relating to the 2017-18 financial statements are \$136,000 (2017: \$136,000). There are no non-audit services included in this amount.

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 (QGIF) with premiums being paid on a risk assessment basis.

9. Cash and Cash Equivalents

	12 December 2017	2017
	\$'000	\$'000
Cash at bank	26 785	25 839
Total	26 785	25 839

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked as at 12 December.

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

**Notes to the Financial Statements
for the period ended 12 December 2017**

10. Receivables

	12 December 2017	2017
	\$'000	\$'000
Trade debtors	1	71
Annual leave reimbursements	687	396
Appropriation revenue receivable	850	482
Other receivable	90	62
	1 628	1 011
GST receivable	474	340
GST payable	(3)	(2)
	471	338
Total	2 099	1 349

Receivables 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.

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

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

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

11. Prepayments

	12 December 2017	2017
	\$'000	\$'000
Grants	635	83
Workers compensation	62	-
Other prepayments	110	114
Total	807	198

**Notes to the Financial Statements
for the period ended 12 December 2017**

12. Property, Plant and Equipment

Closing Balances and Reconciliation of Carrying Amount

	Plant & Equipment	Heritage & Cultural Assets	Total
	12 December 2017	12 December 2017	12 December 2017
	\$'000	\$'000	\$'000
Gross	455	210	665
Less: Accumulated depreciation	(449)	-	(449)
Carrying amount at 12 December 2017	6	210	216

Represented by movement in carrying amount:

Carrying amount at 1 July 2017	9	210	219
Depreciation expense	(4)	-	(4)
Carrying amount at 12 December 2017	6	210	216

	Plant & Equipment	Heritage & Cultural Assets	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Gross	455	210	665
Less: Accumulated depreciation	(446)	-	(446)
Carrying amount at 30 June 2017	9	210	219

Represented by movement in carrying amount:

Carrying amount at 1 July 2016	68	210	278
Disposals	(29)	-	(29)
Depreciation expense	(29)	-	(29)
Carrying amount at 30 June 2017	9	210	219

13. Payables

	12 December 2017	2017
	\$'000	\$'000
Accounts payable	4 870	4 118
Grants and subsidies payable	359	679
Other payables	20	19
Total	5 250	4 816

Payables 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.

**Notes to the Financial Statements
for the period ended 12 December 2017**

14. Accrued Employee Benefits

	12 December 2017	2017
	\$'000	\$'000
Salaries and wages outstanding	210	597
Annual leave levy payable	535	564
Long service leave levy payable	108	121
Other	9	4
Total	861	1 286

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.

15. Other Current Liabilities

	12 December 2017	2017
	\$'000	\$'000
Deferred appropriation payable to Consolidated Fund	11 085	7 195
Unearned revenue	307	52
Total	11 392	7 247

16. Commitments for Expenditure

Commitments under operating leases at the reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	12 December 2017	2017
	\$'000	\$'000
Building accommodation and other leases	52 777	54 595
	52 777	54 595
Not later than 1 year *	2 229	4 047
Later than 1 year but not later than 5 years	15 584	15 584
Later than 5 years	34 964	34 964
Total	52 777	54 595

* Commitment relates to rent for the period 13 December 2017 until 30 June 2018.

Operating leases are entered into as a means of acquiring access to office accommodation. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

The department does not have any capital commitments.

**Notes to the Financial Statements
for the period ended 12 December 2017**

17. Subsequent events

As a result of the machinery of government change all assets and liabilities have been transferred to the Department of Natural Resources, Mines and Energy subsequent to balance date.

18. Budget to Actual Comparison

This section discloses the department's original published budgeted figures for 2017-18 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.

On 12 December 2017, the department's responsibilities were transferred to the Department of Natural Resources, Mines and Energy following abolition of the Department of Energy and Water Supply as outlined in General Information – Machinery of Government Changes.

The actual period is not the complete financial year however the original budget figures have been used in this comparison.

