

**2019-20 Annual Report**

# **Financial Provisioning Scheme**



## Purpose of this report

The report forms part of the Financial Provisioning Scheme's corporate governance framework and fulfils the Scheme Manager's obligation under section 83B (formerly 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.

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# 1. Foreword

The successful implementation of the Financial Provisioning Scheme under the *Mineral and Energy Resources (Financial Provisioning) Act 2018* (the Act) was a key plank in the most significant restructuring of Queensland's multi-billion dollar financial assurance framework in several decades. Key to this success has been the way all parties, Government, industry and interested stakeholder groups came together to make this reform a reality.

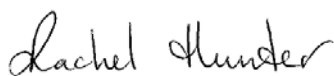
The Financial Provisioning Scheme is proving to be one of the most comprehensive and robust approaches to management of the State's financial risk exposure to mining and energy resource projects failing to comply with their environmental management and rehabilitation obligations. This is testament to the co-operative design process underpinning the Scheme and the significant expertise that has been applied in its conduct.

This Annual Report represents the first full financial year of the Financial Provisioning Scheme's operation, a key milestone in transitioning resource sector holders of environmental authorities with an estimated rehabilitation cost of at least \$100,000 into the risk assessment process. The transition is on track to bring all assessable authorities into the risk assessment process within the three-year legislative timeframe. Implementation of the Scheme has been marked by strong stakeholder engagement and the ultimate acceptance of all risk outcomes thus far.

The Scheme is delivering its objective of protecting the State's exposure to financial risk. Where there is an assessment of higher risk to the State, surety to the full value of the estimated rehabilitation cost is being retained and will be available to be claimed upon in the event of a [mining or energy] resource entity failing to meet their obligation. Where the risk to the State is assessed at lower categories, the Financial Provisioning Fund is receiving contributions that will be available to meet claims and for necessary rehabilitation works should those projects fail to meet their obligation. I am pleased to note, that the Financial Provisioning Fund is building in line with forecast growth.

In this way the State is balancing the interest of the environment and the State's balance sheet risk while ensuring a robust and appropriate regulatory regime for industry to the benefit of all Queenslanders.

During the year the Financial Provisioning Scheme Advisory Committee was established with independent expert representatives from academia, research, industry, Queensland Treasury and stakeholder groups. The Advisory Committee will provide advice to the Department of Environment and Science and the Department of Natural Resources, Mines and Energy on priorities for funding applications to the Scheme Manager for historical abandoned mines and rehabilitation research. It is expected that as the Fund grows in line with longer term expectations, that this will be an important supplementary source of investment in these key areas of activity.



Rachel Hunter  
Under Treasurer

## 2. Scheme Manager's overview

### Summary

The Financial Provisioning Scheme has experienced a successful first full financial year of operation. This has been marked by effective cooperation and engagement between all levels of government, industry and stakeholders. The Scheme has developed robust processes and systems delivering a high level of assurance and integrity in operations.

The Scheme is giving effect to the legislative provisions of the *Mineral and Energy Resources (Financial Provisioning) Act 2018*. Moreover, it is delivering the enhanced assurance the State seeks in respect to all environmental rehabilitation obligations. At 30 June 2020, the Financial Provisioning Scheme was managing 377 environmental authorities with an estimated rehabilitation cost (ERC) of at least \$100,000 and approximately 4,500 authorities (includes small mine tenures) with less than \$100,000 in ERC.

Queensland is blessed with an abundance of natural resources of often world class standing. Analysis of risk outcomes completed within the 2019-2020 financial year and a preliminary review of environmental authorities yet to be assessed identifies that the bulk of the State's rehabilitation exposure sits with investment grade or equivalent entities (that is, strongly rated companies with relatively lower probabilities of default). The aggregate estimated rehabilitation cost of the State's environmental authorities of at least \$100,000 was \$9.5bn as at 30 June 2020. Based on current estimates, over 80% of that exposure is held by ownership interests that are investment grade.

The Scheme has been well served by a small but dedicated Queensland Treasury team. They have supported the Scheme Manager role with unstinting focus and a genuine desire to implement the Scheme as efficiently and effectively as is possible. Without fail they have maintained a very high level of customer focus and openly and comprehensively engaged with all stakeholders large and small. To the team I say thank you.

