Department for Energy and Mining

Financial report
for the year ended
30 June 2021

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Tel +618 8226 9640
Fax +618 8226 9688

ABN 53 327 061 410

audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive
Department for Energy and Mining

Opinion

I have audited the financial report of the Department for Energy and Mining for the financial year ended 30 June 2021.

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 2021, its financial performance and its cash flows for year then ended in accordance with relevant 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2021
- a Statement of Administered Financial Position as at 30 June 2021
- a Statement of Administered Cash Flows for the year ended 30 June 2021
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2021
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial Officer.

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 (including Independence Standards)* have been met.

I believe that the audit evidence I have 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 relevant 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.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial report

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 2021.

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

- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern

- 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.

Andrew Richardson
Auditor-General
20 September 2021

Department for Energy and Mining
(DEM)

Financial Statements

For the year ended 30 June 2021

Department for Energy and Mining
Certification of the Financial Statements
for the year ended 30 June 2021

We certify that the:

- financial statements for the Department for Energy and Mining:
  - are in accordance with the accounts and records of the department;
  - comply with relevant Treasurer's Instructions;
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the department at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by the Department for Energy and Mining for the financial year over its financial reporting and its preparation of financial statements have been effective.

Paul Heithersay
Chief Executive
16 September 2021

Ben Adams
Chief Financial Officer
16th September 2021

Department for Energy and Mining
Statement of Comprehensive Income
for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Income			
Appropriation	2.1	106 837	89 951
SA Government grants, subsidies and transfers	2.2	79 671	48 407
Fees and charges	2.3	24 146	24 899
Sales of goods and services	2.4	4 284	4 556
Interest	2.5	937	957
Commonwealth-sourced grants and funding	2.6	273	866
Resources received free of charge	2.7	5 364	381
Net gain from the disposal of non-current assets	4.4	-	2
Other income	2.8	3 712	4 095
Recoveries	2.9	63 837	5 497
Total income		**289 061**	**179 611**
Expenses			
Grants and subsidies	4.1	84 199	82 350
Supplies and services	4.2	43 269	48 397
Employee benefits expenses	3.3	39 174	40 518
Depreciation and amortisation	5.1, 5.2, 5.3	3 059	9 244
Net loss from the disposal of non-current assets	4.4	44	-
Borrowing costs	4.3	5	7
Other expenses	4.5	5 463	1 981
Total expenses		**175 213**	**182 497**
Net result		**113 848**	**(2 886)**
Other Comprehensive Income			
Items that will not be reclassified to net result:			
Changes in property, plant and equipment asset revaluation surplus	5.1	-	3 226
Total comprehensive result		**113 848**	**340**

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

Department for Energy and Mining
Statement of Financial Position
as at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	6.1	84 295	9 927
Receivables	6.2	49 524	27 339
Other current assets	6.3	3 643	-
Total current assets		**137 462**	**37 266**
Non-current assets			
Property, plant and equipment	5.1, 5.2	52 016	47 090
Intangible assets	5.3	2 244	1 903
Receivables	6.2	15 363	-
Total non-current assets		**69 623**	**48 993**
Total assets		**207 085**	**86 259**
Current liabilities			
Payables	7.1	13 118	9 919
Employee benefits liability	3.4	4 919	4 870
Financial liabilities	7.2	216	220
Provisions	7.3	194	184
Security deposits	7.4	18 900	16 540
Other current liabilities	7.5	5 693	4 016
Total current liabilities		**43 040**	**35 749**
Non-current liabilities			
Payables	7.1	884	953
Employee benefits liability	3.4	9 408	10 281
Financial liabilities	7.2	180	212
Provisions	7.3	3 642	3 106
Other non-current liabilities	7.5	125	-
Total non-current liabilities		**14 239**	**14 552**
Total liabilities		**57 279**	**50 301**
Net assets		**149 806**	**35 958**
Equity			
Retained earnings		115 602	1 754
Asset revaluation surplus		3 226	3 226
Contributed capital		30 978	30 978
Total equity		**149 806**	**35 958**

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 2021

	Retained earnings $'000	Asset revaluation surplus $'000	Contributed capital $'000	Total equity $'000
Balance at 1 July 2019	**4 640**	**-**	**246 643**	**251 283**
Net result for 2019-20	**(2 886)**	**-**	**-**	**(2 886)**
Total comprehensive result 2019-20	**(2 886)**	**-**	**-**	**(2 886)**
Gain on revaluation of property, plant and equipment	-	3 226	-	3 226
Total comprehensive result 2019-2020	**(2 886)**	**3 226**	**-**	**340**
Net assets transferred by proclamation	-	-	(217 149)	(217 149)
Equity contribution received	-	-	1 484	1 484
Balance at 30 June 2020	**1 754**	**3 226**	**30 978**	**35 958**
Net result for 2020-21	**113 848**	**-**	**-**	**113 848**
Total comprehensive result 2020-21	**113 848**	**-**	**-**	**113 848**
Balance at 30 June 2021	**115 602**	**3 226**	**30 978**	**149 806**

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 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash inflows			
Appropriation		106 837	91 435
SA Government grants, subsidies and transfers		79 671	48 407
Fees and charges		28 665	30 190
Commonwealth-sourced grants and funding		273	878
Royalties		-	22
Sales of goods and services		4 821	4 619
Loans repaid		3 327	-
Interest		861	957
Net GST recovered from ATO		10 460	11 059
Receipts of security deposits		2 377	12 391
Net receipts from paid parental leave scheme		50	46
Other receipts		28 821	5 816
Cash generated from operations		**266 163**	**205 820**
Cash outflows			
Employee benefits expenses		(39 751)	(41 240)
Supplies and services		(52 485)	(54 114)
Refunds of security deposits		(17)	(55)
Grants and subsidies		(90 436)	(92 209)
Loans granted		-	(9 957)
Payments for paid parental leave scheme		(44)	(54)
Cash alignment transfers to Consolidated Account		-	(1 484)
Other payments		(826)	(810)
Cash used in operations		**(183 559)**	**(199 923)**
Net cash provided by operating activities	8.2	**82 604**	**5 897**
Cash flows from investing activities			
Cash inflows			
Proceeds from sale of property, plant and equipment and other assets		36	40
Cash generated from investing activities		**36**	**40**
Cash outflows			
Purchase of property, plant and equipment		(8 016)	(2 996)
Cash used in investing activities		**(8 016)**	**(2 996)**
Net cash used in investing activities		**(7 980)**	**(2 956)**