Statement of Comprehensive Income

	Variance Notes	Original Budget 2017-18 \$'000	Actual Result 12 December 2017 \$'000	Variance \$'000
Income from Operations				
Appropriation revenue	1	83 846	36 382	(47 464)
Grants and other contributions	2	5 308	5 077	(231)
Other revenue	3	139	118	(21)
Total Income from Operations		89 293	41 577	(47 716)
Expense from Operations				
Employee expenses	1	28 494	13 108	(15 386)
Supplies and services	1	25 846	13 812	(12 034)
Grants and subsidies	1	33 803	16 195	(17 608)
Other expenses	1	1 142	679	(463)
Depreciation and amortisation	1	8	4	(4)
Total Expenses from Operations		89 293	43 796	(45 496)
Operating Result for the Year		-	(2 219)	(2 219)

**Notes to the Financial Statements
for the period ended 12 December 2017**

Statement of Financial Position

	Variance Notes	Original Budget 2017-18 \$'000	Actual Result 12 December 2017 \$'000	Variance \$'000
Current Assets				
Cash and cash equivalents	1	14 577	26 785	12 208
Receivables	1	908	2 099	1 191
Prepayments	1	-	807	807
Total Current Assets		15 485	29 691	14 206
Non-Current Assets				
Property, plant and equipment		215	216	1
Total Non-Current Assets		215	216	1
Total Assets		15 700	29 907	14 207
Current Liabilities				
Payables	1	286	5 250	4 964
Accrued employee benefits	1	1 066	861	(205)
Other current liabilities	4	-	11 392	11 392
Total Current Liabilities		1 352	17 503	16 151
Non-Current Liabilities				
Provision for lease liability	5	-	850	850
Total Non-Current Liabilities		-	850	850
Total Liabilities		1 352	18 353	17 001
Net Assets/Total Equity		14 348	11 554	(2 794)

**Notes to the Financial Statements
for the period ended 12 December 2017**

Statement of Cash Flows

	Variance Notes	Original Budget 2017-18 \$'000	Actual Result 12 December 2017 \$'000	Variance \$'000
Cash flows from Operating Activities				
Service Appropriation receipts	1	83 846	39 904	(43 942)
Grants and other contributions	2	5 308	5 077	(231)
GST input tax credits received from ATO		1 042	2 649	1 607
GST collected from customers		-	21	21
Other	3	139	66	(73)
Employee expenses	1	(28 494)	(13 533)	14 961
Supplies and services	1	(25 846)	(12 691)	13 155
Grants and subsidies	1	(33 803)	(17 067)	16 736
GST paid to suppliers		(1 042)	(2 783)	(1 741)
GST remitted to ATO		-	(22)	(22)
Other expenses	1	(1 142)	(676)	466
Net cash provided by operating activities		8	946	938
Net increase in cash and cash equivalents		8	946	938
Cash and cash equivalents at beginning of financial year		14 569	25 839	11 270
Cash and cash equivalents at end of financial year		14 577	26 785	12 208

Explanations of Major Variances

1. The variance is due to the abolition of the department as at 12 December 2017. Remaining budget will be transferred to the Department of Natural Resources, Mines and Energy.
2. Revenue for Australian Energy Market Commission (AEMC) grants are recognised when received resulting in the full year amount rather than pro rata for the year to 12 December.
3. Actual revenue is higher due to unbudgeted revenue for disaster activities associated with Cyclone Debbie.
4. The variance represents unearned appropriation revenue payable to Queensland Treasury.
5. The variance is due to the recognition of a non-current lease payable in relation to the accommodation lease at 1 William Street.

