

DEPARTMENT FOR
ENERGY AND MINING

ANNUAL REPORT 2018 – 19



**Government
of South Australia**

Department for
Energy and Mining



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of South Australia**

DEPARTMENT FOR ENERGY AND MINING

2018-19 Annual Report

DEPARTMENT FOR ENERGY AND MINING
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To: Hon Dan van Holst Pellekaan
Minister for Energy and Mining

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *Public Sector Act 2009* (Act) (Part 3, s12) and the *Public Sector Regulations 2010* (Regulations) (Part 2, s7) and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the DEPARTMENT FOR ENERGY AND MINING by:

Vince Duffy
Acting Chief Executive

Date

4/10/19

Signature



The annual report was submitted late as the final editing process identified the need to resolve inconsistencies of information contained within the report.

From the Chief Executive



The Department for Energy and Mining (DEM) delivers affordable, reliable and secure energy supplies in a transitioning national energy market, and to responsibly unlock the value offered by South Australia's mineral and energy resources. The 2018-19 financial year has been a period of firsts for the Department for Energy and Mining. It was our first year as a stand-alone agency for energy and mining, the first at our new consolidated head office at Waymouth Street and our first annual report as a new agency that came into being on 1 July 2018.

Even with these many firsts, we have maintained continuity from our previous existence within larger agencies. The energy and mining divisions continue to build on a hard-earned reputation as reliable and respected industry regulators that are committed to safeguarding workplace health, safety and the environment. Our project managers and policy advisers continue to provide leadership, guidance and a commitment to deliver on the programs, legislation and regulations within our portfolio areas. Our expertise and experience helps inform other government agencies and co-regulators at a State and Commonwealth level.

A highlight of 2018-19 was establishing a three-year Strategic Direction document that sets out our vision and key priorities: effective, efficient and transparent regulation, lower energy prices, growing resource exports and supporting future industries and jobs growth. Underpinning these four priorities are four high performance enablers: our diverse, professional, accountable and respectful culture, our demonstrable professional and personal leadership, our meaningful engagement beyond our agency to all stakeholders and our commitment to deliver the best outcomes for South Australians. Internal workshops ensured every member of our workforce had an opportunity to provide input into our foundation document.

A handwritten signature in black ink, appearing to be 'P. Heithersay', written in a cursive style.

Paul Heithersay
Chief Executive
Department for Energy and Mining

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Overview: about the agency

Our strategic focus



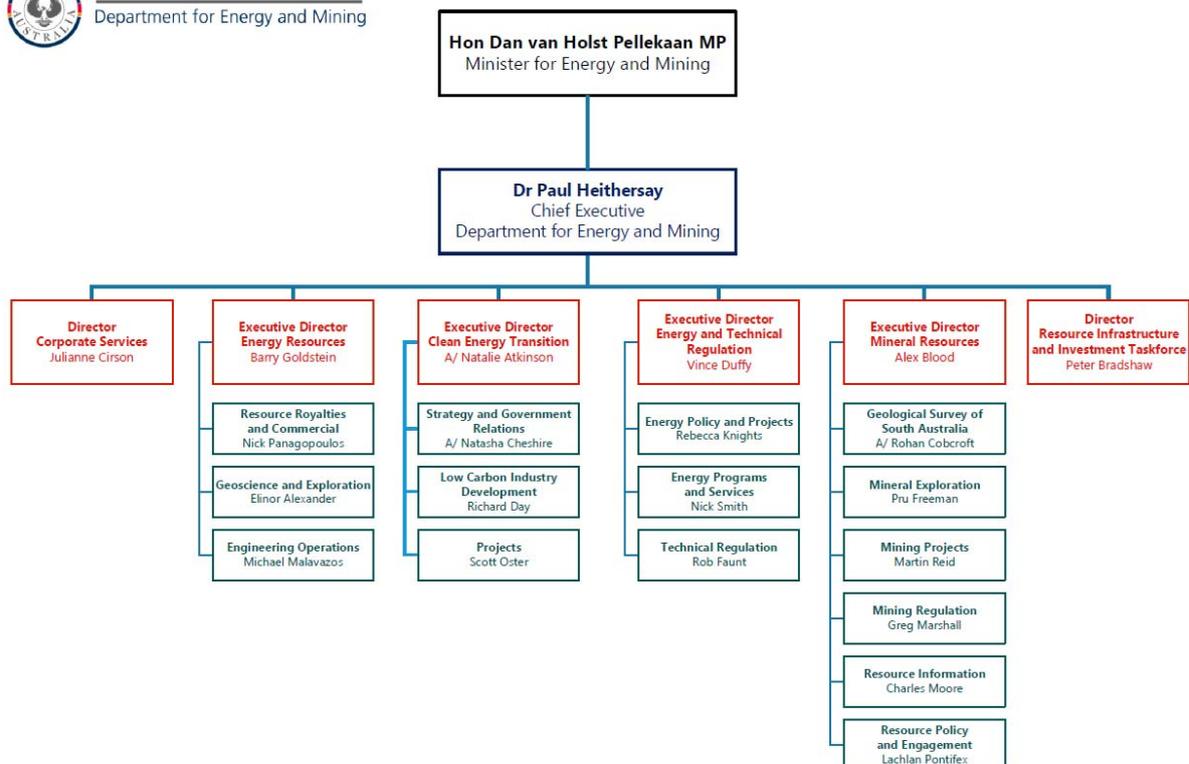
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Our Purpose	We exist to deliver affordable, reliable and secure energy supplies in a transitioning national energy market, and to responsibly unlock the value and opportunities offered by South Australia's mineral and energy resources.
Our Vision	Our vision is to be the best government agency in Australia
Our Values	Our culture is diverse, professional, accountable, respectful and committed to safety. We demonstrate personal and professional leadership and value recognition as leaders in our field. We engage meaningfully so our work builds a successful, sustainable future for all South Australians. We deliver the best outcomes for all South Australians.
Our functions, objectives and deliverables	<ul style="list-style-type: none"> ○ Effective, efficient and transparent regulation ○ Lower energy prices ○ Growth of future industries and jobs ○ Increased resource exports

Our organisational structure



Government of South Australia
Department for Energy and Mining



Changes to the agency

On 1 July 2018 the Governor of South Australia established by proclamation the Department for Energy and Mining as an outcome of the machinery of government changes announced by the incoming Marshall Liberal Government. The Department comprised the energy resources, mineral resources, energy and technical regulation, and energy plan implementation functions, and the Resources Investment and Infrastructure Task Force, all formerly within the Department for the Premier and Cabinet. The new department also established a corporate services division and office of the Chief Executive to support its functions as a stand-alone agency.

Our Minister



The Honourable Dan van Holst Pellekaan MP is the South Australian Minister for Energy and Mining.

Minister van Holst Pellekaan was elected to Parliament as the Member for Stuart in 2010. He was promoted to the Shadow Cabinet in 2011 and has held the Energy and Mining portfolio since June 2014.

After his re-election at the 2018 State Election, he was sworn in as Minister for Energy and Mining in the Marshall Liberal Government.

Minister van Holst Pellekaan started his working life as a labourer before playing four seasons in the National Basketball League and at the same time gaining a Bachelor of Economics. He then spent ten years with BP Australia before entering the small business sector as a shareholder and operator of Outback roadhouses for seven years. This was followed by three years developing cycle tourism in the Southern Flinders Ranges immediately before entering Parliament.

Minister van Holst Pellekaan's electorate extends from Kapunda at its southern end, all the way up to the Northern Territory border. It heads east to the Queensland and New South Wales border. It includes the Mid North agricultural region, all of the Flinders Ranges and the vast north-east pastoral region surrounded by the Northern Territory, Queensland and New South Wales. The regional city of Port Augusta is its main population centre.

Our Executive team



Dr Paul Heithersay, Chief Executive of the Department for Energy and Mining. The agency brings together the resources, energy and renewables divisions responsible for managing and regulating the State's mineral, gas, petroleum and energy sectors on behalf of the people of South Australia.

Paul joined the South Australian public service in 2002.



Natalie Atkinson, Acting Executive Director, Clean Energy Transition, leads the team responsible for major energy project delivery and industry development. Previously Natalie was the Director responsible for government relations, communications, strategy and governance for the Home Battery Scheme, Grid Scale Storage Fund, South Australia's Virtual Power Plant and hydrogen and electric vehicle strategy development.



Alex Blood, Executive Director, Mineral Resources leads the team responsible for the provision of geoscientific data and information to support investment in mineral exploration, and for the administration and regulation of mining and mineral exploration.

Alex is leading the development of policies to build on the State's reputation for innovation in exploration, epitomised by the Plan for Accelerating Exploration (PACE), the South Australian Resources Information Gateway (SARIG), the South Australia Drill Core Reference Library and the Accelerated Discovery Initiative.



Peter Bradshaw, Director Resources Infrastructure and Investment Task Force, which is responsible for facilitating some of the State's most significant transformation projects. The Task Force is focused on the South Australian government's role in Nyrstar's Port Pirie Transformation, the Steel Task Force and longer-term strategic projects.



Julianne Cirson, Director Corporate Services, has led the smooth transition to the new agency. As we continue to establish key priorities including implementing organisational governance, managing Service Level Agreements for Corporate Services, modernising service delivery in response to budget savings tasks, developing and embedding the High Performing Behaviours Framework, and reviewing and implementing systems and processes to improve efficiencies.



Vince Duffy, Executive Director, Energy and Technical Regulation division, has been at the forefront of leading and developing responses to the many challenges faced by the State during the ongoing transition in the national energy market. The division is also home to the Office of the Technical Regulator, which plays an essential role in maintaining safety in the electrical, plumbing and gas industries.



Barry Goldstein, Executive Director, Energy Resources division, is passionate about the energy industry and focused on the development of leading practice regulation, the direction of research and investment attraction for petroleum, geothermal energy and greenhouse gas storage. Before joining the SA Public Service, Barry had more than 30 years' international experience in the energy business as a geologist. Barry is a recipient of an Order of Australia Public Service Medal and a Lewis G Weeks medal for outstanding contribution to petroleum exploration.

Legislation administered by the agency

Australian Energy Market Commission Establishment Act 2004

Broken Hill Proprietary Company's Indenture Act 1937

Cooper Basin (Ratification) Act 1975

Electricity Act 1996

Electricity Trust of South Australia (Torrens Island Power Station) Act 1962

Energy Products (Safety and Efficiency) Act 2000

Gas Act 1997

Mines and Works Inspection Act 1920

Mining Act 1971

National Electricity (South Australia) Act 1996

National Energy Retail Law (South Australia) Act 2011

National Gas (South Australia) Act 2008

Natural Gas Authority Act 1967

Offshore Minerals Act 2000

Offshore Petroleum and Greenhouse Gas Storage Act 2006

Opal Mining Act 1995

Petroleum (Submerged Lands) Act 1982

Petroleum and Geothermal Energy Act 2000

Roxby Downs Indenture Ratification Act 1982

Stony Point (Liquids Project) Ratification Act 1981

Whyalla Steelworks Act 1958

The agency's performance

Performance at a glance

In 2018-19, the Department for Energy and Mining designed and implemented the Home Battery Scheme to support the installation of battery storage systems in 40,000 homes, led early works on the proposed New South Wales-South Australian interconnector Project EnergyConnect, and supported the State's engagement in the Council of Australian Governments (COAG) Energy Council.

