

2018-19 Annual Report

Financial Provisioning Scheme



**Queensland
Government**

Purpose of this report

This is the first annual report for Queensland's Financial Provisioning Scheme, which commenced operations on 1 April 2019.

The report forms part of the Financial Provisioning Scheme's corporate governance framework, and fulfils the Scheme Manager's obligation under section 72 of the *Mineral and Energy Resources (Financial Provisioning) Act 2018* (the Act) to provide the Minister (Treasurer) with an annual report on the administration of the Act and the Financial Provisioning Scheme within three months of the end of financial year.

This report will focus on introducing the Financial Provisioning Scheme and demonstrating how accountability will be met going forward. As the Financial Provisioning Scheme only commenced in the last quarter of the financial year, no risk allocation decisions under the Act will be finalised until 2019-20 and some provisions under the Act are still being implemented.

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1. Acting Scheme Manager's Foreword

The introduction of the Financial Provisioning Scheme represents the most significant upgrade to Queensland's multi-billion dollar financial assurance framework in nearly 20 years.

Commencing on 1 April 2019 following passage of the *Mineral and Energy Resources (Financial Provisioning) Act 2018*, the Financial Provisioning Scheme is a unique risk-based approach which improves the State's management of financial risk if mining and energy resource projects fail to comply with their environmental management and rehabilitation obligations.

In replacing Queensland's prior financial assurance arrangements, the Financial Provisioning Scheme introduces many new concepts to financial assurance management. It includes:

- a risk category allocation process supported by expert risk advisors
- a pooled fund which will grow as the Queensland minerals and resources sector grows
- an advisory committee to provide an ongoing voice for stakeholders
- expanded forms of surety creating a broader market of financial instrument providers
- strong financial management with administrative support provided by Queensland Treasury
- an integrated cross agency IT system
- a source of additional funding for existing abandoned mines and rehabilitation research

In 2018-19, the Financial Provisioning Scheme's first three months of operation focused on preparing for and delivering data migration and the transfer of existing surety from the Department of Environment and Science and the Department of Natural Resources, Mines and Energy. This ensured the successful processing of environmental authority activities such as ownership transfers and surrenders, and the issuing of the first transition notices.

As at 30 June 2019, no risk category allocations have been completed and no payments have been made to the Financial Provisioning Fund. Consequently, the information in this annual report focuses on the surety held in the period.

Next financial year, the first risk category allocation decisions will have been completed and the first payments to the Financial Provisioning Fund will be made.

With a three-year transition process, it will take time for the Financial Provisioning Scheme to mature and the full benefits to be achieved. This report outlines the substantial progress being made and operations are developing on schedule.

The Financial Provisioning Scheme has been made possible through the joint commitment of stakeholders and the Queensland Government to reduce the risk to the State while achieving an appropriate balance between a viable resources sector, supporting local communities and protecting the environment. The involvement of stakeholders will continue through the Financial Provisioning Scheme Advisory Committee, with appointments expected to be made by the Treasurer in 2019-20.

Kirsten Vagne
Acting Scheme Manager

2. Acting Scheme Manager's overview

Background

In April 2017, the Queensland Government released the *Review of Queensland's Financial Assurance Framework* which highlighted the disadvantages of the system at that time and put forward key initiatives to reduce the State financial assurance (FA) risk.

The disadvantages of the system were that:

- The FA held was less than the cost to rehabilitate a site as discounts on the FA value were provided to some operators, rehabilitation costs were underestimated and some operators delayed undertaking the process to update their FA.
- Discounts to the FA value were not achieving their purpose of incentivising progressive rehabilitation.
- The State had no alternative source for funding the shortfall.
- Small to mid-sized operators had a high balance sheet and expenditure cost to provide bank guarantees.

The Review proposed initiatives to clarify and improve existing policy, address legislative gaps and achieve better rehabilitation outcomes. In addition, it proposed that the Government adopt a tailored solution to replace the existing financial assurance requirements under the *Environmental Protection Act 1994* (EP Act).