Equally important to the success of the Scheme has been the contribution of the Risk Advisor Consortium who undertake a detailed risk analysis of each assessable authority and make a recommendation to the Scheme Manager. Consortium members, KPMG, Australia Ratings and Advisian, bring a deep level of expertise to the process and to them I similarly extend my appreciation for their efforts. The Queensland Treasury State Actuary and Queensland Treasury Corporation's Principal, Client Division have further provided much valued context and support.

Thank you to the Financial Provisioning Scheme Advisory Committee members for volunteering their time and expertise to assist the Government to prioritise future requests for abandoned mines and rehabilitation research funding. The first meeting was held in March 2020 and I look forward to working with the Committee over the coming year and beyond.

### Transition overview

The Financial Provisioning Scheme commenced operation on 1 April 2019. The three months of the 2018-19 financial year served to commence the process of transitioning environmental authorities into the Scheme for risk assessment and determination of the Initial Risk Category Allocation. The first Initial Risk Category Allocation under section 31 of the Act was issued on 21 August 2019.

The Financial Provisioning Scheme is on target to transition all assessable authorities into the risk assessment process by 31 March 2022. As at 30 June 2020, 377 authorities had an estimated rehabilitation cost of at least \$100,000. In total, 152 requests for information have been issued since commencement, representing 40% transitioned into the assessment process. Of this, 111 section 31 Initial Risk Category Allocation decisions were issued during the financial year. A further 19 authorities have had s28 indicative allocations notifications, bringing the total assessments undertaken to 130 by 30 June 2020.

A significant portion of the State's exposure has already been assessed with the 130 assessed authorities representing \$4.26 billion in estimated rehabilitation cost. This equates to 45% of the \$9.5 billion aggregate

estimated rehabilitation costs for assessable authorities. As the assessments progress, the Financial Provisioning Fund continues to grow, with a balance of \$19.9 million as at 30 June 2020 (see Part 3 for details).

Environmental Authority holders made 23 submissions to the Scheme Manager on the s28 indicative allocations. Generally, submissions took one of two approaches. One to request change of the assessment process to a different entity for assessment in accordance with the Forming the Scheme Manager's Opinion Guideline. In other submissions, holders made representations when they did not agree with an aspect or aspects of the indicative risk assessment. In each of these instances, the Scheme Manager undertook further assessment using the new information provided and, where appropriate, revised the risk category allocation. It should be noted that there have only been limited instances where the indicative risk category allocation was changed in response to specific circumstances and provision of new, factual information.

The assessment process has been demonstrated to be robust with no judicial reviews occurring in the 2019-20 financial year.

## Risk assessment outcomes

Of the 111 Initial Risk Category Allocation decisions issued in the year allocations were made of:

- High risk - 35, representing 32% of transitioned authorities and 4% (\$205 million) of the aggregate assessed ERC value. Where a High risk category is applied to an authority, surety is required to be held that is equal to the value of the estimated rehabilitation cost for the authority.
- Moderate risk – 12, representing 11% of transitioned authorities and 5% (\$216 million) of the aggregate assessed ERC value. These outcomes generated an aggregate contribution to Financial Provisioning Fund of \$5.93 million.
- Low risk – 36 representing 32% of transitioned authorities and 23% (\$1.088 billion) of the aggregate assessed ERC value generating an aggregate contribution to Financial Provisioning Fund of \$8.19 million.
- Very Low risk – 28 representing 25% of assessed authorities and 68% (\$3.211 billion) of the aggregate assessed ERC value and an aggregate contribution to Financial Provisioning Fund of \$7.31m.
- Of the low and very low category allocations, 11 were required to provide surety to preserve the financial viability of the Financial Provisioning Fund under section 53 of the Act. This occurred where the entity being assessed had an aggregate ERC exposure of greater than the \$450 million Fund threshold. The aggregate ERC value of these authorities was \$1.447 billion. This section of the Act was designed to lessen the State's exposure to any one entity or group of entities.

It should be noted that a High risk outcome does not infer that the entity assessed will fail to meet their environmental obligations under the *Environmental Protection Act 1994*. The rating outcome of High simply points to the possible risk to the State being higher for these entities relative to other resource sector entities.