Electricity prices in South Australia fell in the 12 months to 30 June 2019. The Essential Services Commission of South Australia (ESCOSA) reported a fall in market offer prices equivalent to an average annual bill reduction of \$62 for a residential customer and \$141 for a small business customer. Seventy-three large energy users improved their energy costs by successfully implementing projects funded by energy productivity program grants.

The agency granted mining leases for the Kalkaroo copper and Siviour graphite projects as construction continued on the Carrapateena copper gold mine. The Steel Task Force continued to facilitate Whyalla Steelwork's transformation, and the Resources Investment and Infrastructure Task Force led the government's industry interaction on the Port Pirie Transformation and Olympic Dam Expansion project. Most importantly, the agency has set up practices to ensure we can continue to drive efficiencies within our divisions that allow us to better engage and respond to our stakeholders.

Agency contribution to whole of Government objectives

Key objective	Agency's contribution
More jobs	Grow future industries and jobs by fostering the expansion of value chain industries and professions that support the mineral, energy and renewable resources sectors.
Lower costs	Enable access to lower energy costs for businesses and households by facilitating clean, secure, reliable safe and a more competitive energy network.
Better services	Deliver effective, efficient and transparent regulation of the mineral resources, energy resources, energy market sector and the electrical, plumbing and gas fitting professions.

Agency specific objectives and performance

Agency objectives	Indicators	Performance
<p>Deliver effective, efficient and transparent regulation of the mineral resources, energy resources, energy market sectors and the electrical, plumbing and gas fitting professions</p>	<p>Transition to digital and online regulation and compliance to support business via streamlined government processes, improving efficiency and reducing cost</p>	<p>Finalised a Digital Transformation Strategy and Forward Plan.</p> <p>Completed a lean review of the Production Tenement Renewal process that will lead to significant time saving and improved transparency to customers.</p> <p>Completed world leading practice environmental and social impact assessment review, regulator workshops and future work plan, to explore opportunities to evolve Mining Lease assessment processes.</p> <p>Completed seismic tape transcription project that will significantly reduce agency and industry data storage and management costs.</p> <p>Completed transition to electronic Certificates of Compliance (eCoC) portal in the electrical, plumbing and gas-fitting industries saving an estimated one million plus sheets of paper a year.</p> <p>Transitioned the 'Regulation Roundup' newsletter to online delivery to tradespersons across the State.</p>

	<p>Effective stakeholder engagement to streamline regulatory requirements</p>	<p>Adapted internal audit case management and inspection booking systems to leverage efficiencies delivered by eCoC.</p> <p>Conducted more than:</p> <ul style="list-style-type: none"> • 9,500 audits of electrical, gas and onsite plumbing installations to ensure compliance with legislative requirements. • 15 audits of electrical, gas, water and wastewater infrastructure.
<p>Enable access to lower energy costs for businesses and households by facilitating a clean, secure, reliable, safe and more competitive energy network</p>	<p>Support the delivery of a new electricity interconnector between South Australia and New South Wales</p>	<p>Government committed \$14 million for early works with Project EnergyConnect granted Major Project Status in June 2019 and declared Critical State Significant Infrastructure by Government of New South Wales.</p> <p>ElectraNet submitted the project to the Australian Energy Regulator for formal regulatory approval.</p>
	<p>Support national energy market reforms to aid an orderly and cost-effective transition to a low emissions future</p>	<p>Put in place regulatory instruments to implement the Retailer Reliability Obligation.</p>
	<p>Empower consumers through expanded demand management options and better integration of distributed energy resources</p>	<p>Led a national regulatory impact assessment process to require demand response capability for selected appliances.</p>

		<p>Submitted a rule change proposal for an in-market demand response mechanism.</p>
	<p>Develop and implement initiatives to accelerate grid-scale and residential storage</p>	<p>Designed and launched the Home Battery Scheme to provide \$100 million in grants, supported by a \$100 million Clean Energy Finance Corporation investment to provide low interest loans, for the installation of battery storage systems in up to 40,000 South Australian homes.</p> <p>Designed and implemented the Grid Scale Storage Fund and continued to monitor and contract manage projects supported by the Renewable Technology Fund.</p> <p>Supported Tesla on the implementation of the phase two trial of South Australia's Virtual Power Plant in South Australian Housing Authority homes to deliver more affordable energy to its tenants.</p>
	<p>Facilitate a stable, reliable transition to sustainable energy options</p>	<p>Led the market process to establish lease arrangements for the temporary power generators.</p> <p>Release of market notice for government supply.</p>

<p>Responsibly increase South Australian exports by growing mineral, energy and renewable resources production</p>	<p>Deliver and promote exploration and precompetitive geoscience initiatives to attract new mineral exploration investment</p>	<p>Supported establishment of MinEx Cooperative Research Centre to assist greenfield mineral discoveries.</p> <p>Announced the Accelerated Discovery Initiative to support exploration of South Australia’s untapped mineral resources to grow jobs and investment.</p> <p>Finalised collection of extensive pre-competitive geoscience data to inform investors and industry and support the next generation of resource industry growth in the highly-prospective Gawler Craton.</p>
	<p>Develop and market Cooper-Eromanga and Otway Basin acreage releases to attract new petroleum exploration investment</p>	<p>New petroleum acreages in the Cooper and Otway Basins offered in May 2019 with bids closing November 2019.</p>
	<p>Support ongoing delivery of projects to increase availability of locally sourced natural gas</p>	<p>Continued to deliver significant incremental gas supplies to the South Australian market through projects supported financially by the PACE Gas program.</p>
	<p>Support the copper, magnetite and emerging mineral sector developments required for global transition to clean energy</p>	<p>Supported the industry-initiated Magnetite Strategy with agreed new short-term targets.</p> <p>Continued cross-agency management of BHP’s Olympic Dam mining and processing operations and facilitated a proposal for the further expansion of copper production.</p>

<p>Grow future industries and jobs by fostering the expansion of value chain industries and professions that support the mineral, energy and renewable resources sectors</p>	<p>Support State significant economic transformations</p>	<p>The Steel Task Force continued to lead the government’s role in developing the South Australian steel industry in liaison with the Commonwealth Government.</p> <p>Facilitated in collaboration with the Department for Treasury and Finance the revised Port Pirie Transformation financing arrangements with Trafigura and Nyrstar.</p> <p>Through the Home Battery Scheme attracted sonnen, AlphaESS and Eguana Technologies to manufacture and assemble home batteries in South Australia.</p>
	<p>Facilitate the development of the emerging clean hydrogen industry in South Australia</p>	<p>Continued implementation of South Australia’s Hydrogen Roadmap to develop a hydrogen industry in South Australia, and contributed to the development by the CSIRO of a National Hydrogen Roadmap.</p> <p>Monitored progress of using hydrogen and biogas as future fuels including working closely with Australian Gas Networks on its hydrogen injection into gas mains project.</p>
	<p>Enhance opportunities for local and Aboriginal participation within industry and engagement activities</p>	<p>Increased employment and business opportunities for Aboriginal people through development and delivery of government and industry partnerships in</p>

		<p>the Cooper and Eromanga Basins.</p> <p>Coordinated the achievement of improvements in engagement and cultural heritage management between exploration companies and indigenous landowners through the Stronger Partners, Stronger Futures program.</p>
	<p>Integration of renewable energy generation sources into remote power stations under the Remote Area Energy Supply scheme</p>	<p>Upgraded power generation systems at four remote power stations in preparation for the integration of renewable power generation sources.</p>

Corporate performance summary

With the goal to be the best government agency in Australia the focus for the first year was to establish foundational elements required for a high-performing organisation.

Culture is at the core of creating a place where people want to work. The agency developed an Enablers and High Performing Behaviours Framework, aligned with public sector values, through an agency-wide engagement process. This Framework will grow a culture of performance and accountability to enable delivery of our Strategic Direction, and is the basis for the development and implementation of Our People Strategy.

The launch of the Strategic Direction 2018-2021, and the strategic and business planning framework articulated alignment with government priorities and provided a line of sight for employees to have clarity about how they contribute.

With a focus on creating value to our stakeholders through improved processes and innovation, the agency initiated a digital transformation strategy to consolidate and reform our existing systems and processes, and improve our capability to use data in decision making.

The agency implemented a robust governance framework incorporating its strategic, legal and ethical obligations to maintain effective governance, monitor performance, provide transparency and support decision making.

From an operational perspective, key achievements included the creation of a Diversity and Culture Committee, adopting revised business processes for handling correspondence and Freedom of Information requests, implementing a significantly improved records management system and Complaints Management System and the launch of an intranet as the primary portal for sharing corporate information and seeking across-agency collaboration.

Employment opportunity programs

Program name	Performance
Aboriginal Traineeship Program	The agency participates in the whole-of-government Aboriginal Traineeship Program facilitated by the Office of the Commissioner for Public Sector Employment. DEM currently hosts an Aboriginal trainee in our Energy and Technical Regulation Division.
University placements	The agency hosts students (school and university level in the fields of engineering, geology and economics) for the placement component of their course.

Agency performance management and development systems

Performance management and development system	Performance
<p>A Performance Management and Development (PMD) framework exists within the agency to support employees and leaders to create Performance Development Plans (PDP) and have regular performance conversations.</p> <p>For reporting and monitoring purposes, all PDP discussions are recorded on a template and logged on the human resources system, HR21.</p>	<p>All staff are required to participate each year in two formal performance management and development review conversations. The agency had a 57 per cent completion rate between 1 July 2018 and 31 December 2018, increasing to a 61 per cent completion rate between 1 January 2019 and 30 June 2019.</p> <p>A review of the PMD framework began in May 2019 to streamline the process and increase engagement. The agency has engaged a contractor to develop an online performance development process to enable more effective management and reporting.</p>

Work health, safety and return to work programs

Program name	Performance
Mental Health First Aid (MHFA)	<p>In accordance with the requirement of the South Australian Modern Public Sector Enterprise Agreement: Salaried 2017, eight staff participated in accredited two-day MHFA training. This training increases mental health awareness and supports a mentally healthy culture.</p>

Workplace injury claims	2018-19	2017-18	% Change (+ / -)
Total new workplace injury claims	2	-	-
Fatalities	0	-	-
Seriously injured workers*	0	-	-
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	6.60	-	-

*number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)

Work health and safety regulations	2018-19	2017-18	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	-	-
Number of provisional improvement, improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	-	-

Return to work costs**	2018-19	2017-18	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$135,051	-	-
Income support payments – gross (\$)	\$73,394	-	-

**before third party recovery

Data for previous years is available at: N/A – Initial reporting year

Executive employment in the agency

Executive classification	Number of executives
SAES1	18
SAES2	4
EXECF	1

Data for previous years is available at: N/A – Initial reporting year

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2018-19 are attached to this report.

