2021-22 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 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 3 months of the end of financial year.
# Contents

Purpose of this report ........................................................................................................................................ 1

Contents .......................................................................................................................................................... 2

1 Foreword .................................................................................................................................................. 3

2 Scheme Manager’s overview .................................................................................................................. 4

   Introduction ............................................................................................................................................... 4

   Post Transition Review ............................................................................................................................. 4

   Matters of note – emergent risk factors ................................................................................................. 5

2021-22 financial year in detail ..................................................................................................................... 6

Risk composition .......................................................................................................................................... 7

Provisioning composition .............................................................................................................................. 8

Scheme processes .......................................................................................................................................... 9

3 Financial Provisioning Fund financial report ....................................................................................... 10

   Scheme Manager statement .................................................................................................................... 10

   Financial Provisioning Fund as at 30 June 2022 .................................................................................. 10

4 Financial provisioning surety .................................................................................................................. 11

   Surety held at 30 June 2022 .................................................................................................................... 11

   Claims against surety ............................................................................................................................... 11

5 Financial Provisioning Fund planned expenditure .............................................................................. 12

6 Financial Provisioning Scheme Advisory Committee .......................................................................... 13

7 Legislative disclosures .............................................................................................................................. 14

   Mineral and Energy Resources (Financial Provisioning) Act 2018 ...................................................... 14

   Application of other legislation .............................................................................................................. 14

   Governance ............................................................................................................................................. 14

8 APPENDIX ................................................................................................................................................ 15
1.0 1 Foreword

The Financial Provisioning Scheme (the Scheme) plays an important role in protecting the state’s financial risks associated with mining and resource sector rehabilitation. With more than $12 billion in aggregate estimated rehabilitation expense, the Scheme is regarded as an effective risk management instrument and a mechanism to support good environmental outcomes.

This Annual Report of the Scheme notes it is maturing in line with the expectations underpinning its implementation. During the 2021-22 financial year, the Scheme successfully met its obligation to transition all assessable environmental authorities (by 31 March 2022), which is an important milestone. Through this work, the Scheme has gained a thorough understanding of the profile of the State’s estimated rehabilitation cost risk, the nature of and exposure to its counterparties, and the major factors impacting operations now and into the future.

A review of the Scheme to identify improvements and to guide its long-term operation has been initiated to maximise the economic, social and environmental benefits.

The government and the public service recognise the ever-increasing expectations for sound environmental stewardship which extends to the resource sector. Through programs such as the Scheme, Queensland is actively responding to these changes and is pleased to be working with stakeholders to ensure policy settings are optimally placed to deliver the highest standards of responsible development and operation.

As flagged by the Scheme Manager in this report, I expect that the Scheme will continue to deliver its objectives and play an increasing role in enhanced and environmentally sound economic activity.

Leon Allen
Under Treasurer
2 Scheme Manager’s overview

Introduction

The Financial Provisioning Scheme (the Scheme) manages the financial risk to the State of Queensland of resource sector holders of an environmental authority (EA) or small scale mining tenure failing to meet their rehabilitation obligations. The Scheme commenced in April 2019 and is governed by the Mineral and Energy Resources (Financial Provisioning) Act 2018 (the Act). The rehabilitation obligations of EA holders are subject to the relevant provisions of the Environmental Protection Act 1994.

Under the Act, all EAs and small scale mining tenures with an estimated rehabilitation cost (ERC) of less than $100,000 are required to provide surety equal to the ERC value, while all EAs with at least $100,000 in ERC undergo an annual risk category allocation assessment process (assessable EAs). The Scheme Manager will require the holders of the assessable EAs to either contribute to the pooled Financial Provisioning Fund (the Fund) or provide surety equal to the ERC value of the EA. In deciding if a contribution or surety is required, the Scheme Manager considers the risk category allocated and whether the $450 million ERC maximum threshold for an assessed entity applies.

On commencement of the Scheme, a total of 4,676 EAs and small scale mining tenures were transferred from the departments responsible for resources and the environment to the Scheme, with 379 of these EAs having an ERC of at least $100,000. As at 30 June 2022 there are over 4,900 EAs with 386 of the EAs having an ERC of at least $100,000.

While the net movement of assessable EAs is only seven, there has been significantly more activity in the period from EAs being amalgamated, de-amalgamated, surrendered, cancelled or new ones being created. More information is available in the 2021-22 financial year in detail section below.