In November 2018, the first major milestone was met with passage of the *Mineral and Energy Resources (Financial Provisioning) Act 2018* (the Act) to deliver on the tailored solution and replace the financial assurance requirements for resource activities under the EP Act. The Act established the Scheme Manager to manage the Financial Provisioning Scheme. The Act also amended the EP Act to require progressive rehabilitation and closure plans for mines.

The Act commenced on 1 April 2019, as did the Financial Provisioning Scheme. The EP Act provisions relating to rehabilitation reforms will commence later in 2019.

The Act also provides for the implementation of a new estimated rehabilitation cost (ERC) calculation process.

The new ERC process is integral to successful implementation of the Financial Provisioning Scheme, as the ERC value will form the basis for the calculation of any contribution to the Financial Provisioning Scheme's Financial Provisioning Fund or value of surety that is provided under the Act.

Other complementary reforms are being progressed including the establishment of a mine Rehabilitation Commissioner, a system for the management of residual risks at surrender, improvement in the management and rehabilitation of abandoned mines, enhancing processes for when a mining company is transferred to new ownership and management of mines that are in care and maintenance. Progress on these complementary reforms will continue throughout 2019 with implementation planned for 2020.

Expected financial assurance reforms outcomes

By 2021-22, the reforms are expected to be implemented, transitions to new regulations and systems completed or near completed and the Financial Provisioning Fund mature enough to assess its viability for providing grants to abandoned mines and rehabilitation research.

When the reforms are implemented, expected benefits include:

- The resource sector will have greater certainty and efficiency of processes between DES, DNRME and the Financial Provisioning Scheme for management of environmental authority and tenure approval processes.
- The Queensland Government will have more certainty that it can meet financial risks from the failure of a holder to meet their rehabilitation obligations.
- Communities will benefit from more certainty around the impacts and progress of mine rehabilitation in their localities.

- The resource sector will benefit from access to research focused on improving rehabilitation outcomes.
- Communities will benefit from increased funding for historical abandoned mines projects, managing these sites to be safe, secure, durable and where possible, productive.
- Communities will benefit from certainty that residual risks will be managed once a resource project has been rehabilitated and the environmental authority surrendered.
- Freeing up of capital for holders (to increase their rehabilitation investment) where they now provide a contribution to the Financial Provisioning Fund or provide insurance bonds.

Environmental activities overview

The Department of Environment and Science (DES) is responsible for determining the estimated rehabilitation cost (ERC), which will be used by the Scheme Manager to calculate the amount of contribution or surety under the new Financial Provisioning Scheme.

DES has released a new guideline to assist in determining the ERC. Two new ERC calculators, one for petroleum activities and one for mining activities were also developed. DES also conducted industry training to ensure correct implementation of the new requirements.

Both the ERC guideline and ERC calculators have been in effect since the commencement of the Financial Provisioning Scheme on 1 April 2019, and are available with user guides on the Business Queensland website.

New requirements for large mining companies to develop Progressive Rehabilitation Closure Plans are also due for commencement by 1 November 2019. This requirement will ensure existing and new mines prepare a schedule with time-based milestones for progressive rehabilitation of mined areas to deliver post-mining land uses.

In addition, as part of the residual risk reforms, DES is developing a new calculator for resource companies that are preparing surrender applications for their environmental authorities at the end of a resource activity. This tool will allow inputting of data on rehabilitated infrastructure and site features that will remain after the end of resource activity extraction and calculate the residual risk cost for the ongoing monitoring and maintenance costs and managing credible risk events. An expert-panel option is also likely to be available to calculate residual risk in situations where the calculator is not appropriate.

The Government is also working to develop a rehabilitation commissioner-type role which will support the financial assurance reforms, ensuring the rehabilitation standards in Queensland meet world-wide best practice and community expectations.

3. Financial Provisioning Scheme operations

Mineral and Energy Resources (Financial Provisioning) Act 2019

The Act provides:

- authority for the Scheme Manager to:
 - allocate authorities to a risk category
 - review the risk category allocation annually
 - manage the Financial Provisioning Scheme
 - set investment objectives for the Financial Provisioning Fund and strategies to achieve the objectives
 - invest cash surety
- a means for managing the State's financial risk in the event a holder fails to meet their obligations under the EP Act or tenure
- the framework for funds to be accumulated:
 - to meet State costs and expenditure from preventing or minimising environmental harm, rehabilitating or restoring the environment or securing compliance with a resource sector environmental authority or small scale mining tenure

- to remediate land on which an abandoned mine exists or abandoned operating plant
- for research that contributes to the rehabilitation of land on which a resource activity has been carried out.