Executive summary

The agency is an administrative unit under the *Public Sector Act 2009* established on 1 July 2018 and the Resources and Energy and Energy Implementation groups transferred on that date from the Department of the Premier and Cabinet (DPC).

As the agency was established on 1 July 2018, there are no prior period comparative figures available in the tables below.

Statement of comprehensive income

	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s
Expenses	(184 074)	(166 301)	17 773
Revenues	54 584	55 519	935
Net cost of providing services	(129 490)	(110 782)	18 708
Net Revenue from SA Government	39 922	43 429	3 507
Net result	(89 568)	(67 353)	22 215
Total Comprehensive Result	(89 568)	(67 353)	22 215

The agency reported a \$22.215 million favourable result when compared with the 2018-19 original budget. This was mainly due to the reprofiling of initiatives, with expenditure budgets to be carried over to future years.

The agency's major expenditure items for the year primarily related to the State's Temporary Generators, Energy Initiative grant funding programs, and the Remote Area Energy Supply scheme. Further details on agency expenditure are disclosed in the full audited financial statements that are attached to this report.

Statement of Financial Position

	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s
Current assets	5 787	21 531	15 744
Non-current assets	296 141	270 697	(25 444)
Total assets	301 928	292 228	(9 700)
Current liabilities	(27 972)	(27 186)	786
Non-current liabilities	(34 447)	(15 019)	19 428
Total liabilities	(62 419)	(42 205)	20 214
Net assets	239 509	250 023	10 514
Equity	239 509	250 023	10 514

Consultants disclosure

The following is a summary of external consultants that were engaged by the agency. Full details of the nature of work undertaken and actual payments made for the financial year are disclosed in Appendix 1.

Consultants	Number	\$ Actual payment
Below \$10,000	8	\$35,718
\$10,000 or above	20	\$2,002,265
Total	28	\$2,037,983*

Contractors disclosure

The following is a summary of external contractors that were engaged by the agency. Full details of the nature of work undertaken and actual payments made for the financial year are disclosed in Appendix 1.

Contractors	Number	\$ Actual payment
Below \$10,000	31	\$99,064
Between \$10,000 and \$100,000	27	\$1,083,735
Over \$100,000	16	\$8,675,199
Total	74	\$9,857,998*

Contractors include major service contract payments to Cowell Electricity Supply Pty Ltd to manage electricity infrastructure in the Remote Area Energy Supply (RAES) communities.

**Total contractor payments varies by \$932,000 from the figure published in the audited financial statements due to the inclusion of payments for temporary staff.*

Risk management

Risk and audit at a glance

The agency’s Risk and Performance Committee (joint with the Department for Innovation and Skills, and the Department for Trade, Tourism and Investment) has oversight of strategic risks. Strategic risks are those where the effect of an event or change in circumstances affects the ability to achieve its strategic direction. The strategic risk register articulates these risks. Internal audit reviews are consistent with these strategic risks.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Nil	Nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

The agency employs a range of risk-based strategies to control and prevent fraud. These strategies form the agency’s Fraud Control Plan and include, but are not limited to, a related policy and procedure, segregation of duties, pre-employment screening, and declarations of interest. Appropriate business practices are also reinforced through the Financial Management Compliance Program. The Plan and related activities are overseen by the Risk and Performance Committee.

The induction process ensures that all new employees are made aware of the Code of Ethics for the South Australian Public Sector through mandatory online training.

Data for previous years is available at: N/A – Initial reporting year

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*:

Nil

Data for previous years is available at: N/A – Initial reporting year

Reporting required under any other Act or Regulation

Act or Regulation	Requirement
<i>Energy Products (Safety and Efficiency) Act 2000</i>	s25—Annual report (1) The Technical Regulator must, within three months after the end of each financial year, deliver to the Minister a report on the Technical Regulator's administration of this Act during that financial year.

Act or Regulation	Requirement
<i>Electricity Act 1996</i>	s14—Annual report (1) The Technical Regulator must, within three months after the end of each financial year, deliver to the Minister a report on the Technical Regulator's operations under this Act during that financial year.

Act or Regulation	Requirement
<i>Gas Act 1997</i>	s14—Annual report (1) The Technical Regulator must, within three months after the end of each financial year, deliver to the Minister a report on the Technical Regulator's operations during that financial year.

Act or Regulation	Requirement
<i>The Water Industry Act 2012</i>	s13—Annual report (1) The Technical Regulator, within three months after the end of each financial year, must deliver to the Minister, a report on the Technical Regulator's operations during that financial year.

Reporting required under the *Carers' Recognition Act 2005*

Nil

Public complaints

Number of public complaints reported (as required by the Ombudsman)

Complaint categories	Sub-categories	Example	Number of complaints 2018-19
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile, cultural competency	3
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	0
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	0
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	2
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0

Complaint categories	Sub-categories	Example	Number of complaints 2018-19
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	41
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	1
No case to answer	No case to answer	Third party, customer misunderstanding; redirected to another agency; insufficient information to investigate	0
		Total	47

Additional metrics	Total
Number of positive feedback comments	1
Number of negative feedback comments	122
Total number of feedback comments	123
% complaints resolved within policy timeframes	100%

Data for previous years is available at: N/A – Initial reporting year

Appendix 1: Consultancies and Contractors

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultants below \$10,000 each – combined	Various	\$35,718

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Samantha Wilkinson Human Resource Consulting	Assistance in establishing a high performing culture.	\$38,810
Metalzoic Geological Consulting	Detailed definition of gold domains within South Australia and the development of associated geospatial products and datasets.	\$62,800
Ethos CRS Consulting	Collate and analyse submissions on the review of the <i>Mining Act 1971</i> .	\$25,802
PricewaterhouseCoopers	Provision of financial and commercial advice on proposals received for the Demand Management Trials program.	\$94,833
ACIL Allen Consulting	Energy peak demand modelling.	\$41,778
BDO Advisory (SA) Pty Ltd	Provision of probity advice and services to support procurement and grant funding initiatives.	\$79,704
PricewaterhouseCoopers	Financial and commercial analysis and advice, including assistance with financial modelling, guidance on the energy industry, development of commercial strategy, support for procurement and sale processes and accounting and taxation advice.	\$710,570

Consultancies	Purpose	\$ Actual payment
JCHC Consulting	Strategic advice regarding the battery value chain study, 100MW battery operating protocol and hydrogen industry insights.	\$24,000
GPA Engineering Pty Ltd	Study of the technical standards and regulations to make the changes required to allow the injection of hydrogen into the gas network.	\$124,993
Greenview Strategic Consulting	Provision of energy market advice to the review of the Hornsdale Power Reserve Audit Plan and associated training services.	\$18,611
Brubrior Investments Pty Ltd	Assistance in the ongoing development of Olympic Dam, Steel Task Force and Nyrstar Port Pirie Smelter Transformation projects.	\$210,670
Gus Commercial Consulting (SA)	Commercial consultancy services including strategic advice, drafting of commercial documents and probity and procurement advice.	\$44,363
PPB Advisory	Review of Nyrstar Port Pirie accounts and financial model.	\$75,645
Robert Thomas	Expert strategic advice for projects including the roll out of the Targeted Lead Abatement Program in Port Pirie and the Dry Creek Salt Field Closure and Redevelopment Project.	\$154,000
CRU Group	Evaluation of the investment economics of a steel plant in Whyalla.	\$85,000
Fenix Performance Solutions	Financing and commercial advice relating to the Nyrstar Port Pirie Smelter Transformation.	\$74,205

Consultancies	Purpose	\$ Actual payment
PricewaterhouseCoopers	Provision of financial, commercial and accounting advisory service for the Whyalla Steelworks.	\$46,783
PricewaterhouseCoopers	Specialist advice and support relating to insolvency and financial restructuring, including conducting discussions with GFG Alliance.	\$28,831
Paul Case	Advise the Minister on the future of the Leigh Creek Township and chair the Leigh Creek Task Force.	\$24,187
Paul Case	Advise on the implementation of the government's response to the Mintabie review and chair the Mintabie Oversight Committee.	\$36,680
	Total	2,002,265

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$99,064

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
Converge International Inc.	On-site employee counselling services.	\$13,833
Hannan Duck & Partners Pty Ltd	Strategic advisory services relating to IT security, governance and business optimisation, KPI frameworks and customer relationship management systems for the Virtual Power Plant program.	\$268,860
FYB Pty Ltd	Provide Information and Records Management services.	\$87,494
Ramboll Australia Pty Ltd	Undertake a qualitative review and comparison of Mining Regulations and regulatory approvals.	\$24,374
T & P Removals Pty Ltd (Allied Pickfords)	Relocation of Minerals and Energy Resources Division from 101 Grenfell Street to 11 Waymouth Street.	\$33,255
Clear Decisions Trust	Project and change management support for the move to 25 Grenfell Street.	\$12,240
Ennovative Pty Ltd	Configuration and implementation of the Virtual Power Plant customer relationship management system.	\$118,800
Ramboll Australia Pty Ltd	Workshops on the rationale for aligning with Environmental and Social Impact Assessment best practice.	\$29,553

Contractors	Purpose	\$ Actual payment
Proficiency Group Pty Ltd	Delivery of information and records management services.	\$46,491
G & S Resources Pty Ltd	Recovery and consolidation of technical data following the Leigh Creek Mine closure.	\$24,000
JBS&G Australia Pty Ltd	Review of the agency's Guideline Model Environmental Outcomes.	\$12,925
STEM Matters	Production of a report on the history and achievements of PACE.	\$29,500
ARTIS Group Pty Ltd	Petroleum Exploration and Production System (PEPS) development.	\$157,296
SRA Information Technology Pty Ltd	ICT services relating to Tenement Management Systems.	\$51,888
Clifford William Mallett	Provision of expert advice and production of reports on Underground Coal Gasification.	\$81,753
Ausgeos Pty Ltd	Consolidation of Geophysical data for the Far North Water Allocation Plan, Transient Groundwater Model.	\$129,970
University of Adelaide	Development of statistical methods for establishing chemical composition of rock and soil samples.	\$15,394
Catherine Jane Norton	Petrophysical support for the Otway Basin petroleum systems analysis and modelling studies.	\$87,220
DNV GL Australia Pty Ltd	Review of stress corrosion cracking in gas transmission pipelines.	\$24,008
Core Energy Group	Cooper Basin and Eastern Australia gas supply cost review.	\$19,500