The quantum of aggregate ERC in the state has grown from approximately $8.3 billion in 2019 to approximately $12.3 billion as at 30 June 2022. Multiple factors have contributed to this increase including removal of the financial assurance discounts available prior to Scheme commencement, implementation of the estimated rehabilitation calculator, as well as changes to site operation planned works and an increase in the number of EAs.

The 2021-22 financial year has seen the successful completion of the three-year transition period with all assessable EAs now transitioned into the risk category allocation assessment process. Another key achievement is the building of the Financial Provisioning Fund to over $128 million. This outcome is in line with the original model expectations for the Fund.

During the reporting period, the Financial Provisioning Scheme Advisory Committee provided formal advice to the Department of Resources (DoR) on proposed front end engineering studies at three pre-scheme commencement abandoned gold mines for which I subsequently received a formal request for funding from the Director-General of the DoR. The potential expenditure and grant projects are set out in Part 5 of this Report. Having regard to the performance of the Fund and its current financial standing, I now consider it sufficiently viable to meet the expenditure of a $2 million dollar grant to support this funding request consistent with the relevant provisions of the Act. This is the first such grant to be provided by the Fund.

Since Scheme commencement there has been significant macro trend changes in world politics, public expectations for climate change management and financial markets. It is necessary to determine how these changes may affect the management of the financial risk to the state in relation to potential rehabilitation failure risk. Further, engagement over the period with industry has highlighted that there is scope for process improvement to reduce the administrative impost while ensuring that the financial risk to the state continues to be robustly and effectively managed.

Post Transition Review

Completion of the transition period has provided the opportunity to undertake a review of the Scheme to clearly identify options to refine and improve its efficiency and robustness. The Scheme’s external risk advice consortium (KPMG, Advisian and Australia Ratings) has been engaged to assist in the
Post Transition Review with Ernst & Young appointed to conduct an independent, interim actuarial review of the Scheme’s performance thus far.

The Post Transition Review will look at a range of interest areas including:
- the minimum threshold for risk assessment, with consideration of increasing the threshold from $100,000 to as much as $10 million. (This would reduce risk assessments by in excess of 70% which account for only 4% of aggregate ERC risk)
- changes in the way the Scheme assesses risk, particularly regarding the Resource Project Characteristics Assessment methodology
- opportunities to streamline or reduce administrative burden for EA holders and the Scheme
- whether the $450 million maximum threshold cap is still appropriate
- whether the existing 4 risk categories are appropriate
- initial actuarial findings in comparing original modelled expectations versus actual outcomes.

In July 2022, a Post Transition Review – Discussion Paper was issued for stakeholder review and feedback. A copy of the paper can be found at the Queensland Treasury (QT), Financial Provisioning Scheme web page.

A second Discussion Paper outlining the Scheme Manager’s preferred refinements is intended to be released for further stakeholder review and feedback in October 2022.

The review is anticipated to conclude by the end of the 2022 calendar year.

Matters of note – emergent risk factors

In addition to the work being done to review operational aspects of the Scheme, the Scheme Manager is also having regard to risks that may have a long-term impact on the operation of the Scheme. Three of these risks are addressed below.

Firstly, a trend has emerged where resource sites are being transferred from stronger, more financially sound entities to entities either with a lower level of financial soundness or lower recourse potential for government being either private equity or foreign entity acquired. While the Scheme can assess the risk of the acquirer and seek provisioning at the assessed risk level of the new holder, the resultant shift in overall counterparty risk profile that is emerging may mean that claims experience may mature earlier than otherwise anticipated and that the Fund will take longer to build to desired sufficiency levels.

A second area of concern relates to the accrued rehabilitation exposure in EAs that have been non-productive for extended periods of time and where there is little evidence of rehabilitation occurring. It is estimated that approximately $1.3 billion in ERC relates to resource sites that are in a care and maintenance or similar non-productive status. There are legitimate reasons for a site to be in care and maintenance (or similar) status. Reviewing available data has highlighted that a significant number of EAs have been in care and maintenance for long periods of time with some having remained so for decades. This includes periods of high prices and implementation of new more cost-efficient technologies.