Department for Energy and Mining
Statement of Cash Flows
for the year ended 30 June 2021

Cash flows from financing activities			
Cash inflows			
Capital contributions from SA Government		-	1 484
Cash generated from financing activities		**-**	**1 484**
Cash outflows			
Repayment of principal portion of lease liabilities		(256)	(269)
Cash used in financing activities		**(256)**	**(269)**
Net cash (used in) / generated from financing activities		**(256)**	**1 215**
Net increase in cash and cash equivalents		**74 368**	**4 156**
Cash at the beginning of the period		9 927	5 771
Cash at the end of the period	6.1	**84 295**	**9 927**

The accompanying notes form part of these financial statements.

1. About the Department for Energy and Mining

The Department for Energy and Mining (the department) is a not-for-profit government department of the State of South Australia 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.

Administered financial statements relating to administered resources are presented separately as part of this report.

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;* and
- relevant Australian Accounting Standards.

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.

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.

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.

1.2. Objectives and programs

The department 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 resources sectors while fostering responsible access and development of the State's mineral and energy endowment to support jobs growth and increased exports.

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.

1.2. Objectives and programs (continued)

Mineral Resources and Energy

The purpose of this program is to responsibly regulate, manage and support the development of South Australia's mineral, extractive materials, 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.

The program also supports the enforcement, compliance and promotion of technical and safety regulation of electrical and gas fitting equipment and electrical and gas fitting industry entities to ensure low levels of accidents and failures.

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.

Income and expenses by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation		General / Not attributable		Activity Total	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Income								
Appropriation	-	-	-	-	106 837	89 951	106 837	89 951
SA Government grants, subsidies and transfers	76 543	45 427	3 128	2 790	-	190	79 671	48 407
Fees and charges	24 146	24 899	-	-	-	-	24 146	24 899
Sales of goods and services	4 284	4 556	-	-	-	-	4 284	4 556
Interest	937	957	-	-	-	-	937	957
Commonwealth-sourced grants and funding	273	866	-	-	-	-	273	866
Resources received free of charge	5 339	363	25	18	-	-	5 364	381
Net gain from the disposal of non-current assets	-	2	-	-	-	-	-	2
Other income	3 707	4 083	5	12	-	-	3 712	4 095
Recoveries	63 837	5 497	-	-	-	-	63 837	5 497
Total income	**179 066**	**86 650**	**3 158**	**2 820**	**106 837**	**90 141**	**289 061**	**179 611**
Expenses								
Grants and subsidies	84 197	82 332	2	18	-	-	84 199	82 350
Supplies and services	42 488	47 648	781	749	-	-	43 269	48 397
Employee benefits expenses	37 289	38 653	1 885	1 865	-	-	39 174	40 518
Depreciation and amortisation	2 740	8 946	319	298	-	-	3 059	9 244
Net loss from the disposal of non-current assets	43	-	1	-	-	-	44	-
Borrowing costs	4	6	1	1	-	-	5	7
Other expenses	5 437	1 959	26	22	-	-	5 463	1 981
Total expenses	**172 198**	**179 544**	**3 015**	**2 953**	**-**	**-**	**175 213**	**182 497**
Net result	**6 868**	**(92 894)**	**143**	**(133)**	**106 837**	**90 141**	**113 848**	**(2 886)**

1.2. Objectives and programs (continued)

Assets and liabilities by program

	Mineral Resources and Energy		Water Industry Technical and Safety Regulation		Activity Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Assets						
Cash and cash equivalents	82 844	9 766	1 451	161	84 295	9 927
Receivables	63 763	26 483	1 124	856	64 887	27 339
Other current assets	3 643	-	-	-	3 643	-
Property, plant and equipment	46 576	45 572	5 440	1 518	52 016	47 090
Intangible assets	2 008	1 842	236	61	2 244	1 903
Total assets	**198 834**	**83 663**	**8 251**	**2 596**	**207 085**	**86 259**
Liabilities						
Payables	13 763	10 696	239	176	14 002	10 872
Employee benefits	13 637	14 454	690	697	14 327	15 151
Financial liabilities	389	425	7	7	396	432
Provisions	3 651	3 139	185	151	3 836	3 290
Security Deposits	18 900	16 540	-	-	18 900	16 540
Other liabilities	5 393	3 682	425	334	5 818	4 016
Liabilities	**55 733**	**48 936**	**1 546**	**1 365**	**57 279**	**50 301**

1.3. Impact of COVID-19 pandemic on the department

The department has continued to maintain service delivery during the COVID-19 pandemic with only a minimal impact to its operations. The most significant financial impact related to delays to Remote Areas Energy Supplies (RAES) projects due to restricted access to remote areas, and grant payments for the Accelerated Discovery Initiative (ADI).

- Expenditure on RAES projects was impacted by delays in the delivery of smart meters for the Future Sustainability Project and by restricted access to remote areas. The capital upgrades of RAES generators and works on the Central Power House were also impacted by restricted access to remote areas.
- Expenditure on the ADI was impacted as approved projects were unable to meet delivery milestones as a result of COVID-19 travel and activity restrictions, combined with restricted access to remote areas.

At the start of COVID-19 in 2020, the department implemented the immediate deferral of mineral exploration licence fees and annual petroleum and geothermal licence fees. The deferred payment due date was December 2020 and all deferred licence fees were paid in full. This has led to reduced aged debtors from licence fees in 2021 compared with 2020 (see note 2.3).

Refer to note 9.4 for impacts in 2021-22.

1.4. Changes to the department

There were no changes to the department during the 2021 financial year.