**Notes to the Financial Statements
for the period ended 12 December 2017**

19. Administered Appropriation Revenue

Reconciliation of Payments from Consolidated Fund to Appropriation Income

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Budgeted appropriation revenue	232 806	592 534
Unforeseen expenditure	-	853 077
Total Administered Appropriation receipts (cash)	232 806	1 445 611
Less: Opening balance of appropriation revenue receivable	(33 224)	(84 248)
Plus: Closing balance of appropriation revenue receivable	31 691	33 224
Plus: Opening balance of appropriation revenue payable	1 791	1 259
Less: Closing balance of appropriation revenue payable	-	(1 791)
Net Appropriation Revenue	233 063	1 394 055
Plus: Deferred appropriation payable to Consolidated fund	-	-
Appropriation revenue recognised in Statement of Comprehensive Income	233 063	1 394 055

20. Administered Supplies and Services

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Infrastructure maintenance	867	594
Consultants and contractors	-	73
Other	4	3
Total	871	670

**Notes to the Financial Statements
for the period ended 12 December 2017**

21. Administered Grants and Subsidies

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Grants – Drought Relief from Electricity Charges Rebate	6 263	5 981
Community service obligations and grants for Energy	219 461	1 367 211
Community service obligations – Water	4 997	11 961
Total	230 721	1 385 153
Community service obligations (CSO) and Grants for Energy consist of:		
Energy Queensland – Solar Bonus Scheme Compensation	-	771 000
Ergon Energy – CSO Uniform Tariff Policy	218 398	595 080
Ergon Energy – Drought Relief	6 261	5 981
Origin Energy – CSO Uniform Tariff Policy	1 063	1 130
Drought Relief – Non-Ergon Customers	2	1
Total Energy	225 724	1 373 192
Community service obligations (CSO) for Water Supply consist of:		
SunWater – CSO Rural Irrigation Water Price Subsidy	1 419	3 716
SunWater – CSO Cloncurry Pipeline Water Price Subsidy	2 624	5 870
SeqWater – CSO Rural Irrigation Water Price Subsidy	953	2 375
Total Water Supply	4 996	11 961

22. Administered Cash and Cash Equivalents

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Cash at bank	65 310	86 227
Total	65 310	86 227

**Notes to the Financial Statements
for the period ended 12 December 2017**

23. Administered Receivables

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Trade debtors	3	-
Appropriation receivable	31 691	33 224
Equity adjustment receivable	-	476
Regulatory fees receivable	137	294
GST input tax credits receivable	7 714	4 604
Total	39 544	38 598

Notes to the Financial Statements
for the period ended 12 December 2017

24. Administered Property, Plant and Equipment – Closing Balances and Reconciliation of Carrying Amount

Administered on behalf of the whole of Government	Land	Buildings	Plant & Equipment	Infrastructure	Total
Property, Plant and Equipment					
	12 Dec 2017	12 Dec 2017	12 Dec 2017	12 Dec 2017	12 Dec 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	422	98	117	257 183	257 820
Less: Accumulated depreciation	-	(33)	(35)	(131 507)	(131 575)
Carrying amount at 12 December 2017	422	65	82	125 676	126 245
<i>Represented by movements in carrying amount:</i>					
Carrying amount at 1 July 2017	422	67	88	127 138	127 715
Depreciation expense	-	(2)	(6)	(1 462)	(1 470)
Carrying amount at 12 December 2017	422	65	82	125 676	126 245
	Land	Buildings	Plant & Equipment	Infrastructure	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	422	98	117	257 183	257 820
Less: Accumulated depreciation	-	(31)	(29)	(130 045)	(130 105)
Carrying amount at 30 June 2017	422	67	88	127 138	127 715
<i>Represented by movements in carrying amount:</i>					
Carrying amount at 1 July 2016	523	70	100	186 636	187 329
Net revaluation increments/(decrements) in asset revaluation surplus	33	-	-	(51 283)	(51 250)
Disposals	(134)	-	-	-	(134)
Depreciation expense	-	(3)	(12)	(8 214)	(8 230)
Carrying amount at 30 June 2017	422	67	88	127 138	127 715

**Notes to the Financial Statements
for the period ended 12 December 2017**

25. Administered Payables

	12 December 2017 \$'000	2017 \$'000
Administered on behalf of the whole of Government		
Grants payable	1 746	-
Community service obligations payable	101 621	120 750
	103 367	120 750
Trade creditors	594	2 237
Total	103 961	122 987