Contractors	Purpose	\$ Actual payment
GPA Engineering Pty Ltd	Review of existing gas transmission assets to develop options for the delivery of new gas production into the existing SEA Gas Pipeline.	\$29,524
PricewaterhouseCoopers	Financial and commercial advice for the revised agreement between the State and Nyrstar relating to the Port Pirie Transformation financing contracts.	\$27,273
Anangu Pitjantjatjara Yankunytjatjara	Addressing matters relating to the Mintabie Township.	\$37,800
Intract Australia Pty Ltd	Completion of a scoping study for the Mintabie Township Lease Rehabilitation.	\$72,480
Cowell Electric Supply Pty Ltd	Remote Area Energy Supply scheme – provision of electricity generation, distribution and retail services.	\$4,687,262
Oak Valley (Maralinga) Store	Remote Area Energy Supply scheme – provision of electricity generation, distribution and retail services.	\$84,712
Yalata Community Inc.	Remote Area Energy Supply scheme – provision of electricity generation, distribution and retail services.	\$86,341
Common Capital Pty Ltd	Low emission verification method for electric resistance storage water heaters.	\$68,990
PricewaterhouseCoopers	Financial advisory services for Project EnergyConnect to deliver an energy interconnector between South Australia and New South Wales.	\$173,661

Contractors	Purpose	\$ Actual payment
New South Wales Office of Environment and Heritage	Benchmark the environmental performance of buildings under the National Australian Built Environment Ratings System.	\$12,872
AssetVal Pty Ltd	Valuation services relating to the Remote Area Energy Supply scheme generation and distribution equipment.	\$26,000
Greencap – NAA Pty Ltd	Remote Area Energy Supply scheme – provision of electricity generation, distribution and retail services.	\$24,930
Artis Group	Energy efficiency of E3 smart appliances equipment.	\$14,360
Aurecon Australasia Pty Ltd	Provision of specialist and technical engineering support on projects including emergency generation and the battery value chain.	\$914,855
Accipitrine Pty Ltd	Provision of specialist commercial advice for energy initiatives.	\$431,353
Frontier Economics Pty Ltd	Support for energy policy and procurement activities including securing generation and battery storage facilities, contractual arrangements and energy market analysis and modelling.	\$386,020
The Oxford Comma	Strategic communications and media support.	\$29,400
Honjo Pty Ltd	Project management services to support the temporary power generators.	\$478,412

Contractors	Purpose	\$ Actual payment
Hybrid Agency Pty Ltd	Provision of energy market advice and training services for the review of the Hornsdale Power Reserve Audit Plan.	\$276,548
PQ Services Pty Ltd	General program management advisory services, including program oversight; project governance, procurement strategies and control and reporting structures across a range of agency projects.	\$627,788
	Total	\$ 9,758,935

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts.](#)

The website also provides details of [across government contracts.](#)

Appendix 2: Audited financial statements 2018-19



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To the Acting Chief Executive Department for Energy and Mining

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* I have audited the financial report of the Department for Energy and Mining for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Energy and Mining as at 30 June 2019, its financial performance and its cash flows for year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2019
- a Statement of Administered Financial Position as at 30 June 2019
- a Statement of Administered Cash Flows for the year ended 30 June 2019
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Acting Chief Executive and the Manager, Financial Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and 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 Department for Energy and Mining. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

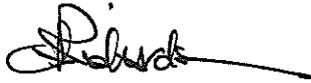
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 Department for Energy and Mining's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive about, 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 the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

18 September 2019

**Department for Energy and Mining
(DEM)**

Financial Statements

For the year ended 30 June 2019

We certify that the attached general purpose financial statements for the Department for Energy and Mining:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department and
- present a true and fair view of the financial position of the Department for Energy and Mining as at 30 June 2019 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Department for Energy and Mining for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Vince Duffy
Acting Chief Executive
16 September 2019



Ben Adams
Manager, Financial Services
16 September 2019

Department for Energy and Mining
Statement of Comprehensive Income
for the year ended 30 June 2019

	Note	2019 \$'000
<u>Expenses</u>		
Employee benefits expenses	2.3	42 091
Supplies and services	3.1	72 295
Depreciation and amortisation	3.2	5 431
Grants and subsidies	3.3	43 524
Net loss from the disposal of property, plant and equipment	4.6	98
Other expenses	3.4	2 862
Total expenses		166 301
<u>Income</u>		
Fees and charges	4.2	38 689
Other grants and contributions	4.4	9 041
Other income	4.7	7 072
Resources received free of charge	4.5	395
Commonwealth grants and payments	4.3	322
Total income		55 519
Net cost of providing services		(110 782)
<u>Revenues from / (payments to) SA Government</u>		
Revenues from SA Government	4.1	112 963
Payments to SA Government	4.1	(69 534)
Total net revenues from SA Government		43 429
Net result		(67 353)
Total comprehensive result		(67 353)

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

The net result is primarily due to the return of surplus capital appropriation disclosed in note 4.1.

Department for Energy and Mining
Statement of Financial Position
as at 30 June 2019

	Note	2019 \$'000
<u>Current assets</u>		
Cash	6.1	5 771
Receivables	6.2	15 760
Total current assets		21 531
<u>Non-current assets</u>		
Property, plant and equipment	5.1	268 264
Intangible assets	5.2	2 433
Total non-current assets		270 697
Total assets		292 228
<u>Current liabilities</u>		
Payables	7.1	15 859
Employee benefits	2.4	4 751
Provisions	7.2	196
Other current liabilities	7.3	6 380
Total current liabilities		27 186
<u>Non-current liabilities</u>		
Payables	7.1	978
Employee benefits	2.4	10 551
Provisions	7.2	3 490
Total non-current liabilities		15 019
Total liabilities		42 205
Net assets		250 023
<u>Equity</u>		
Retained earnings		3 380
Contributed capital		246 643
Total equity		250 023

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings \$'000	Contributed capital \$'000	Total equity \$'000
<u>Net result for 2018-19</u>	<u>(67 353)</u>	-	<u>(67 353)</u>
Total comprehensive result 2018-19	(67 353)	-	(67 353)
Contributed capital increases	-	246 643	246 643
Net assets transferred as a result of an administrative restructure	70 733	-	70 733
Balance at 30 June 2019	3 380	246 643	250 023

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2019

	2019
	(Outflows)
	Inflows
	\$'000
<u>Cash flows from operating activities</u>	
<i>Cash (outflows)</i>	
Employee benefit payments	(40 791)
Payments for supplies and services	(102 260)
Payments of security deposits	(1 641)
Payments of grants and subsidies	(47 991)
Loan payments	(11 147)
Payments for paid parental leave scheme	(25)
Other payments	(797)
Cash (used in) operations	<u>(204 652)</u>
<i>Cash inflows</i>	
Fees and charges	38 264
Receipts from Commonwealth	324
Net GST recovered from ATO	32 242
Receipts of security deposits	235
Net receipts from paid parental leave scheme	33
Other receipts	19 208
Cash generated from operations	<u>90 306</u>
Cash flows from SA Government	
Receipts from SA Government	112 963
Payments to SA Government	(69 534)
Cash generated from SA Government	<u>43 429</u>
Net cash (used in) operating activities	8.2 <u>(70 917)</u>
<u>Cash flows from investing activities</u>	
<i>Cash (outflows)</i>	
Purchase of property, plant and equipment	(230 876)
Cash (used in) investing activities	<u>(230 876)</u>
<i>Cash inflows</i>	
Proceeds from sale of property, plant and equipment and other assets	367
Cash generated from investing activities	<u>367</u>
Net cash (used in) investing activities	<u>(230 509)</u>
<u>Cash flows from financing activities</u>	
Cash inflows	
Capital contributions from SA Government	246 643
Cash received from restructuring activities	60 554
Cash generated from financing activities	<u>307 197</u>
Net cash provided by financing activities	<u>307 197</u>
Net increase in cash	<u>5 771</u>
Cash at the beginning of the period	-
Cash at the end of the period	6.1 <u>5 771</u>

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Energy and Mining

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Department for Energy and Mining

The *Public Sector (Administrative Units) Proclamation 2018* under sections 26 and 28 of the *Public Sector Act 2009* (dated 17 May 2018) proclaimed the establishment of the department and assigned the title Department for Energy and Mining effective from 1 July 2018.

The department is a non-for-profit government department of the State of South Australia. The department is established pursuant to the *Public Sector Act 2009* as an administrative unit acting on behalf of the Crown.

The department does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all of the controlled activities of the department.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*
- relevant Australian Accounting Standards.

For the 2018-19 financial statements the department adopted AASB 9 – Financial Instruments and is required to comply with new *Treasurer's Instructions (Accounting Policy Statements)* issued on 22 March 2019. Further information is provided in note 9.

As the department was established on 1 July 2018, there are no prior period comparative figures in the financial statements.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the department has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2. Objectives and programs

The Department for Energy and Mining was established on 1 July 2018 to deliver affordable, reliable and secure energy supplies in a transitioning national energy market and to responsibly unlock the value and opportunities offered by South Australia's mineral and energy resources.

The department also delivers effective, efficient and transparent regulation for the energy and mining sectors while fostering responsible access and development of the State's mineral and energy endowment to support jobs growth and increased exports.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs of the Department for Energy and Mining (continued)

The department provides leadership in national energy market reforms that integrate energy and climate change policy in national frameworks for mineral and energy resources. The department supports South Australia's role as lead legislator for national energy regulation pursuant to the Australian Energy Market Agreement.

Programs

The department has identified two broad programs that reflect the nature of the services provided to the South Australian community.

Mineral Resources and Energy

The purpose of this program is to responsibly regulate, manage and support the development of South Australia's mineral, petroleum and renewable energy assets, and to provide policy development, advocacy and advice to continually improve productivity, efficiency and environmental responsibility across the resources and energy sectors.

Water Industry Technical and Safety Regulation

The purpose of this program is to support the enforcement, compliance and promotion of technical and safety regulation of plumbing equipment and water industry entities to ensure low levels of accidents and failures.

The tables on the following pages present expenses, income, assets and liabilities attributable to each program.