Similarly, authorities assessed at Moderate, Low or Very Low risk also have a probability of default on their obligations to the State that is relative to other resource sector entities. Indeed, a Moderate, Low or Very Low risk rated entity may fail at some point. Their lesser risk category simply indicates that the probability of that outcome is lesser than say, a High risk entity.

## Looking Forward

As at 30 June 2020, a further 245 assessable environmental authorities remain to be transitioned into the assessment process by 31 March 2022. The total number will change over time as new environmental authorities are approved by the Department of Environment and Science (DES) and the ERC of existing authorities change with application of the new rehabilitation cost calculator or increased disturbance.

The emergence of COVID-19 and the consequential economic disruption that is occurring has been a matter of consideration. The original design and actuarial modelling of the Scheme contemplated a wide range of economic outlooks and system shocks. While it is likely that deteriorating financial performance will present in future risk assessments, the inherent robustness of the Scheme structure is such that changed risk profiles will be reflected in future risk category assessment outcomes. Furthermore, there are a range of provisions and discretionary powers within the Act that allow the Scheme Manager to require full surety should the Scheme

Manager be of the view that the financial viability of the Fund is at risk. At this time, no change in the structure or operation of the Scheme is recommended.

Under the Act, each assessable authority will be assessed annually at the anniversary date of their Initial Risk Category Allocation decision. At reporting date, the annual review process has commenced for 17 authorities. The parallel review of environmental authorities transitioning into the Scheme and annual reviews for those already transitioned in will increase the workload significantly in 2020-21.

To manage this, there has been a strong focus on continuous improvement in the Scheme's processes. The first 44 risk assessments were completed in an average of 137 calendar days. The second 44 assessments took an average of 129 days to complete. The next 44 assessments were completed in an average of 120 days. These averages include several instances with longer completion times where the Scheme was able to work with holders through complex situations and or submissions in respect of their Indicative Risk Category Allocation notice.

## System and Process Integrity

The Scheme is underpinned by a bespoke Financial Assurance Information Registry (FAIR) application in Appian software. FAIR integrates with the DES CONNECT system, the Department of Natural Resources, Mines and Energy (MyMinesOnline) (DNRME) and the Queensland Treasury S4HANA/SAP system. These integration points necessitate strong governance, system and process capabilities and practices. A significant feature of the work of the Financial Provisioning Scheme Administration Team during the 2019-20 year was to close out potential areas of risk. As with any new system implementation, several enhancements were required, and an intensive internal and external audit process was completed. Pleasingly, four out of five matters were successfully resolved by the reporting date and the Queensland Audit Office is satisfied that management have appropriate interim controls in place while corrective action is completed to close out the final recommendation. On this basis, a high degree of reliance can be placed in the operation of the Scheme for data integrity, fraud prevention and cyber security. Process mapping and documentation contributed significantly to improved team practices and a reduction in average time taken to complete risk assessments.

In total an additional 1,021 tasks on top of the assessments were transacted through FAIR during the financial year. A testament to the robustness of the system and interface points supporting the Scheme is the fact that the Financial Provisioning Scheme Administration Unit, and the Scheme Manager, were able to work from home successfully since mid-March 2020 in response to the COVID-19 pandemic.

## Other Tasks

The additional 1,021 tasks processed to support the resource sector and integrity of information in the system are in the table below. The bulk of these transactions related to small mine tenure or claim holders and those environmental authorities with an ERC below \$100,000. The amendments to estimated rehabilitation costs mainly relate to authorities with \$100,000 or more and reflect the transition of those authorities to the ERC process as business plans of operation are changed and progressive rehabilitation processes are introduced in the DES.

<b>Scheme processes 2019-20</b>	<b>Total *</b>	<b>In progress</b>	<b>Note</b>
DES approved surrender of authorities	250	13	Small miner and below \$100,000
Amendments to ERC	141		Mainly authorities of \$100,000 or more
Surety claims processed	6		See surety note
New authorities	359	2	Mainly Small miner and below \$100,000
Authority/small miner transfers to new holders	265	1	Includes transfers by death and law to new holders

*\* Total includes in progress and completed processes*

### 3. Financial Provisioning Fund

#### 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 July 2019 to 30 June 2020, and the balance of the Fund as at 30 June 2020.