26. Administered Activities – Budget to Actual Comparison

	Variance Notes	Original Budget 2017-18 \$'000	Actual Result to 12 Dec 2017 \$'000	Variance \$'000
INCOME AND EXPENSES				
Administered Income				
Appropriation revenue	1	516 880	233 063	(283 817)
User charges and fees	1	279	150	(129)
Total Administered Income		517 159	233 213	(283 945)
Administered Expenses				
Supplies and services	2	5 763	871	(4 892)
Grants and subsidies	1	502 411	230 721	(271 690)
Depreciation and amortisation	3	8 706	1 470	(7 236)
Other expenses		-	1	1
Transfers of Administered Income to Government	1	279	150	(129)
Total Administered Expenses		517 159	233 213	(283 945)
Operating Result for the Year		-	-	-

**Notes to the Financial Statements
for the period ended 12 December 2017**

	Variance Notes	Original	Budget 2017-18	Actual Result to 12 Dec 2017	Variance
			\$'000	\$'000	\$'000
ASSETS AND LIABILITIES					
Administered Assets					
<i>Current</i>					
Cash and cash equivalents	1		49 764	65 310	15 546
Receivables	1		57 142	39 544	(17 598)
Prepayments			–	299	299
Total Current Assets			106 906	105 153	(1 753)
<i>Non-Current</i>					
Property, plant and equipment	4		189 763	126 245	(63 518)
Total Non-Current Assets			189 763	126 245	(63 518)
Total Assets			296 669	231 398	(65 271)
Administered Liabilities					
<i>Current</i>					
Payables			108 481	103 961	(4 520)
Payables to Government			–	1 179	1 179
Total Current Liabilities			108 481	105 141	(3 340)
Net Administered Assets			188 188	126 257	(61 931)

Notes Explaining Major Variances for Administered Activities

1. The variance is due to the abolition of the department as at 12 December 2017. Remaining budget will be transferred to the Department of Natural Resources, Mines and Energy.
2. Actual expense to 12 December 2017 is lower than original budget due to project delays for repairs and maintenance on water infrastructure assets.
3. The variance relates to non-commercial assets revaluation at June 2017 resulting in lower depreciation expenses.
4. The variance relates to the restatement of net book value of non-commercial assets as a result of GHD valuation.

Management Certificate

Department of Energy and Water Supply and Controlled Entities

For the year ended 12 December 2017

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 financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the abolished Department of Energy and Water Supply for the final period ended 12 December 2017 and of the financial position of the department at 12 December 2017; 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, GAICD
Former Chief Finance Officer
16 April 2018



Benn Barr
Former A/Director-General
16 April 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the final financial report

Opinion

I have audited the accompanying final financial report of the former Department of Energy and Water Supply and its controlled entities (the group).

In my opinion, the final financial report:

- a) gives a true and fair view of the former department's financial position as at 12 December 2017, and its financial performance and cash flows for the final period then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The final financial report comprises the statement of financial position and statement of assets and liabilities by major departmental service as at 12 December 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comprehensive income by major departmental service for the final period then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the former department in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the final financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the Auditor-General of Queensland Auditing Standards.

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

Emphasis of Matter — Abolition of the Department of Energy and Water Supply

I draw attention to the General Information section of the final financial report, which discloses that the former department was abolished on 12 December 2017 under Public Service Departmental Arrangements Notice (No 3) 2017. Ongoing responsibility for functions of the department, and its assets and liabilities, was transferred to the Department of Natural Resources and Mines and Energy. As a result, the former department transferred its assets and liabilities at their carrying values on the abolition date, and the final financial report was prepared on a basis consistent with the going concern basis. My opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the final financial report of the current period. I addressed these matters in the context of my audit of the final financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of administered property, plant and equipment (Infrastructure)