While the Act will manage the State's financial risk, the holder/s of a resource activity environmental authority or small scale mining tenure retain full responsibility for meeting their rehabilitation obligations under the EP Act.

Scheme Manager

Under section 16 of the Act, the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, appointed Ms Kirsten Vagne as Acting Scheme Manager from 4 April 2019. The appointment is in effect until either a Governor in Council appointment of the permanent Scheme Manager or the maximum period of six months is expired, whichever comes first. This enabled the Financial Provisioning Scheme to commence delivering its functions under the Act.

Once the Governor in Council appointment of a Scheme Manager has been made, the appointment will be published in the Queensland Gazette.

Over three years, the Scheme Manager will transition all environmental authorities with an ERC of at least \$100,000 into a risk category allocation assessment process. Based on the assessment, the Scheme Manager will assign each authority to one of very low, low, moderate or high risk.

The Scheme Manager will also assess whether the environmental authority holder has one or more authorities that have a total ERC value of at least \$450 million dollars (fund threshold). If this is the case and the risk category allocation is one of very low, low or moderate, the Scheme Manager will require a contribution to the Financial Provisioning Fund up to the fund threshold and surety equal to the ERC value over the Fund threshold.

All holders with assessed authorities in the risk category of very low, low or moderate that are below the fund threshold will be required to provide a contribution to the Financial Provisioning Fund. All other holders will provide surety equal to the value of their ERC in the approved form.

So that processes are clear, on 5 April 2019 the Acting Scheme Manager issued the following statutory guidelines that set out the processes for decision making.

- *Forming the Scheme Manager's Opinion*
- *Assigning an Authority to a Relevant Holder*
- *Requiring Surety to Preserve the Financial Viability of the Financial Provisioning Fund*
- *Forms of Surety*

The guidelines and additional information sheets can be found on the Business Queensland and Queensland Treasury Financial Provisioning Scheme websites. These documents may be updated from time to time.

An environmental authority or small scale mining tenure holder's experience in dealing with the Financial Provisioning Scheme is important to the Scheme Manager. As such, a short survey will be introduced in 2019-20 to seek user feedback on the experience when interacting with the Financial Provisioning Scheme. The results of this survey will be used to continuously improve processes and report (in future annual reports) on holders' experience when dealing with the Financial Provisioning Scheme.

Financial Provisioning Fund

The Financial Provisioning Fund will receive all contributions, assessment fees and investment earnings from the Financial Provisioning Fund's investments and cash surety. In addition, if it is deemed necessary, the Treasurer may advance monies from the Consolidated Fund to the Financial Provisioning Fund. Also, where the department responsible for administering the EP Act recoups monies that were previously claimed from the Financial Provisioning Fund, these monies will be returned to the Financial Provisioning Fund.

No contributions to the Financial Provisioning Fund or assessment fees were received in this financial year due to no risk category allocations being completed in the period. The first contributions and fees will be received in 2019-20.

Expenditure from the Financial Provisioning Fund is limited under the Act to the purpose of the Act, including administration costs and repayment of a Treasurer's advance. Under section 65 of the Act, the Scheme Manager must consider the Financial Provisioning Fund's viability when making an expenditure decision.

As it will be three years before all holders with an ERC of at least \$100,000 are transitioned into the assessment process and relevant holders provide contributions to the Financial Provisioning Fund, grants for abandoned mines and research will become available once the Financial Provisioning Fund's viability is more certain, but are currently forecast to commence in 2021-22.

Surety - changes from financial assurance under the EP Act

Previously under the EP Act, surety could only be provided in the form of bank guarantees and in some instances in the form of cash.

Surety can now be provided in the form of cash, bank guarantee or insurance bonds. The broadening of surety options will introduce more competition into the financial sector.