Expenses and income by program

	Mineral Resources and Energy	Water Industry Technical and Safety Regulation	General / Not attributable
	2019	2019	2019
	\$'000	\$'000	\$'000
<u>Expenses</u>			
Employee benefits expenses	40 277	1 814	-
Supplies and services	71 701	594	-
Depreciation and amortisation	5 386	45	-
Grants and subsidies	43 518	6	-
Net loss from disposal of property, plant and equipment	98	-	-
Other expenses	2 844	18	-
Total expenses	163 824	2 477	-
<u>Income</u>			
Fees and charges	36 038	2 651	-
Other grants and contributions	9 041	-	-
Other income	7 051	21	-
Resources received free of charge	378	17	-
Commonwealth grants and payments	322	-	-
Total income	52 830	2 689	-
Net cost of providing services	(110 994)	212	-
<u>Revenues from / (payments to) SA Government</u>			
Revenues from SA Government	-	-	112 963
Payments to SA Government	-	-	(69 534)
Net result	(110 994)	212	43 429

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and activities of the Department for Energy and Mining (continued)

	<u>Activity Total</u>
	2019
	\$'000
<u>Expenses</u>	
Employee benefits expenses	42 091
Supplies and services	72 295
Depreciation and amortisation expenses	5 431
Grants and subsidies	43 524
Net loss from disposal of non-current and other assets	98
Other expenses	2 862
Total expenses	166 301
<u>Income</u>	
Fees and charges	38 689
Other grants and contributions	9 041
Other income	7 072
Resources received free of charge	395
Commonwealth grants and payments	322
Total income	55 519
Net cost of providing services	(110 782)
<u>Revenues from / (payments to) SA Government</u>	
Revenues from SA Government	112 963
Payments to SA Government	(69 534)
Net result	(67 353)

Assets and liabilities by program

	Mineral Resources and Energy	Water Industry Technical and Safety Regulation
	2019	2019
	\$'000	\$'000
<u>Assets</u>		
Cash and cash equivalents	5 685	86
Receivables	14 997	763
Property, plant and equipment	266 042	2 222
Intangible assets	2 413	20
Total assets	289 137	3 091
<u>Liabilities</u>		
Payables	16 586	251
Employee benefits	14 643	659
Provisions	3 527	159
Other liabilities	6 285	95
Total liabilities	41 041	1 164

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and activities of the Department for Energy and Mining (continued)

	<u>Activity Total</u>
	2019
	\$'000
<u>Assets</u>	
Cash and cash equivalents	5 771
Receivables	15 760
Property, plant and equipment	268 264
Intangible assets	2 433
Total assets	<u>292 228</u>
<u>Liabilities</u>	
Payables	16 837
Employee benefits	15 302
Provisions	3 686
Other liabilities	6 380
Total liabilities	<u>42 205</u>

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Changes to the department

The *Public Sector (Reorganisation of Public Sector Operations No. 2) Notice 2018* (dated 21 June 2018) declared that the resources and functions of the following business units transferred from the Department of the Premier and Cabinet to the Department for Energy and Mining effective from 1 July 2018:

- Energy Plan Implementation Taskforce
- Strategy and Governance
- Resource Infrastructure and Investment Taskforce (RIITF)
- Mineral Resources
- Energy Resources
- Energy and Technical Regulation
- Low Carbon Economy Unit

Two additional employees of the Department of the Premier and Cabinet were transferred to the Department for Energy and Mining effective from 1 July 2018.

The *Public Sector (Reorganisation of Public Sector Operations No. 3) Notice 2018* (dated 28 June 2018) also declared four employees of the Department of Innovation and Skills were transferred into the new Department for Energy and Mining effective from 1 July 2018.

Transferred in

	Minerals and Energy Resources, RIITF & Technical Regulation, Corporate Services	Energy Plan Implementation Taskforce	Low Carbon Economy Unit	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	27 932	32 622	-	60 554
Receivables	6 606	-	-	6 606
Non-current assets classified as held for sale	372	-	-	372
Property, plant and equipment	43 209	-	-	43 209
Intangibles	2 634	-	-	2 634
Total assets	80 753	32 622	-	113 375
Payables	7 471	8 275	68	15 814
Employee benefits	13 542	205	330	14 077
Provisions	3 790	20	15	3 825
Other liabilities	8 926	-	-	8 926
Total liabilities	33 729	8 500	413	42 642
Total net assets transferred	47 024	24 122	(413)	70 733

Net assets assumed by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.4. Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2018-19 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Statement	Note	Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Statement of Comprehensive Income					
<u>Expenses</u>					
Employee benefits expenses	2.3		39 858	42 091	2 233
Supplies and services	3.1	(a)	92 017	72 295	(19 722)
Depreciation and amortisation	3.2		2 909	5 431	2 522
Grants and subsidies	3.3	(b)	64 359	43 524	(20 835)
Net loss from the disposal of property, plant and equipment	4.6		-	98	98
Other expenses	3.4		835	2 862	2 027
Total expenses			199 978	166 301	(33 677)
<u>Income</u>					
Fees and charges	4.2		37 816	38 689	873
Commonwealth grants and payments	4.3		127	322	195
Other grants and contributions	4.4		17 464	9 041	(8 423)
Resources received free of charge	4.5		-	395	395
Other income	4.7		3 486	7 072	3 586
Total income			58 893	55 519	(3 374)
Net cost of providing services			(141 085)	(110 782)	30 303
<u>Revenues from / (payments to) SA Government</u>					
Revenues from SA Government	4.1		110 202	112 963	2 761
Payments to SA Government	4.1	(c)	(100)	(69 534)	(69 434)
Total net revenues from SA Government			110 102	43 429	(66 673)
Net result			(30 983)	(67 353)	(36 370)
Investing Expenditure Summary					
Total new projects		(d)	285 002	228 263	(56 739)
Total existing projects			1 627	84	(1 543)
Total annual programs			3 212	3 228	16
Total investing expenditure			289 841	231 575	(58 266)

Department for Energy and Mining
Notes to and forming part of the financial statements
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1.4. Budget performance (continued)

The following are brief explanations of variances between original budget and actual amounts:

Statement of Comprehensive Income

- (a) Supplies and services is \$19.7 million lower than original budget primarily due to underspends for State Budget Energy Initiatives which have been carried over to 2019-2020.
- (b) Grants and subsidies is \$20.8 million lower than original budget primarily due to underspends in the Renewable Technology Fund which have been carried over to 2019-2020.
- (c) Payments to SA Government is \$69.4 million higher than original budget primarily due to the return of capital funding for the temporary generators.

Investing Expenditure

- (d) Expenditure on new projects is \$56.8 million lower than original budget due to the purchase by Government of the temporary generators. Capital funding not required was returned to Treasury and Finance as part of the 2019-20 State Budget process.

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- approximately 85% of lease payments relate to accommodation supplied by the Department of Planning, Transport and Infrastructure and 15% relate to vehicles supplied by LeasePlan; and
- service level agreement payments to the Department for Innovation and Skills of \$2.1 million and the Department of Primary Industries and Regions SA of \$1.7 million.

Department for Energy and Mining
Notes to and forming part of the financial statements
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2. Boards, committees and employees

2.1. Key management personnel

Key management personnel of the department include the Ministers, the Chief Executive and the 6 members of the Executive Team.

The compensation for key management personnel was \$2.0 million in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Energy and Mining receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2019
	\$'000
<u>Compensation</u>	
Salaries and other short term employee benefits	1 593
Post-employment benefits	430
Total compensation	<u>2 023</u>

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Board and committee members

Members during the 2019 financial year were:

Minerals and Energy Advisory Council

P Carr (Chair)
K Yates (term expired June 2019)
S Bellman ^ (appointed May 2019)
T Burgess ^ (appointed May 2019)
K Hulmes ^ (appointed May 2019)
S Masters ^
D Maxwell ^ (appointed May 2019)
S Pitcher ^ (appointed May 2019)
M Reed ^
K Reznikov ^ (appointed May 2019)
J Schrull ^ (appointed May 2019)
S Thuraisingham ^ (appointed May 2019)
D Cruickshanks-Boyd (term expired June 2019)
I Gould (term expired June 2019)
P Holloway (term expired June 2019)
A McCleary (term expired June 2019)
J Anderson ^ (term expired June 2019)
D Carter ^ (term expired June 2019)
A Cole ^ (term expired June 2019)
M Doman ^ (term expired June 2019)
G Guglielmo ^ (term expired June 2019)
A Jaffray ^ (term expired June 2019)
R Knol ^ (term expired June 2019)
A Marsland-Smith ^ (term expired June 2019)
J McGill ^ (term expired June 2019)
G McKenzie ^ (term expired June 2019)

Risk and Performance Committee

C Dunsford (Chair)
J Hill
S Adlaf *
J Cirson * (appointed September 2018)
N Chandler * (appointed December 2018)
J King * (appointed September 2018, resigned December 2018)
G Giannopoulos * (resigned December 2018)
M Richardson * (term expired September 2018)

Technical Advisory Committee (Electricity and Gas)

R Faunt * (Chair)
D Anthony ^
J Burdeniuk ^
A Clarke ^
J Corbett ^
G Cox ^
S Fereday *
B Jackson ^
N Kerlake *
R Kluba ^
R Mignone ^
L Moore ^
P Newman *
S Pisoni ^
P Scudds ^
T Sika *
G Sorensen ^
R Struve *
A Szacinski *
T Tran ^
T Tucker *
T Volkmann *

Department for Energy and Mining
Notes to and forming part of the financial statements
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2.2. Board and committee members (continued)

The Risk and Performance Committee is shared with the Department for Trade, Tourism and Investment and the Department for Innovation and Skills. The committee is remunerated by the Department for Innovation and Skills and costs are recovered through the service level agreement with the Department for Innovation and Skills (refer note 3.1).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board / committee duties during 2018-19.

^ Indicates a member entitled to remuneration but has elected not to receive payment.

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2019
\$1 - \$19 999	<u>6</u>
Total number of members	<u>6</u>

The total remuneration received or receivable by members was \$7 000 *. Remuneration of members reflects all costs of performing board / committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

2.3. Employee benefits expenses

Employee benefits expenses

	Note	2019
		\$'000
Salaries and wages		29 357
Targeted voluntary separation packages		2 613
Long service leave		1 979
Annual leave		2 712
Skills and experience retention leave		178
Employment on-costs - superannuation		3 327
Employment on-costs - other		1 931
Board fees *	2.2	7
Workers compensation		<u>(13)</u>
Total employee benefits expense		<u>42 091</u>

* Board fees includes \$4 000 paid to the Chair of the Penrice Community Consultative Committee, appointed by the Minister and reimbursed to the department as a recovery (refer note 4.7).

Employment on-costs - superannuation

The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

Department for Energy and Mining
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2.3. Employee benefits expenses (continued)

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

	2019
	Number
\$151 001 to \$171 000	17
\$171 001 to \$191 000	8
\$191 001 to \$211 000	5
\$211 001 to \$231 000	2
\$231 001 to \$251 000	4
\$291 001 to \$311 000 ^	4
\$311 001 to \$331 000 ^	2
\$331 001 to \$351 000	1
\$351 001 to \$371 000 ^	3
\$391 001 to \$411 000	1
Total	47

^ This band includes employees that have received TVSP and (or) termination payments in 2018-19.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by those employees for the year was \$10.2 million.

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the reporting period was 29.

	2019
	\$'000
Amount paid to separated employees:	
Targeted Voluntary Separation Packages	2 613
Leave paid to separated employees	1 032
Employment on-costs (payroll tax and Shared Services SA processing fees)	105
Recovery from the Department of Treasury and Finance	(2 761)
Net cost to the department	989

Department for Energy and Mining
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2.4. Employee benefits liability

	2019
	\$'000
<u>Current</u>	
Accrued salaries and wages	1 132
Annual leave	2 873
Long service leave	507
Skills and experience retention leave	239
Total current employee benefits	<u>4 751</u>
<u>Non-current</u>	
Long service leave	10 551
Total non-current employee benefits	<u>10 551</u>
Total employee benefits	<u>15 302</u>

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at their nominal amounts.