Refer to note 24 of the financial statements

Key audit matter	How my audit addressed the key audit matter
<p>The Department of Energy and Water's non-commercial water infrastructure assets (\$125 676 000) are measured at fair value based on current replacement cost using a combination of the Modern Engineering Equivalent Replacement Asset (MEERA) value and the age and condition of the assets.</p> <p>Management derived the current replacement cost of infrastructure assets using unit prices and quantities that required significant judgements in respect of:</p> <ul style="list-style-type: none"> ▪ identifying the components of the non-commercial water infrastructure assets with separately identifiable replacement costs ▪ identifying the quantities of materials required to replace non-commercial water infrastructure assets developing a unit rate for each of these components, including: <ul style="list-style-type: none"> ▪ in the prior year, estimating the current cost for a modern substitute (including on-costs), expressed as a rate per unit <ul style="list-style-type: none"> - in the current period, assessing changes in replacement costs since the prior year - identifying whether the existing non-commercial water infrastructure assets contain obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. - the measurement of accumulated depreciation as it involved - significant judgements for - forecasting the remaining useful lives of assets. 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ▪ In the prior year: <ul style="list-style-type: none"> - obtaining an understanding of the methodology used, and assessing its appropriateness with reference to common industry practices - assessing the competence, capability and objectivity of the experts used by the department - on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate and quantity of the MEERA value (including oncosts) and adjustment for excess quality or obsolescence. ▪ In the current period: <ul style="list-style-type: none"> - assessing management's processes and internal controls over water infrastructure assets, policies on reviewing useful lives and depreciation methodology - obtaining an understanding of the water infrastructure assets valuation methodology and challenging its current appropriateness - assessing the adequacy of management's review of the independent valuation process - assessing management's evaluation of the appropriateness of unit rates using indices as determined by the department's qualified personnel and the current condition of the assets - evaluating the reasonableness of management's assessment that the movement in unit cost rates from 30 June 2017 to 12 December 2017 was not material ▪ Assessing the reasonableness of infrastructure assets useful lives by: <ul style="list-style-type: none"> - reviewing management's assessment of useful lives including considering whether the department's infrastructure asset plans are consistent with useful lives assigned to infrastructure assets.

Responsibilities of the former Accountable Officer for the final financial report

The former Accountable Officer is responsible for the preparation of the final financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Accountable Officer determined was necessary to enable the preparation of the final financial report that is free from material misstatement, whether due to fraud or error.

The former Accountable Officer was also responsible for assessing the former department's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting.

Auditor's responsibilities for the audit of the final financial report

My objectives are to obtain reasonable assurance about whether the final financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this final financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the final financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the former department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the former department.
- Conclude on the appropriateness of the former department's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the former department's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the final financial report or, if such disclosures are inadequate, to modify my opinion.
- Evaluate the overall presentation, structure and content of the final financial report, including the disclosures, and whether the final financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the former department to express an opinion on the final financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicated with the former Accountable Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the former Accountable Officer, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the final period ended 12 December 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Vaughan Stemmett
as delegate of the Auditor-General



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

Land Act 1994

To the extent it is relevant to the Pentland Biofuels Project of Renewable Developments Australia Pty Ltd in the plan area of the Water Resource (Burdekin Basin) Plan 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 1A, Chapter 2A, Chapter 4 (to the extent that it is relevant to category 1 water authorities), Chapter 9, Part 2 and, to the extent relevant to all these parts, Chapters 5, 6 and 7

Chapter 8, s. 999 and Part 4A (jointly administered by the Minister for State Development and Minister for Natural Resources and Mines)

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

To the extent that it is relevant to the Water Resource (Burdekin Basin) Plan 2007

Water Efficiency Labelling and Standards (Queensland) Act 2005

Water Supply (Safety and Reliability) Act 2008

Appendix 2: Government-owned corporations

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
Energy Queensland Limited (including subsidiary companies such as Energex Limited, Ergon Energy Corporation Limited, and Ergon Energy Queensland Pty Ltd)	<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