Where the Scheme Manager requires a holder to provide surety, or the holder's ERC is below \$100,000, the value of the surety to be provided is to be equal to the ERC value or value nominated by DES in accordance with section 21A of the EP Act.

Over April 2019, DES and DNRME transferred approximately \$8.3 billion in financial assurance, including data and documents to the Acting Scheme Manager in Queensland Treasury. The transfer was finalised by May and the integrated system functionality between the three departments was enabled.

To ensure there is continued improvement in Financial Provisioning Scheme services to holders, the three departments will continue to work closely together to manage any transitional issues.

Financial Provisioning Scheme Advisory Committee

As at 30 June 2019, Queensland Treasury recruitment has commenced for members of the Financial Provisioning Scheme Advisory Committee to be established under section 83 of the Act.

The role of the Advisory Committee is to give advice:

- to the requesting agency (currently DES or DNRME) about requests from the Financial Provisioning Fund for:
 - remediation/rehabilitation activities at land on which an abandoned mine exists
 - research that may contribute to the rehabilitation of land on which resource activities have been carried out
- to the Scheme Manager about the operation of the Financial Provisioning Scheme.

In future reports, this section will disclose activities of the Committee in the reporting period.

4. Legislative Disclosures

Mineral and Energy Resources (Financial Provisioning) Act 2018

Section 73 of the Act requires the first actuarial review to occur within five years of commencement, in the financial year of 2023-24, and every three years thereafter. The extended first period allows for completion of transitioning holders into the risk category allocation and time for revenue and expenditure to be more consistent. This will provide the actuary with more reliable information for the review. Once a review has occurred this will be reported on in the relevant annual report (required under section 72) and include a response to the report by the Scheme Manager.

Section 72 of the Act also requires the Scheme Manager to provide in the annual report, a summary of stakeholder submissions received during the financial year on the effectiveness of the Financial Provisioning Scheme. No stakeholder submissions were received in 2018-19.

Application of other legislation

Financial Accountability Act 2009

The *Financial Accountability Act 2009* applies to the Scheme Manager. This requires the Scheme Manager to comply with departmental and Queensland Public Sector financial management and governance policies.

As the Financial Provisioning Fund and Surety accounts are established as departmental accounts, they will be incorporated into Queensland Treasury's financial statements for the reporting period. The Queensland Treasury Annual Report is available from the Queensland Treasury website.

Auditor-General Act 2009

The Financial Provisioning Scheme is audited in accordance with the *Auditor-General Act 2009* through its inclusion in the Department's financial statements and by agreement with the Scheme Manager for purposes of reporting on the Financial Provisioning Fund's cash flows for the period.

Australian Accounting Standards

This report is specifically prepared to demonstrate accountability and transparency of the Scheme Manager's administration of the Act. Any financial information has been prepared to inform on the regulatory requirements under the Act and does not comply with Australian Accounting Standards. Where financial information is also reported in the department's financial statements, it will be consistent with Australian Accounting Standards.

Governance

Under section 71 of the Act, the Scheme Manager must report to the Minister on the operations, financial performance and financial position of the Financial Provisioning Scheme. This is expected to occur at a minimum on a quarterly basis and additionally where emergent matters occur. In addition, the Treasurer must be immediately informed if anything occurs that may significantly affect the Financial Provisioning Fund's viability

A key component to the effective delivery of the Financial Provisioning Scheme is the integration of processes between DNRME, DES and Queensland Treasury. Effective delivery of the integration is managed and oversighted through administrative arrangements, including:

- memorandums of understanding between the departments and the Scheme Manager to clarify processes, information sharing and responsibilities
- a steering committee comprising senior executives of each department for reporting to and escalation of unresolved matters.

Part 5 of the Act imposes strict confidentiality requirements on any person with access to information provided to the Scheme Manager. Processes have been put in place to limit the sharing of information across government to that which is required for government business and a training tool has been developed to inform government employees, contractors and consultants, who may have access to confidential information, of their obligations to maintain confidentiality of information provided under the Act.