1.5. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2020-21 Budget Paper 4). Appropriation reflects appropriation issued to special deposit accounts controlled by the department. The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Statement Note	Note	Original budget 2021 $'000	Actual 2021 $'000	Variance $'000
Statement of Comprehensive Income					
Income					
Appropriation	2.1	(a)	134 125	106 837	(27 288)
SA Government grants, subsidies and transfers	2.2		67 696	79 671	11 975
Fees and charges	2.3		25 454	24 146	(1 308)
Sales of goods and services	2.4		4 677	4 284	(393)
Interest	2.5		859	937	78
Commonwealth-sourced grants and funding	2.6		21	273	252
Resources received free of charge	2.7		4 836	5 364	528
Other income	2.8		5 168	3 712	(1 456)
Recoveries	2.9	(b)	-	63 837	63 837
Total income			**242 836**	**289 061**	**46 225**
Expenses					
Grants and subsidies	4.1	(c)	145 096	84 199	(60 897)
Supplies and services	4.2		48 676	43 269	(5 407)
Employee benefits expenses	3.3		41 067	39 174	(1 893)
Depreciation and amortisation			3 471	3 059	(412)
Net loss from the disposal of non-current assets	4.4		-	44	44
Borrowing costs	4.3		-	5	5
Other expenses	4.5		3 768	5 463	1 695
Total expenses			**242 078**	**175 213**	**(66 865)**
Net result			**758**	**113 848**	**113 090**

	Note	Original budget 2021 $'000	Actual 2021 $'000	Variance $'000
Investing Expenditure Summary				
Total new projects	(d)	10 300	6 093	(4 207)
Total existing projects		1 882	1 642	(240)
Total annual programs		1 558	1 586	28
Total investing expenditure		**13 740**	**9 321**	**(4 419)**

1.5. Budget performance (continued)

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

Income

(a) Appropriation is $27.3 million lower than original budget due to the reprofile of projects including the Home Battery Scheme ($12.3 million), Renewable Technology Fund ($7.2 million) and Demand Management Trials ($6.3 million).

(b) Recoveries are $63.8 million above original budget due to the reimbursement of costs incurred by the department to support early works on project EnergyConnect, the SA-NSW interconnector project ($52.8 million) and for the emergency generators ($9.4 million).

Expenditure

(c) Grants and subsidies are $60.9 million below original budget mainly due to reduced grant payments for the EnergyConnect interconnector project ($20.1 million) and the reprofile and under expenditure for a range of projects including the Renewable Technology Fund ($11.0 million), Demand Management Trials ($9.6 million) and Accelerated Discovery Initiative ($7.2 million).

Investing Expenditure

(d) Expenditure on new projects is $4.2 million lower than original budget due to delays in the RAES Central Power House upgrade due to COVID-19 ($2.8 million) and the Modern Resources Customer System Transformation project ($1.4 million).

1.6. Significant transactions with government related entities

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

- approximately 80 per cent of accommodation services are supplied by the Department for Infrastructure and Transport;
- 100 per cent of lease payments relate to vehicles supplied by the South Australian Government Financing Authority (SAFA); and
- service level agreement payments are to the Department for Innovation and Skills (DIS) of $1.2 million for provision of corporate services and the Department of Primary Industries and Regions SA (PIRSA) of $1.6 million for information technology services.

2. Income

The department's primary sources of income (excluding appropriations from SA Government) include funding received from the Green Industry Fund and Economic and Business Growth Fund (now the Jobs and Economic Growth Fund) (refer note 2.2), application, rental and licence fees collected pursuant to the *Petroleum and Geothermal Energy Act 2000*, *Mining Act 1971* and *Opal Mining Act 1995* (refer note 2.3), industry licence fees levied by the Essential Services Commission of South Australia (refer note 2.2), and sales of electricity (refer note 2.4).

2.1. Appropriation

	2021	2020
	$'000	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	106 837	89 951
Total appropriations	**106 837**	**89 951**

Appropriations are recognised on receipt.

Appropriation pursuant to the *Appropriation Act* consists of $106.8 million (2020: $90.0 million) for operational funding and $0 million (2020: $1.5 million) as equity contribution. This appropriation comprises money issued and applied to the department as per Schedule 1 of the Act.

2.2. SA Government grants, subsidies and transfers

	2021	2020
	$'000	$'000
Green Industry Fund	53 333	30 846
Economic and Business Growth Fund	14 684	6 180
Industry licence fee allocation	11 329	10 745
Other Intra-government transfers	325	636
Total SA Government grants subsidies and transfers	**79 671**	**48 407**

SA Government grants, subsidies and transfers are recognised as income on receipt.

The Green Industry Fund contributes towards the department's climate change initiatives including the Home Battery Scheme and the Grid Scale Storage Fund.

The Economic and Business Growth Fund supports programs that seek to stimulate investment and innovation, including the Electronic Vehicle Action Plan, the Accelerated Discovery Initiative, and the Gawler Challenge.

The industry licence fee allocation is the department's funding from licence fees on electricity and gas 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.

2.3. Fees and charges

	2021	2020
	$'000	$'000
Mining and petroleum licence fees	22 603	23 395
Mining and petroleum non-licence fees	1 541	1 504
Other fees and charges	2	-
Total fees and charges	**24 146**	**24 899**

All revenue from fees and charges is revenue recognised from contracts with customers.

The Department for Energy and Mining is responsible for administration of licenses and other fees under the *Petroleum and Geothermal Energy Act 2000, Mining Act 1971* and *Opal Mining Act 1995.*

Mining and petroleum licence fees

The department collects mining, petroleum and opal licence fees annually. Even though licences are generally issued for periods greater than one year, all licences are classified as short term in recognition of their non-cancellable, non-amendable period. Fee revenue is recognised at a single point in time when the licence is granted, or on its anniversary date in future annual periods where the licence has not been cancelled, suspended or amended.

Mining and petroleum non-licence fees

The department also collects regulatory fees for licence applications, advertising notices, search fees and other administration fees. Revenue is recognised at the time of receipt of payment.