Performance measures

Department of Energy and Water Supply	Notes	2017–18 target/estimate	Actual ¹
Service area: Energy			
Service: Energy strategy			
Service standards			
<i>Effectiveness measure</i>			
Overall stakeholder satisfaction with Queensland's engagement on national and state energy policy issues	2	80%	Not available
Service standards			
<i>Efficiency measure</i>			
Average cost of support and assistance provided per vulnerable household to manage energy use		<\$1	<\$1
Service: Energy regulation			
Service standards			
<i>Effectiveness measure</i>			
Level of compliance with energy regulatory requirements by electricity generation, transmission and distribution entities and special approval holders and gas distribution entities:			
- compliance monitoring of electricity and gas licence holders (including annual reporting and fees)	3	90%	95%
- complete applications for electricity and gas authorities assessed within four months of receipt of all information and withstand scrutiny under judicial review	4	90%	100%
- community infrastructure designation requests processed within four months of receipt of all information to the relevant minister and withstand scrutiny under judicial review	5	90%	Not available
Service standards			
<i>Efficiency measure</i>			
Cost per Biofuels exemption application assessed	6	<\$4,680	<\$4,680
Service area: Water Supply			
Service: Water supply strategy			
Service standards			
<i>Effectiveness measure</i>			
Overall stakeholder satisfaction with Queensland's engagement on water supply policy issues	2	80%	Not available
<i>Efficiency measure</i>			
Cost per non-commercial asset to ensure the safe management of State-owned assets each year			
- average cost per non-referable water asset in the non-commercial asset portfolio	7	\$12,500	\$3,568
- average cost per referable dam in the non-commercial asset portfolio	8	\$299,500	\$60,649

Department of Energy and Water Supply	Notes	2017–18 target/ estimate	Actual ¹
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Service: Water supply regulation

Service standards

Effectiveness measure

Percentage of the state's drinking water services that have appropriate drinking water quality monitoring and response frameworks in place

9 100% 99%

Service standards

Efficiency measures

Average cost to approve amendments to drinking water quality management plans

10 <\$1,440 \$1,496

Average cost per participant of support provided to implement and deliver workshops and visits

11 <\$400 \$261

Variance reporting:

1. Results are as at 12 December 2017.
2. The annual survey of key stakeholders regarding engagement by the department on Queensland's energy and water supply policy issues (at both state and national levels) was discontinued in 2017, therefore no data is available.
3. This measure has been discontinued as it does not demonstrate that energy regulatory requirements are being complied with, only on the activities undertaken by the department.
4. The measure was also discontinued.
5. No applications for Community Infrastructure Designation were received in 2017, and more recently the role has transitioned to another portfolio, therefore this measure has been discontinued.
6. This measure captures the cost efficiency of the department in supporting exemption application decisions by supporting eligible applicants, through tasks including arranging the pre-lodgement meeting (noting this stage is optional for applicants), registering and tracking application documentation, information assessments, preparation of draft and final decision documentation, liaison with legal services and correspondence with the applicant. The department will continuously improve its assessment practices and education of regulated businesses.
7. This measure attempts to capture the direct cost of safely managing each dam, weir and structure within the non-commercial assets portfolio against the cost of operational staff based in Rockhampton. This measure sought to demonstrate the department meeting industry best practice standards in managing the asset portfolio consisting of 21 structures and associated land, plant and equipment across Queensland.
8. Referable dams are those that have a population at risk of two or more persons, in the event of possible dam failure.
9. Over the reporting period there was a high level of compliance with the drinking water regulatory framework by most providers, however a small number of providers did not provide annual reports by the reporting deadline. All providers had approved Drinking Water Quality Management Plans.
10. The department considers major amendments to DWQMPs by providers against the criteria set in the *Water Supply (Safety and Reliability) Act 2008* and the DWQMP Guideline, and approves compliant DWQMPs to ensure the ongoing safety of drinking water supplied to communities. The department's assessment process was adjusted to improve efficiency during the final period but it is uncertain whether these efficiencies have been achieved due to the short implementation timeframe with respect to the reporting period.
11. This was a new measure and data collected only for the last quarter of the year with only one visit and one workshop conducted.