Persistent long term ‘quarantining’ of sites at modest levels of rehabilitation has the potential for negative biodiversity with significant opportunity costs relative to obtaining production outcomes or moving to closure and post mine land use. Further, the deferral of rehabilitation presents intergenerational transfer of risks and may also eventuate in higher claims on the Scheme.

The final matter of consideration is the extent to which rehabilitation costs are becoming a major determinant of the saleability of mining and resource assets. A well-publicised example is the BHP Mt Arthur mine, which while being in New South Wales, is indicative of the challenges industry is now facing. Press reporting at the time (16 June 2022, Australian Financial Review, ‘BHP retains Mt Arthur coal mine, plans earlier closure as buyers walk’) highlights the difficulty some holders may experience in divesting assets where there is a significant rehabilitation expense. Anecdotal industry evidence suggests that part of the complexities in transacting assets is that the likely actual costs of rehabilitation for some large mines may exceed current best known estimates. Estimation of the rehabilitation cost is a critical underpinning of the Scheme’s operation. The Scheme Manager will
continue to work with all relevant parties to ascertain the extent to which there are risks of unforeseen exposures to the long-term operation of the Fund.

2021-22 financial year in detail

In total 369 risk category allocations (RCA) were made in the 2021-22 period. These consisted of 133 initial assessment decisions, 223 annual review decisions and 13 changed holder or change in control decisions applied to EAs.

The table below compares the RCA outcomes by financial year for the assessments finalised in the period. The ERC reflects the value of ERC at the time the risk category allocation decision is made.

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>2021-22</th>
<th>2020-21</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Very Low</strong></td>
<td>No.</td>
<td>Contribution</td>
<td>No.</td>
</tr>
<tr>
<td></td>
<td>38</td>
<td>14.275</td>
<td>33</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>122</td>
<td>16.991</td>
<td>91</td>
</tr>
<tr>
<td><strong>Moderate</strong></td>
<td>40</td>
<td>34.896</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>200</td>
<td>66.161</td>
<td>161</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>2021-22</th>
<th>2020-21</th>
<th>2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surety required allocations $M</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>No.</strong></td>
<td><strong>ERC</strong></td>
<td><strong>No.</strong></td>
<td><strong>ERC</strong></td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>143</td>
<td>1,176.151</td>
<td>93</td>
</tr>
<tr>
<td>&gt;$450M Threshold</td>
<td>26</td>
<td>4,886.307</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>169</td>
<td>6,062.458</td>
<td>117</td>
</tr>
</tbody>
</table>

ERC = aggregate estimated rehabilitation cost

The total ERC risk managed by the Scheme Manager as at 30 June 2022 was approximately $12,275 million. Of this, environmental authorities with an aggregate ERC of $12,242 million have in-force RCA decisions.

The in-force decisions apply to 367 environmental authorities and a further 14 environmental authorities (ERC $6.620 million) with initial assessments in progress. The variance of the in-force decisions to the 369 actual decisions made in the period is due to multiple assessments in the period for some environmental authorities that have undergone a direct (tenure sale) or indirect (change in control) transfer, de-amalgamations, new authorities and authorities where their ERC has reached the $100,000 assessment threshold in the period. These have been somewhat offset by amalgamations of multiple authorities into one, cancelled and surrendered authorities.

Around 4,520 environmental authorities and small miner permits accounted for approximately $23.568 million in ERC risk and are required to provide surety as the ERC value for each EA is below $100,000. Approximately $2.637 million in ERC risk relates to environmental authorities where the tenure is cancelled or disclaimed by an external administrator, the environmental authority is being reviewed by the Department of Environment and Science (DES) for potential provisioning claim or it is undergoing a surrender or cancellation.
Risk composition

The state’s rehabilitation risk exposure (in terms of the financial soundness and likelihood of assets not selling should an existing holder enter financial difficulties) is sound as at 30 June 2022.

Very Low RCA outcomes dominate in terms of ERC exposure at 54% or $6.640 billion. Low risk assessments account for a further 24% or $2.823 billion.

Moderate RCA outcomes account for $1.526 billion at 12%. High RCA outcomes’ ERC represents the smallest class of ERC exposure at $1.252 billion or just 10% (albeit that they account for the largest share of EAs at 41%).

The chart below shows the relative composition of aggregate ERC exposure as per the Scheme’s RCA outcomes.