Contract balances

	2021	2020
	$'000	$'000
Receivables from contracts with customers, included in 'Receivables'	1 563	4 530
Contract liabilities	(5 637)	(4 016)

Contract liabilities primarily relate to payments of annual rent and regulatory licence fees at the renewal of a mining tenement or subsequent exploration licence. Once a renewal decision has been made and a memorandum has been instrumented in the Mining Register, the payment 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 disbursed to eligible freehold landowners upon receipt of payment.

Contract liabilities have increased due to two significant mining tenements under renewal involving complex assessment processes and finalising a site inspection. The renewal processes will be finalised during the first quarter of 2021-22.

Revenue totalling $0.3 million was recognised in 2020-21 that was included in contract liabilities at 1 July 2020. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods.

2.4. Sales of goods and services

	2021	2020
	$'000	$'000
Sales of electricity	4 284	4 556
Total sales of goods and services	**4 284**	**4 556**

Revenue from the sale of electricity is revenue recognised from contracts with customers.

The department receives revenue from the sale of electricity in remote areas. Fees are set annually by the Minister based on average on-grid electricity prices. All billing activities are conducted by an external service provider on behalf of the department, with all funds collected passed directly on to the department.

In the comparative period, revenue from sales of electricity was also recognised as billed (in arrears).

Contract balances

	2021	2020
	$'000	$'000
Receivables from contracts with customers, included in 'Receivables'	708	415

There is an unconditional right to receive payment for sales of electricity when billed. No contract assets or liabilities are recognised. Receivables increased during the period mainly due to the timing of the quarterly meter reading in May 2021, resulting in a large number of corresponding invoices not being paid until July 2021, inflating the receivables balance at 30 June 2021.

2.5. Interest

	2021	2020
	$'000	$'000
Interest revenues from loans	937	957
Total interest	**937**	**957**

Interest revenues relate to loans provided through the Renewable Technology Fund which began in December 2018.

2.6. Commonwealth-sourced grants and funding

	2021 $'000	2020 $'000
Grants		
Hydrogen Safety and Regulation	150	-
National Energy Efficient Buildings	60	44
Energy Legislation Drafting	42	-
Bioenergy	21	60
Standalone and Embedded Networks	-	545
Smart Appliances Demand Response	-	100
COAG Hydrogen	-	75
Greenhouse and Energy Minimum Standards (GEMS) Inspections	-	42
Total Commonwealth-sourced grants and funding	**273**	**866**

Commonwealth-sourced grants and funding are recognised as income on receipt.

Obligations under Commonwealth-sourced grants and funding are required to be met by the State of South Australia. The obligations under the funding arrangements rest with the department as all funding was received directly from the Commonwealth by the department, with the department representing the State of South Australia's obligations under the grant for accounting purposes. The Commonwealth has provided funding to the State for the following purposes:

- Hydrogen Safety and Regulation - to continue the National Hydrogen Strategy Actions related to hydrogen skills and training.
- National Energy Efficiency Buildings - to support the creation of a mass market for net zero energy-ready homes.
- Energy Legislation Drafting - to draft legislative amendments regarding the Omnibus Bill and Regulatory Sandboxes.
- Bioenergy - to support the development of a national database of biomass resources.

2.7. Resources received free of charge

	2021 $'000	2020 $'000
Donated assets	4 836	-
Services received free of charge - Shared Services SA	362	381
ICT Services received free of charge - DPC	166	-
Total resources received free of charge	**5 364**	**381**

In 2020-21 current assets valued at $4.8 million were transferred from the Department for Trade and Investment (DTI) for the Energy Storage and Deployment project (refer to note 6.3). Donated assets were recognised at their fair value.

Financial reporting services were provided free of charge by Shared Services SA as the department is a non-billable client. ICT services were provided free of charge by the ICT and Digital Government (IDG) area in the Department of the Premier and Cabinet. The fair value of these services can be reliably measured, and the services would have been purchased if they had not been donated. This is the first year that IDG provided services free of charge to the department and is the result of a revised billing model across the South Australian Government.

2.8. Other income

	2021	2020
	$'000	**$'000**
Fuel tax credits	1 993	2 434
Support for the regulation of Extractive Mining Operations	1 341	1 328
Other income	378	333
Total other income	**3 712**	**4 095**

Fuel tax credits, and support for the regulation of extractive mining operations are recognised as income on receipt.

2.9. Recoveries

	2021	2020
	$'000	**$'000**
Project EnergyConnect	52 727	2 700
Emergency generation	9 421	-
Other	1 689	2 797
Total recoveries	**63 837**	**5 497**

Recoveries are revenue recognised from contracts with customers. Revenue is recognised at the time of receipt or upon recognition of a receivable.

Recoveries from Project EnergyConnect represent reimbursement of costs incurred by the department to support early works on Project EnergyConnect, the SA-NSW interconnector project (see note 1.5).

3. Committees and employees

3.1. Key management personnel

Key management personnel of the department include the Minister, Chief Executive and six members of the Executive Team.

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.* Disclosures of the Minister's remuneration paid and recovered from the Consolidated Account are contained in the Administered financial statements section of this report.

	2021	2020
Compensation	**$'000**	**$'000**
Salaries and other short term employee benefits	1 664	1 541
Post-employment benefits	410	506
Total compensation	**2 074**	**2 047**

Transactions with key management personnel and other related parties

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

3.2. Committee members

Members during the 2021 financial year were:

Minerals and Energy Advisory Council

P Carr (Chair)
D Maxwell ^
G Toogood ^
K Hulmes ^
K Keates
K Reznikov
L Owler ^
M Reed ^
R Boele ^
S Bellman ^
S Masters ^
S Thuraisingham
T Burgess ^

Risk and Performance Committee

C Dunsford (Chair)
J Hill
S Adlaf *
J Cirson *
N Morris *

The Risk and Performance Committee is shared with the Department for Trade and Investment (DTI) and the Department for Innovation and Skills (DIS). The committee is remunerated by DIS and costs are recovered through the service level agreement with DIS (refer note 4.2).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for committee duties during 2020-21.