Discontinued measures

Service standard	Notes	2017–18 target/ estimate
Service area: Energy		
Overall stakeholder satisfaction with Queensland’s engagement on national and state energy policy issues	1	80%
Service area: Water Supply		
Overall stakeholder satisfaction with Queensland’s engagement on national and state energy policy issues	1	80%

Note:

1. The previous 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 was discontinued during 2017.

Appendix 4: Compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer	ARRs—section 7	3
Accessibility	Table of contents	ARRs—section 9.1	2
	Glossary		72
	Public availability	ARRs—section 9.2	1
	Interpreter service statement	<i>Queensland language services policy</i>	1
	Copyright notice	ARRs—section 9.3 <i>Copyright Act 1968</i>	1
	Information licensing	ARRs—section 9.4 <i>Queensland Government enterprise architecture—information licensing</i>	1
General information	Introductory information	ARRs—section 10.1	4
	Agency role and main functions	ARRs—section 10.2	4
Non-financial performance	Operating environment	ARRs—section 10.3	5
	Government's objectives for the community	ARRs—section 11.1	6
	Other whole-of-government plans/specific initiatives	ARRs—section 11.2	6–7
	Agency objectives	ARRs—section 11.3	8–9
	Performance indicators		
	Agency service areas and service standards	ARRs—section 11.4	10
Financial performance	Financial performance	ARRs—section 12.1	19–59
Governance—management and structure	Organisational structure	ARRs—section 13.1	11
	Executive management	ARRs—section 13.2	12–13
	Government bodies (statutory bodies and other entities)	ARRs—section 13.3	7
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i>	14
Governance—risk management and accountability		ARRs—section 13.4	
	Risk management	ARRs—section 14.1	14
	Audit and risk committee	ARRs—section 14.2	15
	Internal audit	ARRs—section 14.3	15
	External scrutiny	ARRs—section 14.4	16
	Information systems and recordkeeping	ARRs—section 14.5	16
	Workforce planning and performance	ARRs—section 15.1	16–18

Summary of requirement		Basis for requirement	Annual report reference
Governance— human resources	Early retirement, redundancy and retrenchment	<i>Directive no.11/12: early retirement, redundancy and retrenchment</i>	16
		<i>Directive no.16/16: early retirement, redundancy and retrenchment (from 20 May 2016)</i>	
Open data	Statement advising publication of information	ARRs—section 15.2 ARRs—section 16	7
		ARRs—section 33.1 ARRs—section 33.2 ARRs—section 33.3	
Financial statements	Certification of financial statements	FAA—section 62 FPMS—sections 42, 43 and 50	60
	Independent auditors report	ARRs—section 17.1 FAA—section 62 FPMS—section 50 ARRs—section 17.2	61–64

Notes:

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual report requirements for Queensland Government agencies*

Abbreviations and glossary

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>
DEWS	Department of Energy and Water Supply
DWQMP	drinking water quality management plan
E10	a blend of fuel up to 10% ethanol and 90% unleaded petrol
EMT	Executive Management Team
FAA	<i>Financial Accountability Act 2009</i>
FPMS	Financial and Performance Management Standard 2009
IAS	Internal Audit Service
ICT	information and communications technology
LGBTIQ+	lesbian, gay, bisexual, transgender, intersex and queer
MOHRI	Minimum Obligatory Human Resource Information
NWIDF	National Water Infrastructure Development Fund
PV	photovoltaic system
QAO	Queensland Audit Office
QBWOS	Queensland Bulk Water Opportunities Statement
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

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Feedback

We value your feedback on the annual report. Feedback can be provided at www.qld.gov.au/annualreportfeedback.

Website

www.dnrme.qld.gov.au