Notwithstanding this profile, the Scheme Manager draws attention to very high levels of risk concentration in the hands of a small number of participants. Three assessed entities account for more than 50% of the total ERC exposure of the state. Any decision by these entities to exit a portion or majority of their positions would likely manifestly change the state’s counterparty risk profile with significant implications for the Scheme.

As has been reported in prior Annual Reports, coal-related exposure dominates the state’s aggregate ERC at 70% or $8.599 billion. Equally, coal related exposure is overwhelmingly held at Very Low or Low risk assessment outcomes. Coal accounts for 75% of the state’s Very Low ERC risk and 67% of the Low exposure.

Mineral related ERC exposure, at $2.319 billion is more dispersed across the four risk categories. Mineral related ERC exposure dominates the High risk category allocation (at 55%).

Petroleum and Gas related exposures are magnitudes smaller in total at $1.325 billion with a very strong concentration (93%) at Very Low and Low risk.
Provisioning composition

A central design feature of the Scheme is to limit the exposure of the Fund to any one assessed entity given the high concentration which exists. The maximum threshold cap the Scheme will accept for any single assessed entity is currently set at $450 million. For every dollar of exposure in excess of that threshold, holders are obliged to provide full surety. The impact of this is seen in the amount of ERC exposure that is provisioned by way of contribution to the Scheme Fund versus that which is provisioned by surety as shown in the charts below.

The Fund provisioning ERC accounts for $6.010 billion (49%). Surety provisioning accounts for $6.231 billion (51%).
Scheme processes

The Financial Provisioning Scheme administers a range of processes for all EAs in addition to the risk assessments. Changes to small miner permits, resource tenures and related environmental authority information may flow through to the Scheme. For example, transfers of permits to new holders, changes to the estimated rehabilitation cost, amalgamation of tenures from multiple EAs into one and the reverse process of splitting tenures from one into multiple environmental authorities.

Section 33 under the Act enables potential purchasers of a resource tenure in Queensland to request, with the consent of the existing holder, a due diligence risk assessment in advance of the purchase date. A related s36 decision will be valid for six months from the decision date. Fourteen of these were completed in the period.

The Financial Assurance Information Registry (FAIR) system integrates with the DES, DoR and QT systems to record and manage various Scheme processes. In total, 1284 tasks were completed in FAIR in the 2021-22 financial year.

FAIR tasks by process - 2021-22 financial year

<table>
<thead>
<tr>
<th>Scheme processes 2021-22</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk assessments (&gt;=$100,000 ERC)</td>
<td>369</td>
</tr>
<tr>
<td>Section 33 assessments</td>
<td>14</td>
</tr>
<tr>
<td>Environmental authorities surrendered</td>
<td>118</td>
</tr>
<tr>
<td>Environmental authorities cancelled</td>
<td>2</td>
</tr>
<tr>
<td>Amendments to ERC</td>
<td>294</td>
</tr>
<tr>
<td>Surety claims processed</td>
<td>0</td>
</tr>
<tr>
<td>New environmental authorities</td>
<td>219</td>
</tr>
<tr>
<td>Transfers of environmental authorities</td>
<td>255</td>
</tr>
<tr>
<td>Amalgamation of existing authorities</td>
<td>8</td>
</tr>
<tr>
<td>De-amalgamation of authorities</td>
<td>5</td>
</tr>
</tbody>
</table>
3 Financial Provisioning Fund financial report

Scheme Manager statement

The Financial Provisioning Fund financial report is prepared in accordance with the Financial Provisioning Scheme Annual Report Framework policy. The financial report reflects the financial position of the Financial Provisioning Fund based on regulatory receipts and payment categories.

In my opinion, the Financial Provisioning Fund financial report below presents fairly the transactions of the Fund for the period 1 July 2021 to 30 June 2022, and the balance of the Fund as at 30 June 2022.