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

Payments to committee members include the Chair of the Penrice Community Consultative Committee who is appointed by the Minister for Energy and Mining. This is not an SA Government Committee. The department is reimbursed for these fees as a recovery (note 2.9).

Committee remuneration

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

	2021	2020
$1 - $19 999	5	5
Total number of members	**5**	**5**

The total remuneration received or receivable by members was $11 000 (2020: $10 000). Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3. Employee benefits expenses

	Note	2021 $'000	2020 $'000
Salaries and wages		30 664	31 127
Employment on-costs – superannuation		3 511	3 540
Annual leave		2 647	2 878
Employment on-costs – other		1 820	1 864
Workers compensation		656	(238)
Skills and experience retention leave		205	231
Committee fees - excluding on-costs	3.2	10	9
Targeted voluntary separation packages		-	439
Long service leave		(339)	668
Total employee benefits expenses		**39 174**	**40 518**

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.

3.3. Employee benefits expenses (continued)

Employee remuneration

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

	2021 Number	2020 Number
$154 001 to $174 000	8	8
$174 001 to $194 000	8	9
$194 001 to $214 000	3	4
$214 001 to $234 000	6	4
$234 001 to $254 000	3	4
$254 001 to $274 000	-	1
$274 001 to $294 000	2	-
$294 001 to $314 000	-	-
$314 001 to $334 000	-	-
$334 001 to $354 000	1	1
$354 001 to $374 000	1	1
$394 001 to $414 000 *	1	2
$414 001 to $434 000 *	-	1
$434 001 to $454 000 *	-	1
Total	**33**	**36**

* This band includes employees that received TVSP and (or) termination payments in 2019-20.

No employees received TVSPs or termination payments in 2020-21.

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, fringe benefits and any related fringe benefits tax paid.

The total remuneration received by those employees for the year was $7.1 million (2020: $8.3 million).

Targeted voluntary separation packages (TVSPs)

There were no TVSPs during the reporting period (2020: 5 TVSPs).

	2021 $'000	2020 $'000
Amount paid to separated employees:		
Targeted Voluntary Separation Packages	-	439
Leave paid to separated employees	-	134
Net cost to the department	**-**	**573**

3.4. Employee benefits liability

	2021 $'000	2020 $'000
Current		
Annual leave	3 249	3 306
Accrued salaries and wages	957	864
Long service leave	410	441
Skills and experience retention leave	303	259
Total current employee benefits	**4 919**	**4 870**
Non-current		
Long service leave	9 408	10 281
Total non-current employee benefits	**9 408**	**10 281**
Total employee benefits liability	**14 327**	**15 151**

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 (SERL) 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 SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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 10.1.

4. Expenses

The operating expenses of the department primarily relate to energy initiative programs that include Project EnergyConnect and the Home Battery Scheme, the state's emergency generators, and the Remote Areas Energy Supplies Scheme (RAES).

Employee benefits expenses are disclosed in note 3.3.

4.1. Grants and subsidies

	2021 $'000	2020 $'000
Project EnergyConnect	37 050	15 947
Home Battery Scheme	24 289	43 208
Remote Areas Energy Supply Scheme	4 535	4 603
Other grants and subsidies	3 912	6 093
Grid Scale Storage Fund	2 917	-
Renewable Technology Fund	2 612	5 620
Australian Energy Market Commission	2 287	2 382
Energy Productivity Program	1 885	1 980
Bird Lake	1 695	809
Demand Management	1 581	649
Economic and Business Growth Fund Projects	1 436	1 059
Total grants and subsidies	**84 199**	**82 350**

4.2. Supplies and services

	2021 $'000	2020 $'000
Emergency generation and storage (a)	13 209	16 568
Contractors (b)	8 726	6 885
Energy supply fuel and lubricants	5 412	7 103
Accommodation	3 906	4 044
Service level agreements (c)	3 158	3 706
Office administration expenses	2 025	3 393
Consultants	1 656	1 905
Information technology and communication charges (d)	1 653	1 321
Staff related expenses	890	859
Remote areas energy supplies plant and equipment	878	730
Travel and related expenses	619	1 000
Marketing	569	425
Service recoveries	446	325
Accounting and audit fees (e)	122	133
Total supplies and services	**43 269**	**48 397**

(a) Emergency generation and storage represents payments for operation of the State's emergency 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 RAES communities.

(c) Service level agreements largely represents payments made to DIS and PIRSA for the provision of corporate support and Information Communication Technology support under service level agreements.

4.2 Supplies and services (continued)

(d) Resources provided free of charge by DPC ICT were $0.2 million (2020: $0) and were expensed at fair value (refer to note 2.7).

(e) 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 (2020: $0.1 million). No other services were provided by the Auditor-General's Department.

Accommodation

Most of the department's accommodation is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangements issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease and are expensed accordingly. Information about accommodation incentives relating to this arrangement is shown at note 7.5.

4.3. Borrowing costs

	2021 $'000	2020 $'000
Interest expense on lease liabilities	5	7
Total borrowing costs	**5**	**7**

The department does not capitalise borrowing costs.

4.4. Net (loss) / gain from the disposal of non-current assets

	2021 $'000	2020 $'000
Plant and equipment and other non-current assets		
Net proceeds from disposal	36	29
Less net book value of assets disposed	(80)	(27)
Net (loss) / gain from the disposal of plant and equipment	**(44)**	**2**

Proceeds from disposal of equipment relate to revenue from auctioning equipment no longer required by the department, offset by the book value of these disposed assets.

4.5. Other expenses

	2021 $'000	2020 $'000
Concessional lending discount	2 228	-
Donated current assets	1 193	-
Donated plant and equipment	851	-
NRM Water Catchment Levy	826	810
Shared Services fee	362	381
Asset derecognition	62	834
Accommodation incentive amortisation	(27)	-
Bad and doubtful debts	(32)	(44)
Total other expenses	**5 463**	**1 981**

The concessional lending discount relates to a Renewable Technology Fund loan measured at amortised cost.