5. Financial Provisioning Fund

Acting Scheme Manager statement

The Financial Provisioning Fund financial report is prepared on a cash flow basis in accordance with the Financial Provisioning Scheme Annual Report Framework policy. The financial report reflects the financial performance of the Financial Provisioning Fund based on regulatory receipts and payments categories.

In my opinion, the Financial Provisioning Fund financial report below presents fairly the transactions of the Fund for the period 1 April 2019 to 30 June 2019, and the balance of the Fund as at 30 June 2019.



Kirsten Vagne
Acting Scheme Manager
30 August 2019

Financial Provisioning Fund as at 30 June 2019

	Note	2019 \$,000
Opening Fund balance as at 1 April 2019		-
Fund cash inflows		
Investment earnings		
On cash surety		134
Total Fund cash inflows		
Fund cash outflows		
Administration costs		-
Total Fund cash outflows		
Net Fund cash position for the period		
Fund Balance at 30 June		134

Notes:

1. Interest earnings reflects actual interest received as at 30 June 2019 on the Cash Surety account which held \$52.548 million. See note 13 of the Queensland Treasury Financial Statements 2018-19.

Please see the appendix to this report for the Financial Provisioning Fund audit statement.

6. Financial Provisioning Fund planned expenditure

The Financial Provision Fund planned expenditure is based on estimates and may differ to actual expenditure for the period. Due to the uncertainty of timing and actual costs incurred in the period, the planned expenditure is not audited.

To optimise the Financial Provisioning Fund's opportunity to become viable over the three-year transition, the Government provided operational expenditure funding for Treasury in its \$39.4 million 2017-18 financial assurance reforms

Administration costs of \$1.495 million for the Financial Provisioning Scheme since 1 April 2019 have been met from the 2017-18 Queensland Treasury Budget operational allocation of \$12.735 million over four years for implementing the financial assurance reforms.

The 2019-20 administrations costs will be mainly met from the Treasury operational funding. This funding will be reduced in 2020-21 and 2021-22 with the administration costs expected to be fully met by the Fund from 2022-23 onwards.

The only expenditure for the reporting period was the Financial Provisioning Scheme's administration costs. It is anticipated the following expenditure will occur in the future:

- research and abandoned mine grants can be made once the Fund asset is viable. The Scheme Manager will seek guidance from the Advisory Committee on prioritisation of these grants
- once a claim is properly made and expenditure approved by the Scheme Manager, environmental or rehabilitation claim expenditure will be included.

The categories of planned expenditure have been disclosed below to demonstrate the proposed transparency for Fund management going forward.

The Budget decision also required the Financial Provisioning Fund to return the broad reforms implementation costs to the Consolidated Fund. This is expected to occur over five years once the Scheme Manager has determined that the Financial Provisioning Fund's viability is more certain.

Note 1, 2	2018-19 \$,000	2019-20 \$,000	2020-21 \$,000	2021-22 \$,000	2022-23 \$,000
Abandoned mines grants program ³	-	-	-	-	-
Research grant program ³	-	-	-	-	-
Return of Treasurer Advances ²	-	-	-	-	-
Environmental mitigation claims ²	-	-	-	-	-
Rehabilitation program claims ²	-	-	-	-	-
Forecast administration expenditure ¹	-	402	2,974	3,612	6,496

Notes:

1. The planned forward expenditure may differ to actual expenditure based on priorities of demand on monies in the Financial Provisioning Fund and timing of meeting planned expenditure milestones.
2. No claims can be made against the Financial Provisioning Fund until after holders have been required to provide contributions to the Financial Provisioning Fund.
3. Research and abandoned mine grants will be assessed at a future date when the Financial Provisioning Fund has received contributions and the Scheme Manager is satisfied that its ongoing viability is certain. The Scheme Manager anticipates that some funds will be able to be allocated from 2021-22.

7. Financial Provisioning Surety

Transition from the Departments of Environment and Science, and Natural Resources, Mines and Energy

Over April 2019, a total of \$8.288 billion in financial assurance was transferred from DES and DNRME to the Acting Scheme Manager in Queensland Treasury. This consisted of approximately \$8.241 billion in bank guarantees and \$47 million in cash deposits (see Queensland Treasury 2018-19 Financial Statements note 2(b)).