Murray Smith
Scheme Manager
29 August 2022

Financial Provisioning Fund as at 30 June 2022

<table>
<thead>
<tr>
<th>Note</th>
<th>2022 $,000</th>
<th>2021 $,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Fund balance</td>
<td>61,874</td>
<td>19,860</td>
</tr>
<tr>
<td>Fund inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On Fund investment</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>On cash surety</td>
<td>2</td>
<td>640</td>
</tr>
<tr>
<td>Contributions</td>
<td>3</td>
<td>66,481</td>
</tr>
<tr>
<td>Assessment fees</td>
<td>3</td>
<td>2,486</td>
</tr>
<tr>
<td>Total Fund inflows</td>
<td></td>
<td>69,606</td>
</tr>
<tr>
<td>Fund outflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration costs</td>
<td>4</td>
<td>–2,968</td>
</tr>
<tr>
<td>Fund investment loss</td>
<td>1</td>
<td>–242</td>
</tr>
<tr>
<td>Total Fund outflows</td>
<td></td>
<td>–3,210</td>
</tr>
<tr>
<td>Net Fund position for the period</td>
<td></td>
<td>66,397</td>
</tr>
<tr>
<td>Fund balance at 30 June</td>
<td></td>
<td>128,270</td>
</tr>
</tbody>
</table>

Accounting Policy
The Financial Provisioning Fund balance has been prepared on a cash movement basis except for Fund investments which are prepared on an investment market value basis. The market value is determined by the external investment manager.

Notes:
1. Financial Provisioning Fund investment commenced in July 2021 and has a balance of $60.891 million at 30 June 2022 (see QT 2021-22 Financial Statements note 16).
2. Cash surety interest earnings has increased due to an increased amount of cash surety held.
3. Increase in contributions and assessment fees is a result of the increase in environmental authorities transitioned into the risk category allocation process. The variance to FPS Fund contributions ($66.161 million) and assessment fees ($2.540 million) disclosed in Note 4 of the QT 2021-22 Financial Statements is due to the timing of invoices being paid.
4. Increased administration costs applied to the Financial Provisioning Fund is due to the transition of the Financial Provisioning Scheme to be self-funded by the 2022-23 financial year.

Please see the Appendix to this report for the Financial Provisioning Fund audit statement.
4 Financial provisioning surety

Surety held at 30 June 2022

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

Since 30 June 2019, surety held has decreased by 26% ($2.157 billion) from $8.355 billion to $6.198 billion at 30 June 2022. This decrease is mainly due to EAs providing contributions to the Financial Provisioning Fund instead of surety, noting that there has been an offsetting increase in surety for EAs provisioned by surety which have had a higher ERC determination in the period. As at 30 June 2022, $0.255 billion in notices to provide surety had been issued to environmental authority holders for which the surety was yet to be received.

Surety composition has experienced a change since Scheme commencement. There has been a decrease of 45% in bank guarantees, an increase of 1,584% in insurance bonds (such not having been accepted prior to Scheme commencement) and a 151% increase in cash surety. This trend is reflective of broader financial market responses to a number of matters including a shift away from fossil fuel related activity. The Scheme Manager is working with all parties to identify longer term solutions to tightening market accessibility for surety instruments.

<table>
<thead>
<tr>
<th>Surety</th>
<th>30/06/2019 $,000</th>
<th>30/06/2020 $,000</th>
<th>30/06/2021 $,000</th>
<th>30/06/2022 $,000</th>
<th>Annual Change $,000</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank guarantee</td>
<td>8,217,753</td>
<td>6,330,973</td>
<td>5,289,628</td>
<td>4,481,975</td>
<td>–807,653</td>
<td>–15%</td>
</tr>
<tr>
<td>Insurance bonds</td>
<td>84,823</td>
<td>643,533</td>
<td>1,382,239</td>
<td>1,584,338</td>
<td>202,100</td>
<td>15%</td>
</tr>
<tr>
<td>Cash</td>
<td>52,554</td>
<td>61,034</td>
<td>78,993</td>
<td>132,052</td>
<td>53,059</td>
<td>67%</td>
</tr>
<tr>
<td><strong>Total surety</strong></td>
<td><strong>8,355,130</strong></td>
<td><strong>7,035,540</strong></td>
<td><strong>6,750,860</strong></td>
<td><strong>6,198,366</strong></td>
<td><strong>–552,495</strong></td>
<td><strong>–8%</strong></td>
</tr>
</tbody>
</table>

Note: For the related 30 June 2022 Queensland Treasury annual report financial statement disclosures please refer to:
- Note 2(b) for the Financial Provisioning Scheme.
- Note 14 for cash surety and 21 for the equal Liability.
- Note 24 for bank guarantee and insurance bond surety disclosure and contingency reporting.

Claims against surety

No claims were made against surety in the 2021-22 financial year.