Murray Smith  
Scheme Manager  
7 September 2020

#### Financial Provisioning Fund as at 30 June 2020<sup>1</sup>

	Note	2020 \$,000	2019 \$,000
<b>Opening Fund balance</b>		134	-
<b>Fund cash inflows</b>			
Investment earnings			
On cash surety	2	688	134
Contributions	3	19,365	-
Assessment Fees	3	732	-
<b>Total Fund cash inflows</b>		<b>20,784</b>	<b>134</b>
<b>Fund cash outflows</b>			
Administration costs	4	-1,059	-
<b>Total Fund cash outflows</b>		<b>-1,059</b>	
<b>Net Fund cash position for the period</b>		<b>19,726</b>	<b>134</b>
<b>Fund Balance at 30 June</b>	5	<b>19,860</b>	<b>134</b>

#### Notes:

1. The Financial Provisioning Fund statement has been prepared on a cash basis as at 30 June 2020.
2. Interest earnings reflects actual interest on Cash Surety received into the Financial Provisioning Fund by 30 June 2020, this includes \$0.72 million accrued in June 2019 and received in July 2019. A further \$0.41 million earned in June 2020 will be included in the 2020-21 Financial Provisioning Fund balance as it was received in July 2020. See note 5 of the Queensland Treasury Financial Statements 2019-20 showing interest revenue of \$0.659 million.
3. Invoices for assessment fees and contributions totalling a further \$2.176 million have been issued in the period, bringing total contributions revenue for the period to \$21.434 million and assessment fee revenue to \$0.845 million, see note 4 of the Queensland Treasury Financial Statements 2019-20.
4. Administration costs are those costs attributable to the Financial Provisioning Fund after appropriation operational funding for the period has been expended. After all accruals, the expense will be reduced to \$0.966 million for the period.
5. Queensland Treasury Financial Statements note 12 discloses the Fund cash at bank as \$19.860 million on 30 June 2020.

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



## 4. Financial Provisioning Surety

### Surety held at 30 June 2020

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

As at 30 June 2020, approximately \$7.036 billion in surety was held on behalf of the State. Of this surety, \$6.331 billion was in the form of bank guarantees, \$0.644 billion in insurance bonds and \$0.061 billion in cash.

Also, \$0.197 billion in notices to provide surety had been issued to environmental authority holders for which the surety was yet to be received.

Since 30 June 2019 there has been a reduction in bank guarantees of \$1.897 billion, an increase of \$0.559 billion in insurance bonds and an increase of \$0.008 billion in cash surety held. The decrease of \$1.32 billion in total surety is due to surety being returned to holders once the Financial Provisioning Fund contribution is received and claims of \$0.005 billion.

#### Surety by type

Surety	30/06/2019 \$,000	30/06/2020 \$,000	Change \$,000	Change %
Bank Guarantee	8,217,753	6,330,973	-1,886,780	-23
Insurance bonds	84,823	643,533	558,711	659
Cash	52,554	61,034	8,480	16
<b>Total Surety</b>	<b>8,355,130</b>	<b>7,035,540</b>	<b>-1,319,589</b>	<b>-16</b>

Note: For the 30 June 2020 Queensland Treasury annual report financial statement disclosures please refer to:

- Note 2(b) for the Financial Provisioning Scheme.
- Note 12 for cash surety and 16 for the equal Liability.
- Note 20 for bank guarantee and insurance bond surety disclosure and contingency reporting.

### Claims against surety

During the 2019-20 financial year, claims of \$5.114 million were properly made against surety held.

In July 2020, the Scheme Manager became aware that claims may be made against surety to around the value of \$18.9 million. The timing and amount of the claims are uncertain at reporting date.

## 5. Financial Provisioning Fund planned expenditure

The Financial Provisioning 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 delivery of the financial assurance reforms across departments, the Government provided funding of \$39.4 million for Queensland Treasury in its 2017-18 Budget. The Queensland Treasury project management office oversaw the reforms and expenditure until 30 June 2019. This budget included operational expenditure of \$12.735 million over four years to ensure the effective establishment of the Financial Provisioning Scheme.