Salaries and wages, annual leave, skills and experience retention leave and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave liability expected to be payable within 12 months are measured at the undiscounted amount expected to be paid. Where the annual leave liability and the skills and experience retention leave liability are expected to be payable later than 12 months, the liabilities are measured at present value.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of long service leave liability is provided as note 11.1.

Department for Energy and Mining
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3. Expenses

The expenses of the department primarily relate to the State's Temporary Generators, Energy Initiative grant funding programs and the Remote Areas Energy Supply Scheme.

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019
	\$'000
Emergency generation and storage ^(a)	33 453
Contractors ^(b)	10 790
Energy supply fuel and lubricants	8 188
Service level agreements ^(c)	4 254
Office administration expenses	3 659
Operating lease payments	3 521
Consultants	2 038
Communications and information technology	1 309
Travel and related expenses	1 196
Accommodation and service costs	931
Staff related expenses	907
Remote areas energy supplies plant and equipment	729
Marketing	706
Service recoveries	489
Accounting and audit fees ^(d)	125
Total supplies and services	72 295

(a) Emergency generation and storage represents payments for operation of the State's Temporary Generators and the Hornsdale Power Reserve lithium-ion battery.

(b) Contractors include major service contract payments to Cowell Electricity Supply Pty Ltd to manage electricity infrastructure in the Remote Areas Energy Supply (RAES) communities.

(c) Service level agreements largely represents payments made to the Department for Innovation and Skills and the Department of Primary Industries and Regions SA for the provision of corporate support and Information Communication Technology support under service level agreements.

(d) Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.1 million. No other services were provided by the Auditor-General's Department.

Operating leases payments

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term.

There were no operating lease contingent rents or sublease payments recognised as an expense in the period.

Operating lease expenses relating to office accommodation are included as Operating lease payments.

Operating leases expenses relating to LeasePlan vehicles are included in Travel and related expenses.

Department for Energy and Mining
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3.1. Supplies and services (continued)

Consultants

The number of consultancies and dollar amount paid / payable (included in supplies and services expense) to consultants that fell within the following bands:

	2019	2019
	Number	\$'000
Below \$10 000	8	36
\$10 000 or above	20	2 002
Total	28	2 038

3.2. Depreciation and amortisation

	2019
	\$'000
Plant and equipment	4 486
Buildings and leasehold improvements	744
Intangibles / software	201
Total depreciation and amortisation expenses	5 431

All non-current assets, having a limited useful life, are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Land and non-current assets held for sale are not depreciated.

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

Depreciation / amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Buildings	25-80
Leasehold improvements	Life of lease
Plant and equipment	2-60
Intangibles / software	3-10

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

Department for Energy and Mining
Notes to and forming part of the financial statements
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3.3. Grants and subsidies

	2019
	\$'000
Class of assistance	
Renewable Technology Fund	12 077
Energy Plan Implementation ^(a)	9 042
Energy Productivity Program	8 032
Remote Areas Energy Supplies Scheme	4 232
Energy Connect	2 680
Australian Energy Market Commission	2 213
PACE 2020 ^(b)	1 965
Other grants and subsidies	3 283
Total grants and subsidies	43 524

(a) Energy Plan Implementation includes subsidies provided under the Home Battery Scheme.

(b) PACE2020 - includes contributions to the Mineral Exploration Cooperative Research Centre (MinEX CRC) as part of the PACE Discovery Drilling initiative.

3.4. Other expenses

	2019
	\$'000
Revaluation decrement	1 203
NRM Water Catchment Levy	797
Shared Services fee	389
Bad and doubtful debts	470
Other expenses	3
Total other expenses	2 862

The revaluation decrement is associated with the independent valuation of electricity infrastructure in RAES communities at 30 June 2019.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4. Income

The department's primary sources of income (excluding appropriations from SA Government) include application, rental and licence fees collected pursuant to the *Petroleum and Geothermal Energy Act 2000*, *SA Mining Act 1971* and *Opal Mining Act 1995* (refer note 4.2), Industry licence fees levied by the Essential Services Commission of South Australia (refer note 4.2), sales of electricity (refer note 4.2) and funding received from the Green Industry Fund (refer note 4.4).

4.1. Net revenues from SA Government

	2019
	\$'000
<u>Revenues from SA Government</u>	
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	110 202
Appropriations under other Acts	<u>2 761</u>
Total revenues from SA Government	<u>112 963</u>
<u>Payments to SA Government</u>	
Return of surplus capital appropriation	58 085
Payments to Consolidated Account - Surplus Cash	<u>11 449</u>
Total payments to SA Government	<u>69 534</u>
Net revenues from SA Government	<u>43 429</u>

Appropriations

Appropriations are recognised on receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the department and the appropriation is recorded as contributed equity. Equity contributions of \$246.7 million primarily relate to the purchase of generation assets of \$226.8 million. Refer to the Statement of Changes in Equity.

Total revenue from Government consists of \$113.0 million for operational funding. This includes an appropriation of \$2.8 million received pursuant to Treasurer's contingency for TVSP reimbursements.

Payments to SA Government includes a return of surplus capital appropriation as per the Cash Alignment Policy for purchase of generators of \$58.1 million and the transfer of surplus cash to the Consolidated Account of \$11.4 million.

There were no appropriations from the Governor's Appropriation Fund pursuant to the *Public Finance and Audit Act*.

Department for Energy and Mining
Notes to and forming part of the financial statements
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4.2. Fees and charges

	2019
	\$'000
Mining and petroleum application fees, rentals and licences	23 282
Industry licence fees	10 372
Sales of electricity	5 028
Other fees and charges	7
Total fees and charges	38 689

Industry licence fees include licence fees on electricity and gas and industry bodies in South Australia. Fees are determined by the Minister for Energy and Mining and are levied by the Essential Services Commission of South Australia.

4.3. Commonwealth grants and payments

	2019
	\$'000
Grants	
COAG Hydrogen	125
Greenhouse and Energy Minimum Standards (GEMS) Inspections	61
Bioenergy	59
National Energy Efficiency Buildings	46
Other Payments	
Salary reimbursement - Energy Security Board	31
Total Commonwealth grants and payments	322

A grant has conditions of expenditure still to be met as at reporting date of \$14 000. This contribution relates to National Energy Efficiency Buildings projects. Conditions attached to this grant include acceptance of a final report based on contractor findings.

4.4. Other grants and contributions

	2019
	\$'000
Green Industry Fund	8,379
Other grants and subsidies revenue	662
Total other grants and contributions	9,041

The Green Industry Fund contribution includes \$7.0 million for the Home Battery Scheme and Grid Scale Storage Fund and \$1.4 million in operational funding for the Low Carbon Economy Unit.

Department for Energy and Mining
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4.5. Resources received free of charge

	2019
	\$'000
Services received free of charge - Shared Services SA	389
Donated assets	6
Total resources received free of charge	395

On 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2018, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

Under AASB 1004 *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements.

4.6. Net gain (loss) from the disposal of property, plant and equipment

	2019
	\$'000
<u>Land and buildings</u>	
Proceeds from disposal	340
Less net book value of assets disposed	(372)
Net gain from disposal of land and buildings	(32)
<u>Plant and equipment and other assets</u>	
Proceeds from disposal	27
Less net book value of assets disposed	(93)
Net loss from disposal of plant and equipment and other assets	(66)
<u>Total assets</u>	
Proceeds from disposal	367
Less net book value of assets disposed	(465)
Total net gain (loss) from disposal of non-current and other assets	(98)

The net loss on disposal includes the sale of land and buildings associated with the Moonta Drill Core Facility. These assets were classified as held for sale at the time of transfer from the Department of the Premier and Cabinet effective from 1 July 2018 (refer note 1.3).

4.7. Other income

	2019
	\$'000
Recoveries	3 126
Fuel tax credits	2 440
Support for the regulation of Extractive Mining Operations	998
Other income	508
Total other income	7 072

Recoveries include payments received under the Australian Energy Market Operator's Reliability and Emergency Reserve Trader Scheme for the dispatch of temporary generators on 24 January 2019 of \$2.0 million.

Department for Energy and Mining
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5. Non-financial assets

5.1. Property, plant and equipment

	2019
	\$'000
<u>Plant and equipment</u>	
Plant and equipment at cost (deemed fair value)	5 315
Plant and equipment at fair value	232 270
Accumulated depreciation	(5 151)
Total plant and equipment	<u>232 434</u>
<u>Buildings and leasehold improvements</u>	
Buildings and leasehold improvements at fair value	30 466
Accumulated depreciation	(2 062)
Total buildings and leasehold improvements	<u>28 404</u>
<u>Land</u>	
Land at fair value	6 195
Total land	<u>6 195</u>
<u>Works of art</u>	
Works of art at fair value	70
Total works of art	<u>70</u>
<u>Capital works in progress</u>	
Works in progress at cost	1 161
Total capital works in progress	<u>1 161</u>
Total property, plant and equipment	<u>268 264</u>

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed with the exception of works of art. Works of art are capitalised irrespective of their value.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in note 11.2.

Plant and equipment includes \$3.1 million of fully depreciated plant and equipment still in use and \$0.1 million of plant and equipment retired from active use but not classified as held for sale.

The department maintains electricity infrastructure in Aboriginal Communities through the RAES scheme. An independent valuation performed as at 30 June 2019 identified \$14.6 million of electricity generation and distribution network assets in Aboriginal Communities that are not currently recognised as property, plant and equipment. As at 30 June 2019, the department was awaiting legal advice regarding the ownership of these assets.

Department for Energy and Mining
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5.1. Property, plant and equipment (continued)

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature, held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-2019

	Plant and equipment	Buildings and leasehold improvements	Land	Works of art	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	-	-	-	-	-	-
Additions	230 193	-	-	-	1 382	231 575
Capitalisation	-	1 375	-	-	(1 375)	-
Disposals	(93)	-	-	-	-	(93)
Donated assets	6	-	-	-	-	6
Revaluation decrement expense	(1 203)	-	-	-	-	(1 203)
Depreciation / amortisation	(4 486)	(744)	-	-	-	(5 230)
Net assets transferred as a result of an administrative restructure	8 017	27 773	6 195	70	1 154	43 209
Carrying amount at 30 June 2019	232 434	28 404	6 195	70	1 161	268 264

Additions of plant and equipment of \$230.2 million is predominately attributable to the purchase of generation assets for \$226.8 million.

Further information on the revaluation decrement expense is provided at note 3.4.