Donated current assets are transfers of batteries under the Energy Storage Acquisition and Deployment project deploying energy storage on agency properties and bushfire affected households.

Donated plant and equipment relate to transfers to DPC, the State Library and the Department for Education under the Battery Storage demonstration project.

5. Non-financial assets

Property, plant and equipment comprises tangible assets owned and right-of-use (leased) assets. The assets presented below do not meet the definition of investment property.

5.1. Property, plant and equipment owned by the department

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 owned by the department is recorded at fair value. Details about the department's approach to fair value is set out in note 10.2.

Plant and equipment includes $3.5 million of fully depreciated plant and equipment still in use.

Impairment

Revaluation of property, plant and equipment is reviewed regularly and revalued if at any time management considers that the carrying amount of an asset materially differs from its fair value.

Depreciation

All non-current assets not held for sale with a limited useful life are systematically depreciated / amortised over their useful lives in a manner that reflects the consumption of their service potential.

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 is calculated on a straight-line basis over the estimated useful life as follows:

Class of asset	Useful life (years)
Buildings	25-65
Accommodation improvements	Life of lease
Plant and equipment	1-60

5.1 Property, plant and equipment owned by the department (continued)

Reconciliation of property, plant and equipment owned by the department

The following table shows the movement of property, plant and equipment owned by the department during 2020-21:

	Plant and equipment	Building and accommodation improvements	Land	Works of art	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2020	8 261	29 614	7 209	70	1 507	46 661
Additions	1 527	274	-	-	6 397	8 198
Capitalisation	1 702	-	-	-	(1 702)	-
Disposals	(80)	-	-	-	-	(80)
Asset derecognition	(62)	-	-	-	-	(62)
Donated assets	(851)	-	-	-	-	(851)
Depreciation	(1 298)	(946)	-	-	-	(2 244)
Carrying amount at 30 June 2021	**9 199**	**28 942**	**7 209**	**70**	**6 202**	**51 622**
Gross carrying amount						
Gross carrying amount	17 020	30 192	7 209	70	6 202	60 693
Accumulated depreciation	(7 821)	(1 250)	-	-	-	(9 071)
Carrying amount at 30 June 2021	**9 199**	**28 942**	**7 209**	**70**	**6 202**	**51 622**

The following table shows the movement of property, plant and equipment owned by the department during 2019-20:

	Plant and equipment	Building and accommodation improvements	Land	Works of art	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2019	232 434	28 404	6 195	70	1 161	268 264
Additions	817	153	-	-	653	1 623
Capitalisation	-	307	-	-	(307)	-
Disposals	(27)	-	-	-	-	(27)
Asset derecognition	-	(746)	(88)	-	-	(834)
Revaluation increment	-	2 124	1 102	-	-	3 226
Depreciation	(7 815)	(628)	-	-	-	(8 443)
Net assets transferred by proclamation	(217 148)	-	-	-	-	(217 148)
Carrying amount at 30 June 2020	**8 261**	**29 614**	**7 209**	**70**	**1 507**	**46 661**
Gross carrying amount						
Gross carrying amount	11 233	32 305	7 209	70	1 507	52 324
Accumulated depreciation	(2 972)	(2 691)	-	-	-	(5 663)
Carrying amount at 30 June 2020	**8 261**	**29 614**	**7 209**	**70**	**1 507**	**46 661**

5.1 Property, plant and equipment owned by the department (continued)

An independent valuation was performed as at 30 June 2020 on the department's land and buildings. As a result, land was revalued upward $1.1 million and buildings were revalued upward $2.1 million. The department has assessed these valuations as being materially correct at 30 June 2021.

Battery storage demonstration assets were capitalised and subsequently donated in 2020-21 to nominated South Australian Government buildings within the Adelaide City Council area. Other capitalised assets included generator sets and smart meters under the RAES scheme.

Depreciation on plant and equipment has decreased due to the transfer of the emergency generators to the Treasurer at 30 June 2020.

5.2. Property, plant and equipment leased by the department

Right-of-use (ROU) assets for property, plant and equipment leased by the department as lessee are measured at cost and there was no indication of impairment.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than $15,000, are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed under travel and related expenses in note 4.2.

The department has a limited number of leases:

- As at 30 June 2021, the department has 43 motor vehicle leases with the SAFA. Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from three years (60,000km) up to five years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The department's maturity analysis of its lease liabilities is disclosed in note 10.3. Expenses related to leases, including interest and depreciation expenses, are disclosed in notes 4.3 and 5.2. Cash outflows related to leases are disclosed in note 8.2.

Depreciation on right of use vehicles is calculated on a straight-line basis over the life of the lease.

Reconciliation of property, plant and equipment leased by the department

The following table shows the movement of property, plant and equipment leased by the department:

	ROU vehicles	
	2021	**2020**
	$'000	**$'000**
Carrying amount at 1 July	429	-
Additions	222	711
Disposals	(1)	(11)
Depreciation	(256)	(271)
Carrying amount at 30 June	**394**	**429**
Gross carrying amount		
Gross carrying amount	793	629
Accumulated depreciation	(399)	(200)
Carrying amount at 30 June	**394**	**429**

5.3. Intangible assets

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 and recognition criteria and when the amount of expenditure is greater than or equal to $10 000.

Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life (3-10 years).

Reconciliation of intangible assets

The following table shows the movement of intangible assets during 2020-21:

	Intangibles software	Intangibles work in progress	Total
	$'000	$'000	$'000
Carrying amount at 1 July 2020	1 903	-	1 903
Additions	-	900	900
Amortisation	(559)	-	(559)
Carrying amount at 30 June 2021	**1 344**	**900**	**2 244**
Gross carrying amount			
Gross carrying amount	5 075	900	5 975
Accumulated amortisation	(3 731)	-	(3 731)
Carrying amount at 30 June 2021	**1 344**	**900**	**2 244**

The following table shows the movement of intangible assets during 2019-20:

	Intangibles software	Intangibles work in progress	Total
	$'000	$'000	$'000
Carrying amount at 1 July 2019	641	1 792	2 433
Capitalisation	1 792	(1 792)	-
Amortisation	(530)		(530)
Carrying amount at 30 June 2020	**1 903**	**-**	**1 903**
Gross carrying amount			
Gross carrying amount	2 821	-	2 821
Accumulated amortisation	(918)	-	(918)
Carrying amount at 30 June 2020	**1 903**	**-**	**1 903**

Works in progress relating to the Digital Restart Program and the Tenements Management System (TMS) were capitalised as intangible assets during the year.