In the 2020-21 financial year, claims of $2.2 million were properly made against surety held.
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 $39.462 million in its Queensland Budget 2017–18. The budget required the reforms costs to be returned to government. The Treasurer’s advance for the reforms will be repaid from the Financial Provisioning Fund over 5 years commencing 2022-23. From 1 July 2022 all Scheme administration costs will be met from the Financial Provisioning Fund. Administration costs include external risk advice consortium expenses, technology related costs and staff expense.

The Scheme Manager approved $2 million in grants from Financial Provisioning Fund for abandoned mine investigation and development of risk reduction options for the Jumna, Golden Gate and Chariah sites.

Costs set out below reflect known Financial Provisioning Fund estimated cash outflows for the periods and excludes provisional allowances for unknown items such as potential claims.

<table>
<thead>
<tr>
<th>Note</th>
<th>2022–23 $,000</th>
<th>2023–24 $,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandoned mines grants program</td>
<td>1,265</td>
<td>735</td>
</tr>
<tr>
<td>Research grant program</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Return of Treasurer advances</td>
<td>7,893</td>
<td>7,893</td>
</tr>
<tr>
<td>Environmental mitigation claims(^2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Rehabilitation program claims(^2)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Forecast administration expenditure(^1)</td>
<td>6,500</td>
<td>6,500</td>
</tr>
</tbody>
</table>
6 Financial Provisioning Scheme Advisory Committee

The role of the Advisory committee is to give advice:

- to the requesting agency (DES or DoR) 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.

As at 30 June 2022, Financial Provisioning Scheme Advisory Committee (Committee) members were:

- Mrs Helen Dogan, Assistant Under Treasurer as Chair (appointed February 2020)
- Professor Martine Maron (appointed September 2019)
- Dr Carl Grant (appointed September 2019)
- Dr Julie Beeby (appointed October 2019)
- Mr Stephen Smyth (appointed October 2019)
- Mr Richie Ah Mat (appointed October 2019)
- Mr Matthew Paull (appointed October 2019)
- Mr Michael McCabe (appointed October 2019)
- Ms Rhonda Jacobsen (appointed October 2019)
- Ms Christine Carlisle (appointed August 2021)

Membership of the Committee is for a period of three years from appointment unless a member resigns before this. A review of the memberships will occur in 2022 as most appointments expire in September 2022.

During the 2021-22 financial year, the Financial Provisioning Scheme Advisory Committee provided advice to the Director General of the DoR on prioritisation of proposed funding applications to the Scheme Manager for abandoned mines projects.
7 Legislative disclosures

Mineral and Energy Resources (Financial Provisioning) Act 2018

Section 73 of the Act requires the first actuarial review to occur 5 years after Scheme commencement and every 3 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, as part of the annual report, a summary of stakeholder submissions received during the financial year on the effectiveness of the Financial Provisioning Scheme. No stakeholder submissions or residual risk payments were received in the 2021-22 period.

Actuarial review

An interim actuarial review is underway as part of the post commencement review being undertaken by the Scheme Manager. An actuarial report will be provided to the Scheme Manager in the next financial year. It will not replace the obligation to formally undertake an actuarial review after 5 years of operation.

Regular actuarial reviews will ensure the pricing points within the Scheme continue to allow for a robust and sustainable Financial Provisioning Fund without seeing them at a level that unduly impinges economic activity.

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 Cash 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 do not comply with Australian Accounting Standards. Where financial information is 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 Treasurer on the operations, financial performance and financial position of the Financial Provisioning Scheme. This occurs on a regular basis and as required for emergent matters for example, if anything occurs that may significantly affect the Financial Provisioning Fund’s viability.
A key component to the effective delivery of the Scheme is the integration of processes between DoR, DES, and QT. 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 financial report

Opinion

I have audited the Financial Provisioning Fund financial report for the period 1 July 2021 to 30 June 2022, identified in section 3 of the Financial Provisioning Scheme's 2021-22 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 2022 and the transactions of the Fund for the period 1 July 2021 to 30 June 2022.

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 accounting policy in section 3 of the Financial Provisioning Scheme's 2021-22 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. An exception to this basis relates to the fund investments which are accrued for on a market value basis. 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 2021-22 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.

7 September 2022

Paul Christensen
as delegate of the Auditor-General

Queensland Audit Office
Brisbane