5.2. Intangible assets

	2019
	\$'000
<u>Computer software</u>	
Internally developed computer software	994
Accumulated amortisation	(377)
Other computer software	35
Other accumulated amortisation	(11)
Total computer software	641
<u>Works in progress</u>	
Intangible works in progress	1 792
Total intangible works in progress	1 792
Total intangible assets	2 433

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5.2. Intangible assets (continued)

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of, or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

Reconciliation 2018-19

	Intangibles software	Intangibles work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	-	-	-
Amortisation	(201)	-	(201)
Net assets transferred as a result of an administrative restructure	842	1 792	2 634
Carrying amount at 30 June 2019	641	1 792	2 433

Department for Energy and Mining
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6. Financial assets

6.1. Cash and cash equivalents

	2019
	\$'000
Deposits with the Treasurer	5 771
Total cash	5 771

6.2. Receivables

	2019
	\$'000
<u>Current</u>	
Trade receivables	
From government entities	166
From non-government entities	2 754
Allowance for doubtful debts	(447)
Total trade receivables	2 473
Loans granted	11 147
Accrued revenue	287
Prepayments	861
GST input tax recoverable	976
Other receivables	16
Total current receivables	15 760
Total receivables	15 760

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 11.3 for further information on risk management.

Impairment of receivables

	2019
	\$'000
Carrying amount at 1 July 2018	-
(Increase) in allowance due to restructure activities	(38)
(Increase) in the allowance	(418)
Amounts written off	9
Carrying amount at 30 June 2019	(447)

Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

Department for Energy and Mining
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019
	\$'000
<u>Current</u>	
Creditors and accrued expenses	15 011
Employment on-costs	848
Total current payables	15 859
<u>Non-current</u>	
Employment on-costs	978
Total non-current payables	978
Total payables	16 837

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Employment on-costs

Employment on-costs include payroll tax, Return to Work SA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The department makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and external schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave was 41% in 2019. The average factor for the calculation of employer superannuation cost on-cost was 9.8% in 2019. These rates are used in the employment on-cost calculation. The impact on 2020 and future years cannot be reliably estimated.

Paid parent leave scheme

Paid Parental Leave Scheme payable represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll processes. That is, the department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Department for Energy and Mining
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7.2. Provisions

	2019
	\$'000
<u>Current</u>	
Provision for workers compensation	196
Total current provisions	196
<u>Non-current</u>	
Provision for workers compensation	3 490
Total non-current provisions	3 490
Total provisions	3 686
Movement in provisions	
Carrying amount at 1 July 2018	-
Additional provisions recognised as a result of restructure activities	3 825
(Decrease) in provisions recognised	(139)
Carrying amount at 30 June 2019	3 686

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The department is responsible for the payment of workers compensation claims.

7.3. Other liabilities

	2019
	\$'000
<u>Current</u>	
Security deposits	4 204
Unearned revenue	2 176
Total current other liabilities	6 380
Total other liabilities	6 380

Security deposits are received to ensure mine operators rehabilitate sites and comply with all statutory requirements on cessation of mining operations. Cash deposits are classified as security deposits. The value of securities held in the form of bank guarantees are reflected as a contingent asset as the department only has claim on these funds if the mining operator fails to meet its legislative requirements.

Unearned revenue mainly relates to payments of rent and annual regulatory fees received for the first year of a mining tenement (exploration licence, mining lease, miscellaneous purpose licence, retention lease are all mining tenements in accordance with the Mining Act 1971). This revenue is held as unearned until the Minister officially approves the grant of the mining tenement.

Annual rent and regulatory fees are also held as unearned revenue at the renewal of a mining tenement. Once a renewal decision has been made and a memorial has been instrumented in the Mining Register the revenue is then recognised as revenue. Annual rent for mining leases, retention leases and miscellaneous purpose licences which are granted or renewed over freehold land is refunded at this point to the relevant freehold landowners.

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8. Other disclosures

8.1. Equity

For information about equity contributions refer to note 4.1.

8.2. Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2019
	\$'000
<u>Reconciliation of cash and cash equivalents at the end of the reporting period</u>	
Cash and cash equivalents disclosed in the Statement of Financial Position	5 771
Balance as per the Statement of Cash Flows	5 771
<u>Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services</u>	
Net cash provided by / (used) in operating activities	(70 917)
Less revenues from SA Government	(112 963)
Add payments to SA Government	69 534
<u>Add / (less) non-cash items</u>	
Depreciation and amortisation expense of non-current assets	(5 431)
Bad and doubtful debts expense	(470)
Resources received free of charge	395
Revaluation decrement	(1 203)
Resources provided free of charge	(389)
Transfer in for administrative restructure	36 037
Loss from disposal and write down of non-current and other assets	(98)
<u>Movement in assets and liabilities</u>	
(Decrease) / increase in receivables	16 207
Decrease / (increase) in payables	(16 116)
Decrease in other liabilities	(6 380)
Decrease in provisions	(3 686)
Decrease in employee benefits	(15 302)
Net cost of providing services	(110 782)

Department for Energy and Mining
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9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statement)

On 22 March 2019 the *Treasurer's Instructions (Accounting Policy Statements) 2019* were issued by the Treasurer under the *Public Finance and Audit Act 1987*. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the additional requirement to report transactions with the SA Government.
- removal of the additional requirement to report a statement of equity for administered items.
- increasing the bands from \$10 000 to \$20 000 for employee and board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2. AASB 9 Financial instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

As part of the adoption of AASB 9, the department adopted consequential amendments to other accounting standards and the *Treasurer's Instructions (Accounting Policy Statements)* arising from the issue of AASB 9 as follows:

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets, if material, to be presented in a separate line item in the statement of comprehensive income. In 2019 this expense is deemed not to be material and is shown in note 3.4.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

The adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

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9.2. AASB 9 Financial instruments (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

This model generally results in early recognition of credit losses.

Trade receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

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10. Outlook

10.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitments and contingencies are disclosed on a gross basis.

Expenditure commitments

	2019
	\$'000
Within one year	47 259
Later than one year but not later than five years	32 933
Later than five years	15 008
Total other commitments	95 200

Expenditure commitments include \$35 million related to contractors for the South Australian Grid-Connected Battery Facility.

Operating lease commitments

	2019
	\$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>	
Within one year	2 834
Later than one year but not later than five years	10 716
Later than five years	7 969
Total operating lease commitments	21 519
Representing:	
Cancellable operating leases	348
Non-cancellable operating leases	21 171
Total operating lease commitments	21 519

The department's operating leases relate to office accommodation and motor vehicles. Office accommodation is predominately leased from the Department of Planning, Transport and Infrastructure - Building Management Accommodation and Property Services. The leases are non-cancellable with terms ranging up to 9 years with some leases having the right of renewal. Motor vehicles are leased from the South Australian Government Financing Authority through their agent LeasePlan Australia, with lease periods of up to 3 years.

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10.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Contingent assets

The department receives securities in accordance with Acts administered by the Department for Energy and Mining. These are obtained to ensure that a mine operator rehabilitates a site and complies with all statutory requirements on cessation of a licence. The amount held as bank guarantees at 30 June 2019 is approximately \$161 million. The department only has a claim on these funds if the licensee fails to perform its legislative requirements.

Contingent liabilities

The nature of activities that the department is involved in can create potential exposure to mining matters, which the department may be required to remedy in the future. The department has some potential outstanding litigation specifically resulting from interpretation of past mining practices and petroleum exploration.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified of past mining practices where there is no longer an active licence. For new activities, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The department's responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred, thus minimising the likelihood of future environmental risks to government. At this time, the financial impact, if any, cannot be reliably estimated.

Department for Energy and Mining
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10.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the department are outlined below.

AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities

The department will adopt AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – *Revenue from Contracts* replaces AASB 111 – *Construction Contracts* and AASB 118 – *Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – *Contributions*.

Impact on 2019-20 financial statements

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the department.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition to AASB 15 – *Revenue from Contracts with Customers* and AASB 1058 – *Income of Not for Profit Entities*. These requirements include that the department will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that department will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

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10.3. Impact of standards and statements not yet effective (continued)

AASB 16 – Leases

The department will adopt AASB 16 – *Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 *Leases* replaces AASB 117 *Leases and Interpretation 4 Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases – Incentives and Interpretation*, and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The department has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the department has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

Department for Energy and Mining
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10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

	as at 1 July 2019 \$'000
	<hr/>
<u>Assets</u>	
Right-of-use assets	19 877
<u>Liabilities</u>	
Lease liabilities	<hr/> 19 877
Net impact on equity	<hr/> -

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
	<hr/>
Depreciation and amortisation	2 782
Supplies and services	(2 539)
Borrowing costs	<hr/> 347
Net impact on net cost of providing services	<hr/> 590

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the department must adopt for the transition from AASB 117 *Leases* to AASB 16 *Leases*. These requirements include that the department will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

Department for Energy and Mining
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10.3. Impact of standards and statements not yet effective (continued)

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the department will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset. Note an exemption has been applied to not apply this for vehicle leases with SAFA.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the department to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June 2019 and the date the financial statements are authorised for issue where events relate to a condition which arose after 30 June 2019 and which may have a material impact on the results of subsequent years as set out below.

- In August 2019, the State Government approved the 25 year lease of the department's emergency generators. These lease arrangements are expected to commence in May 2020.

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11. Measurement and risk

11.1. Long service leave liability – measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds was 1.25%.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$0.9 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience.

11.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements, then the assets are recognised at book value (that is the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

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11.2. Fair value (continued)

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date
- Level 2 - not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly), and
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2019 and 2018, the department had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Fair value classification – non-financial assets at 30 June 2019

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Recurring fair value measurements</u>				
Land	5.1	6 195	-	6 195
Plant and equipment	5.1	-	232 434	232 434
Buildings and leasehold improvements	5.1	153	28 251	28 404
Works of art	5.1	-	70	70
Total recurring fair value measurements		6 348	260 755	267 103
Total fair value measurements		6 348	260 755	267 103

Land and buildings

While the department was established on 1 July 2018, land and buildings transferred in (refer note 1.3) were subject to independent valuation as at 30 June 2014. An independent valuation of the RAES transmission equipment was performed as at 30 June 2019.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. Land was classified as restricted in use, using an adjustment applied to reflect the restriction.

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11.2. Fair value (continued)

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

The valuation used estimates about construction materials that would be required to replace the buildings. Information about current construction costs were derived from building costs guides and internal records such as recent tender documents and construction invoices, together with the estimated useful life due to age and condition of the building.

Plant and equipment

With the exception of the RAES transmission equipment, plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

Works of art

An independent valuation was performed by a Certified Practising Valuer from Theodore Bruce, as at 1 June 2018.

Fair value of works of art was determined using the market approach. The valuation was based on recent market transactions for similar items. The valuer used the cost approach (that is depreciated reproduction cost) taking into account the assets' characteristics and restrictions, due to there not being an active market. The valuation used a combination of internal records, specialised knowledge and market information about reproduction materials.