Administration costs of \$4.929 million for the Financial Provisioning Scheme since 1 July 2019 have been met from this budget. The 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 Financial Provisioning Fund expenditure for the reporting period was the Financial Provisioning Scheme's adjusted administration costs of \$0.966 million. It is anticipated the following expenditure will also occur in the future:

- abandoned mine and research grants can be made once the Fund asset is viable. The Financial Provisioning Scheme Advisory Committee will provide advice to the respective Director General of the DNRME and the DES on prioritisation of grant requests to the Scheme Manager
- once a claim is properly made and expenditure approved by the Scheme Manager, environmental or rehabilitation claim costs will be expensed.

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	2020-21 \$,000	2021-22 \$,000	2022-23 \$,000
Abandoned mines grants program <sup>3</sup>	-	-	-
Research grant program <sup>3</sup>	-	-	-
Return of Treasurer Advances <sup>2</sup>	-	-	-
Environmental mitigation claims <sup>2</sup>	-	-	-
Rehabilitation program claims <sup>2</sup>	-	-	-
Forecast administration expenditure <sup>1</sup>	3,647	3,612	6,496

### Notes:

- 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. The forecast increase in administration expenditure reflects the amount that will be claimed from the Financial provisioning Fund rather than a growth in actual expense to administer the Scheme.
- No claims can be made against the Financial Provisioning Fund until after holders have been required to provide contributions to the Financial Provisioning Fund.
- Research and abandoned mine grants will be assessed at a future date when the Scheme Manager is satisfied that the ongoing viability of the Financial Provisioning Fund is certain. The Scheme Manager anticipates that some funds may be able to be allocated from 2021-22.

## 6. Financial Provisioning Scheme Advisory Committee

In November 2019, members of the Financial Provisioning Scheme Advisory Committee were appointed under section 83 of the Act. Members include:

- Mrs Helen Dogan, Assistant Under Treasurer as Chair (appointed February 2020)
- Professor Martine Maron
- Dr Carl Grant
- Dr Jo-Anne Everingham
- Dr Julie Beeby
- Mr Stephen Smyth
- Mr Richie Ah Mat
- Mr Matthew Paull
- Mr Michael McCabe
- Ms Rhonda Jacobsen

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.

The Advisory Committee held its first meeting on 16 March 2020. A detailed background on the Scheme, the actuarial basis of the Financial Provisioning Fund, its performance to date and the terms of reference for the Committee was provided. A forward agenda for the Advisory Committee was presented. A key feature of the second meeting of the Advisory Committee, which was held on 14 July 2020, was a detailed introduction into Abandoned Mines and the current work program of the DNRME in respect to this. At the third meeting of the Committee, scheduled for late 2020, a similarly thorough discussion on rehabilitation research priorities and current focus areas with the DES is planned.

Consistent with the financial projections around the build of the Financial Provisioning Fund, it is anticipated that the Advisory Committee will build its process for determining priorities against which to assess grant funding requests in 2022.

## 7. 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 83B) and include a response to the report by the Scheme Manager.

Section 83B 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 2019-20.

The Act was amended on 20 August 2020 as part of the associated financial assurance reforms for the Residual Risk project. Residual risks are those risks remaining at a rehabilitated resource site once surrender of the environmental authority occurs. Under the amendment, the Scheme Manager will also undertake the financial management of the Residual Risk Fund on behalf of the DES. The DES will retain all responsibility for administering the Residual Risk function.

## 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 83B 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 overseen 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.

## 8. APPENDIX

## INDEPENDENT AUDITOR'S REPORT

To the Scheme Manager

### Report on the Financial Provisioning Fund

#### Opinion

I have audited the Financial Provisioning Fund financial report for the period 1 July 2019 to 30 June 2020, identified in section 3 of the Financial Provisioning Scheme's 2019–20 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 2020 and the transactions of the Fund for the period 1 July 2019 to 30 June 2020.

#### Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General 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 3 of the Financial Provisioning Scheme's 2019–20 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 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 (other than the audited financial report) included in the Financial Provisioning Scheme's 2019–20 annual report.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial 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 Scheme Manager for the Financial Provisioning Fund financial report**

The Scheme Manager is responsible for the preparation and fair presentation of the Financial Provisioning Fund financial report. The Scheme Manager's responsibility also includes such internal control as the Scheme Manager determines 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 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 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. This is not done for the purpose of expressing an opinion on the effectiveness of the Scheme's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 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

7 September 2020

Queensland Audit Office  
Brisbane