Under transitional arrangements, decisions on financial assurance from plan of operation change applications made prior to 1 April 2019 continued to be made under the EP Act provisions. As at 1 April 2019 notices to provide surety had been issued to environmental authority holders to the value of \$152 million, however the surety had not been received by this date.

Once the migration of data and transfer of deeds were completed, the integrated system functionality between DNRME, DES and Queensland Treasury was switched on. As processes are bedded down, there should be improved surety transaction efficiencies for holders.

Surety held at 30 June 2019

Under the Act, surety can now be provided as bank guarantees, insurance bonds or cash.

As at 30 June 2019, approximately \$8.355 billion in surety was held on behalf of the State. Of this surety, \$8.218 billion was in the form of bank guarantees, \$0.085 billion in insurance bonds and \$0.053 billion in cash.

Also, \$0.093 billion in notices to provide surety had been issued to environmental authority holders for which the surety had not been received by this date.

Uptake of broader surety arrangements

As seen in the table below, there has been a reduction in bank guarantees of nearly \$23 million and uptake of insurance bonds at \$85 million with an increase of \$6 million in cash surety held. The total surety increase of \$67 million primarily relates to holders providing surety in response to notices received over the transitional period.

Surety by type

Surety	30/04/2019 \$,000	30/06/2019 \$,000	Change \$,000
Bank Guarantee	8,240,796	8,217,753	-23,043
Insurance bonds	-	84,823	84,823
Cash	46,983	52,554	5,571
Total Surety	8,287,779	8,355,130	67,351

Note: For the 30 June 2019 Queensland Treasury annual report financial statement disclosures please refer to:

- Note 2(b) for the Financial Provisioning Scheme.
- Note 13 for cash surety and 18 for the equal Liability.
- Note 23 for financial institution undertaking disclosures and contingency reporting.

Claims against surety

At reporting date, it had come to the Acting Scheme Manager's attention that there was a probability of claims being made against surety for a total value of \$5.053 million. Once a claim has been properly made, the Acting Scheme Manager will realise the surety and provide the cash amount to the bank account nominated by the DES (Queensland Treasury Financial Statements Note 23).

8. APPENDIX

INDEPENDENT AUDITOR'S REPORT

To the Acting Scheme Manager

Report on the Financial Provisioning Fund

Opinion

I have audited the Financial Provisioning Fund financial report for the period 1 April 2019 to 30 June 2019, identified in section 5 of the Financial Provisioning Scheme's 2018–19 annual report.

In my opinion, in all material respects, the financial report presents fairly the balance of the Financial Provisioning Fund (the Fund) as at 30 June 2019 and the transactions of the Fund for the period 1 April 2019 to 30 June 2019.

Basis of 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 current year financial sustainability statement* section of my report.

I am independent of the Fund in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement 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 – basis of accounting

I draw attention to the Scheme Manager's statement in section 5 of the Financial Provisioning Scheme's 2018–19 annual report which describes the basis of accounting. The Financial Provisioning Fund financial report has been prepared on a cash flow basis for the purpose of fulfilling the Acting Scheme Manager's reporting responsibilities under the *Mineral and Energy Resources (Financial Provisioning) Act 2018*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in the Financial Provisioning Scheme's 2018–19 annual report, but does not include the Financial Provisioning Fund financial report and my auditor's report thereon.

My opinion does not cover the other information and accordingly I do not express any form of assurance conclusion on any information contained in the Financial Provisioning Scheme's 2018–19 annual report other than the Financial Provisioning Fund financial report included in section 5.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Acting Scheme Manager for the Financial Provisioning Fund financial report

The Acting Scheme Manager is responsible for the preparation and fair presentation of the Financial Provisioning Fund financial report. The Acting Scheme Manager's responsibility also includes such internal control as they determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Financial Provisioning Fund financial report

My objectives are to obtain reasonable assurance about whether the Financial Provisioning Fund 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

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 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 the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Acting Scheme Manager.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Acting Scheme Manager 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.



Paul Christensen
as delegate of the Auditor-General

30 August 2019
Queensland Audit Office
Brisbane