6. Financial assets

6.1. Cash and cash equivalents

	2021 $'000	2020 $'000
Deposits with the Treasurer	80 445	9 927
Deposits with the Treasurer – Accrual Appropriation	3 850	-
Total cash	**84 295**	**9 927**

6.2. Receivables

	2021 $'000	2020 $'000
<u>**Current**</u>		
Trade receivables		
From non-government entities	48 522	5 108
From government entities	3	93
Allowance for doubtful debts	(340)	(372)
Total trade receivables	**48 185**	**4 829**
Loans granted	543	21 104
Accrued revenue	332	712
Accrued interest	76	-
Prepayments	371	277
GST input tax recoverable	-	399
Other receivables	17	18
Total other current receivables	**1 339**	**22 510**
Total current receivables	**49 524**	**27 339**
<u>**Non-current**</u>		
Loans granted	15 363	-
Total non-current receivables	**15 363**	-
Total receivables	**64 887**	**27 339**

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods / services have been provided under a contractual arrangement.

Other than as recognised in the allowance for impairment loss on receivables, 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.

The department holds a concessional loan which was initially measured at fair value using a market interest rate and is assessed as being low credit risk at 30 June 2021. Refer to note 10.3 for further information on risk management. The increase in non-current loans granted and decrease in current loans granted in 2021 is due to a new renewable technology fund loan being over a 13 year term, compared to the initial loan at 30 June 2020 having a 12 month term.

The net amount of GST recoverable from the ATO is included as part of receivables (payables in 2021).

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.

6.2. Receivables (continued)

The increase in trade receivables is mostly due to recovery for costs incurred by the department to support early works on project EnergyConnect, the SA-NSW interconnector project ($44.6 million) (refer to note 1.5), with an associated increase in GST recoverable from the ATO.

Allowance for impairment loss on receivables

	2021 $'000	2020 $'000
Carrying amount at 1 July 2020	(372)	(447)
Decrease in the allowance	32	44
Amounts written off	-	31
Carrying amount at 30 June 2021	**(340)**	**(372)**

Impairment losses relate to contracts with customers external to SA Government. No impairment loss was recognised in relation to statutory receivables.

Refer to note 10.3 for details regarding credit risk and the methodology for determining impairment.

Loans

Loans with below-market interest (concessionary) are loans provided by the department into emerging industries to encourage innovation and growth.

The department holds a concessionary loan with the objective of collecting the contractual cash flows and the contractual cash flow to be paid represents payment of principal (being the initial fair value of the loan) and interest (being interest accrued using the effective interest rate method). The loan is measured at amortised cost.

The initial fair value of the loan is measured at the present value of future cash receipts discounted at an appropriate market rate of interest for a similar loan (including borrowers credit risk, security, term, amount) at the date of initial recognition.

The difference between the fair value of the loan on initial recognition and the transaction price is recognised as an asset on the statement of financial position and amortised over the life of the loan.

The increase in the loan amount each reporting period for the accrued income is recognised as interest income.

6.3. Other current assets

	2021 $'000	2020 $'000
<u>**Current**</u>		
Energy storage and deployment assets	3 643	-
Total other current assets	**3 643**	**-**

In 2020-21 current assets were transferred from the Department for Trade and Investment.

7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2021	2020
	$'000	**$'000**
Current		
Creditors and accrued expenses	7 564	8 706
GST payable	4 614	-
Employment on-costs	940	1 213
Total current payables	**13 118**	**9 919**
Non-current		
Employment on-costs	884	953
Total non-current payables	**884**	**953**
Total payables	**14 002**	**10 872**

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.

The net amount of GST recoverable from the ATO is included as part of receivables in 2020.

Employment on-costs

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

The department contributes 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 has remained unchanged from the 2020 rate of 42%. The average factor for the calculation of employer superannuation on-costs has increased from the 2020 rate (9.8%) to 10.1%. These rates are used in the employment on-cost calculation. The impact on 2021 is not material.

7.2. Financial liabilities

	2021	2020
	$'000	$'000
Current		
Lease liabilities	216	220
Total current financial liabilities	**216**	**220**
Non-current		
Lease liabilities	180	212
Total non-current financial liabilities	**180**	**212**
Total financial liabilities	**396**	**432**

The department measures financial liabilities including borrowings/debt at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above.

7.3. Provisions

	2021	2020
	$'000	$'000
Current		
Provision for workers compensation	194	184
Total current provisions	**194**	**184**
Non-current		
Provision for workers compensation	3 642	3 106
Total non-current provisions	**3 642**	**3 106**
Total provisions	**3 836**	**3 290**
Movement in provisions		
Carrying amount at 1 July 2020	3 290	3 686
Increase (decrease) in provisions recognised	546	(396)
Carrying amount at 30 June 2021	**3 836**	**3 290**

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 2021 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. 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.

7.4. Security deposits

	2021 $'000	2020 $'000
Current		
Security deposits	18 900	16 540
Total security deposits	**18 900**	**16 540**

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.

7.5. Other liabilities

	2021 $'000	2020 $'000
Current		
Contract liabilities	5 637	4 016
Other	29	-
Accommodation incentive	27	-
Total current other liabilities	**5 693**	**4 016**
Non-current		
Accommodation incentive	125	-
Total non-current other liabilities	**125**	**-**
Total other liabilities	**5 818**	**4 016**

Contract liabilities relate to payments of rent and annual regulatory fees at the renewal of a mining tenement or subsequent exploration licence. Refer to note 2.3 for further detail.