Reconciliation of level 3 recurring fair value measurement as at 30 June 2019

The following table is a reconciliation of fair value measurement using significant unobservable inputs (Level 3).

	Plant and equipment	Buildings and leasehold improvements	Works of art	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2018	-	-	-	-
Acquisitions	230 193	-	-	230 193
Capitalised subsequent expenditure	-	1 375	-	1 375
Disposals	(93)	-	-	(93)
Donated assets	6	-	-	6
Acquisitions through administrative restructure	8 017	27 609	70	35 696
Closing balance at the end of the period	238 123	28 984	70	267 177
Losses for the period recognised in net result:				
Depreciation and amortisation	(4 486)	(733)	-	(5 219)
Total losses recognised in net result	(4 486)	(733)	-	(5 219)
Gains/(losses) for the period recognised in other comprehensive income (OCI):				
Revaluation (decrements)	(1 203)	-	-	(1 203)
Total (losses) recognised in OCI	(1 203)	-	-	(1 203)
Closing balance at 30 June 2019	232 434	28 251	70	260 755

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11.3. Financial instruments

Financial risk management

Risk management is managed by the department's corporate services section. Departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 for further information.

Credit risk

The department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9. The department uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the ECL, receivables are grouped based on shared risks characteristics and the days past due. When estimating ECL, the department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the department's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating ECL is the maximum contractual period over which the department is exposed to credit risk.

The ECL of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The following table provides information about the exposure to credit risk and ECL for non-government debtors. The department has grouped debtors into four distinct revenue streams that are processed using different systems. Mineral Tenements raised in the Tenements System (TMS) for fees prescribed under the *Mining Act 1971*, Petroleum licences raised in the Petroleum Exploration and Production System (PEPS) for fees prescribed under the *Petroleum and Geothermal Energy Act 2000*, Remote Area Energy Supply (RAES) managed by Cowell Electric and general invoices.

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TMS	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	817	4.92	40
1 - 30 days past due	326	8.67	28
31 - 60 days past due	715	22.66	162
61 - 90 days past due	26	29.15	8
More than 90 days past due	338	34.02	115
Loss Allowance	2 222		353

PEPS	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	58	0.15	-
1 - 30 days past due	-	0.28	-
31 - 60 days past due	4	5.32	-
61 - 90 days past due	-	23.70	-
More than 90 days past due	-	82.81	-
Loss Allowance	62		-

General invoices	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	70	4.04	3
1 - 30 days past due	-	1.75	-
31 - 60 days past due	73	5.48	4
61 - 90 days past due	21	6.22	1
More than 90 days past due	72	6.58	5
Loss Allowance	236		13

RAES	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	-	1.12	-
1 - 30 days past due	689	1.67	12
31 - 60 days past due	158	6.57	10
61 - 90 days past due	4	18.15	1
More than 90 days past due	319	18.23	58
Loss Allowance	1 170		81

Total Loss Allowance	3 690		447
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Department for Energy and Mining
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11.3. Financial instruments (continued)

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the department's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the department and a failure to make contractual payments for a period of greater than 90 days past due.

Receivables written off during the year are not subject to enforcement activity.

The department considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the ECL is nil.

All of the department's debt investments at amortised cost are considered to have low credit risk and the consideration of ECL was limited to 12 months expected losses. The ECL is nil.

Market risk

The department does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Categorisation of financial instruments

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

Given that the department was established on 1 July 2018, this section does not apply as it reflects how the financial assets and liabilities would have been classified in the previous reporting period. However, it has been included for completeness to compare to the new classification requirements from 1 July 2018 and reflected in the next section.

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Held-to-maturity investments;
- Loan and receivables; and
- Financial liabilities measured at cost.

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11.3. Financial instruments (continued)

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer to notes 6.2 and 7.1)

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The department measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2019 Carrying amount / fair value \$'000	2019 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents	6.1	5 771	5 771	-	-
Loans and receivables	6.2	13 923	13 923	-	-
Total financial assets		19 694	19 694	-	-
Financial liabilities					
Payables	7.1	14 896	14 896	-	-
Total financial liabilities		14 896	14 896	-	-

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

The receivable amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

12. Trust Fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of royalty on extractive minerals and is used for the rehabilitation of land disturbed by extractive mining operations. The funds collected are used to limit damage to any aspect of the environment by such extractive mining operations in addition to the promotion of research into methods of mining engineering and practice by which environmental damage might be reduced.

The fund was transferred to the department from the Department for the Premier and Cabinet effective from 1 July 2018.

Aggregate details of the transactions and balances relating to this trust fund to year ended 30 June are as follows:

	2019
	\$'000
Expenses	
Extractive Industries contribution	998
Rehabilitation costs	<u>2</u>
Total expenses	<u>1,000</u>

Income	
Royalties	<u>3 207</u>
Total income	<u>3 207</u>
Net result	<u>2 207</u>

	2019
	\$'000
Current assets	
Cash	<u>27 989</u>
Total assets	<u>27 989</u>

Net assets	<u>27 989</u>
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Equity	
Transfer in as a result of restructure	25 782
Net Receipts	<u>2 207</u>
Fund Balance at 30 June 2019	<u>27 989</u>

**Department for Energy and Mining
(DEM)**

Administered Financial Statements

For the year ended 30 June 2019

Department for Energy and Mining
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

	2019
	\$'000
<u>Administered expenses</u>	
Employee benefits expenses	393
Payment of royalties to the Consolidated Account	299 418
Other expenses	6 497
Total administered expenses	306 308
<u>Administered income</u>	
Revenues from SA Government	380
Royalties	299 418
Other income	6 514
Total administered income	306 312
Net Result	4
Total comprehensive result	4

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Financial Position
as at 30 June 2019

	2019
	\$'000
<u>Administered current assets</u>	
Cash	20 117
Receivables	2 571
Total current assets	22 688
Total assets	22 688
<u>Administered current liabilities</u>	
Payables	22 841
Other	3
Total current liabilities	22 844
Total liabilities	22 844
Net assets	(156)
<u>Administered equity</u>	
Retained earnings	(156)
Total equity	(156)

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Cash Flows
for the year ended 30 June 2019

	2019
	(Outflows)
	Inflows
	\$'000
<u>Cash flows from operating activities</u>	
<i>Cash outflows</i>	
Employee benefits expenses	(393)
Payments for royalties to Consolidated Account	(309 341)
Other payments	(6 815)
Cash (used in) operations	<u>(316 549)</u>
 <i>Cash inflows</i>	
Revenues from SA Government	380
Royalties receipts	302 664
Other receipts	6 514
Cash generated from operations	<u>309 558</u>
 Net cash (used in) operating activities	<u>(6 991)</u>
 <u>Cash flows from financing activities</u>	
<i>Cash inflows</i>	
Cash received from restructure activities	<u>27 108</u>
Cash generated from financing activities	<u>27 108</u>
Net cash generated from financing activities	<u>27 108</u>
 Net increase in cash	<u>20 117</u>
 Cash at the beginning of the period	-
 Cash at the end of the period	<u>20 117</u>

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Schedule of Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2019

	Royalties	Native Title Agreement	Mintabie Administration
	2019	2019	2019
	\$'000	\$'000	\$'000
<u>Administered Expenses</u>			
Employee benefits expenses	-	-	-
Payment of royalties to the Consolidated Account	299 418	-	-
Other expenses	-	6 497	-
Total administered expenses	299 418	6 497	-
<u>Administered Income</u>			
Revenues from SA Government	-	-	-
Royalties	299 418	-	-
Other income	-	6 497	17
Total administered income	299 418	6 497	17
Net result	-	-	17

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

	Ministers'	
	Salary	Total
	2019	2019
	\$'000	\$'000
<u>Administered Expenses</u>		
Employee benefits	393	393
Payment of royalties to the Consolidated Account	-	299 418
Other expenses	-	6 497
Total administered expenses	393	306 308
<u>Administered Income</u>		
Revenues from SA Government	380	380
Royalties	-	299 418
Other income	-	6 514
Total administered income	380	306 312
Net result	(13)	4

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A1 Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.1. The department applies the same accounting policies to the administered financial statements as set out in the notes to the department's financial statements.

A2 Objectives / activities of the department's administered items

The department's administered items are structured to contribute to three main activities:

Royalties

The department received royalties levied on minerals and petroleum production on behalf of the State Government. Royalty receipts are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty receipts are returned to the Consolidated Account in the month following collection. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Native Title Agreement

The department collects revenue via a levy equivalent to 10% of the total royalty payable for relevant royalty payers. This is offset by payments made to two Aboriginal Councils in the APY Lands. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Mintabie Administration

The Mintabie Township Lease and Lease Agreement came into operation on 1 July 2012. The department administers the residential campsite licencing system and regulation. This activity was transferred from the Department of the Premier and Cabinet effective from 1 July 2018.

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A3 Change to the department's administered items

The *Public Sector (Administrative Units) Proclamation 2018* under sections 26 and 28 of the *Public Sector Act 2009* (dated 17 May 2018) declared the establishment of the department and assigned the title Department for Energy and Mining effective from 1 July 2018.

The *Public Sector (Reorganisation of Public Sector Operations No. 2) Notice 2018* (dated 21 June 2018) declared the resources and functions of Mineral Resources and Energy Resources within the Department of the Premier and Cabinet were transferred to the Department for Energy and Mining effective from 1 July 2018.

That resulted in the transfer of the following administered items:

- Royalties
- Native Title Agreement
- Mintabie Administration

Transferred in

	Royalties \$'000	Native Title Agreement \$'000	Mintabie Administration \$'000	Total \$'000
Cash	26 536	572	-	27 108
Receivables	5 596	221	-	5 817
Total assets	32 132	793	-	32 925
Payables	32 080	940	62	33 082
Other liabilities	3	-	-	3
Total liabilities	32 083	940	62	33 085
Total net assets transferred	49	(147)	(62)	(160)

Department for Energy and Mining
Notes to and forming part of the financial statements
for the year ended 30 June 2019

A4 Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2018-19 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Statement of Comprehensive Income			
<u>Administered Expenses</u>			
Employee benefits	392	393	(1)
Payment of royalties to the Consolidated Account	264 416	299 418	(35 002)
Other expenses	3 825	6 497	(2 672)
Total administered expenses	268 633	306 308	(37 675)
<u>Administered Income</u>			
Revenues from SA Government	392	380	12
Royalties	264 416	299 418	(35 002)
Other income	3 825	6 514	(2 689)
Total administered income	268 633	306 312	(37 679)
Net result	-	4	(4)
Total comprehensive result	-	4	(4)

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- a Royalties are recognised as administered revenue and paid to the Consolidated Account. Royalties are higher than the original budget due to the impacts of improved oil pricing, and both increased production and higher pricing for gas during the year. Additionally, petroleum royalties benefited from lower than forecast deductions resulting from cost control and efficiency measures implemented by producers.



**Government
of South Australia**

Department for
Energy and Mining

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