Accommodation incentive liabilities relate to arrangements with the Department for Infrastructure and Transport for office accommodation. These arrangements do not comprise leases and the accommodation incentives do not comprise financial liabilities under AASB 16 *Leases.* The Department for Infrastructure and Transport has provided a fit-out of accommodation. The benefit of these incentives is spread over the accommodation term so that each year reported accommodation expenses reflect the economic substance of the office accommodation arrangements and related benefits provided.

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

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.

Total cash outflows for leases was $0.3 million (2020: $0.3 million).

Reconciliation of net result to cash flows from operating activities

	2021 $'000	2020 $'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	84 295	9 927
Balance as per the Statement of Cash Flows	**84 295**	**9 927**
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by in operating activities	82 604	5 897
Add / (less) non-cash items		
Depreciation and amortisation expense of non-current assets	(3 059)	(9 244)
Concessional lending discount expense	(2 228)	-
Concessional lending discount income	357	-
Amortisation of lease incentive	27	-
Asset derecognition	(62)	(834)
Bad and doubtful debts expense	32	44
Resources received free of charge	528	381
Assets received free of charge	4 836	-
Resources provided free of charge	(528)	(381)
Donated assets	(2 044)	-
(Loss) / gain from the disposal of non-current assets	(44)	2
Net cash provided by / (used in) operating activities before change in assets and liabilities	**80 419**	**(4 135)**
Movement in assets and liabilities		
Increase in receivables	39 387	9 653
(Increase) / decrease in payables	(2 348)	5 303
(Increase) in other liabilities	(1 802)	(1 217)
(Increase) / decrease in provisions	(546)	396
(Increase) / decrease in security deposits	(2 360)	(12 336)
Decrease in employee benefits	1 062	151
Decrease / (increase) in financial liabilities	36	(701)
Net Result	**113 848**	**(2 886)**

9. Outlook

9.1. Unrecognised contractual commitments

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

Capital commitments

	2021 $'000	2020 $'000
Within one year	4 935	1 370
Total capital commitments	**4 935**	**1 370**

The department's capital commitments are for installation of solar and batteries at the Central Power House and smart meters under the RAES program.

Expenditure commitments

	2021 $'000	2020 $'000
Within one year	51 827	85 510
Later than one year but not later than five years	93 995	89 463
Later than five years	9 926	17 271
Total expenditure commitments	**155 748**	**192 244**

The department's expenditure commitments are for agreements for:

- Memoranda of administrative arrangements with the Department for Infrastructure and Transport for accommodation ($17 million),
- South Australian Grid-Connected Battery Facility ($27 million),
- Remote area energy supply independent operator subsidies ($23 million), and
- Management of electricity infrastructure in the remote area energy supply communities ($17 million).

9.2. 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. 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 2021 is approximately $216 million (2020: approximately $217 million). The department only has a claim on these funds if the licencee 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.

The department has a financial underwriting commitment for costs of the Accelerated Voltage Regulation Project to be undertaken by South Australian Power Networks (SAPN). Whilst the project has now been implemented, the underwriting liability has not unwound. It is possible that the settlement of the underwriting commitment will result in an outflow of $10 million in 2021-22 financial year.

The department may have future obligations to reimburse SA Water for any damage to infrastructure sustained through discharge of water from Buckland Dry Creek salt fields via pipeline on SA Water land through the Bolivar outfall channel. At this time the financial impact, if any, cannot be reliably estimated.

9.3. Impact of standards and statements not yet effective

The department has assessed the impact of new and amended Australian Accounting Standards and Interpretations not yet implemented and changes to the Accounting Policy Statements issued by the Treasurer. There are no Accounting Policy Statements that are not yet in effect.

Amending Standard AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current will apply from 1 July 2023. This standard amends AASB 101 Presentation of Financial Statements to clarify the classification of liabilities in the Statement of Financial Position as current and non-current and promote consistency in financial reporting. The amending standard may result in the reclassification of some liabilities from current to non-current or vice versa.

Amending Standard AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates will apply from 1 July 2023 and amends:

- AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.
- AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies.
- AASB 108 Accounting Policies, Changes to Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates.
- AASB 134 Interim Financial Reporting, to identify material accounting policy information as a component of a complete set of financial statements.
- AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This amending standard is not expected to impact on the department's general purpose financial statements. The department's internal policies and procedures will be updated to reflect the additional clarification requirements, as required.

9.4. COVID-19 pandemic outlook for the department

It is expected that the COVID-19 pandemic will have only minimal impact on the operations of the department in 2021-22. The key expected impacts are:

- Additional expenditure in 2021-22 for projects that were delayed in 2020-21 as a result of COVID-19, including RAES capital works and Future Sustainability project, and the Accelerated Discovery Initiative grant program.
- Limits on overseas and inter-state travel and conferences.
- Departmental programs and activities will continue to be refocussed for delivery through digital engagement.

The department is not expecting there to be any significant credit losses, impairment of assets, grant agreements that cannot be satisfied, contingent assets/liabilities or any significant increase of risks in the internal control environment due to the impact of COVID-19.

9.5. Events after the reporting period

The department is not aware of any event occurring after balance date that would materially affect the financial statements.

10. Measurement and risk

10.1. 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 has increased from 2020 (0.75%) to 2021 (1.25%)

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

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability and employee benefits expense 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 has left the salary inflation rate unchanged from 2020 at 2.5% for long service leave liability. As a result there is no net financial effect 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.

10.2. 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 nominal 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 (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

Revaluation

Property, plant and equipment, other than right of use assets, is subsequently measured at fair value after allowing for accumulated depreciation.

10.2. Fair value (continued)

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.

Revaluation is undertaken every 6 years. 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.

10.2. Fair value (continued)

Fair value classification – non-financial assets at 30 June 2021

	Note	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Land	5.1	7 209	-	7 209
Plant and equipment	5.1	-	9 199	9 199
Buildings and accommodation improvements	5.1	-	28 942	28 942
Works of art	5.1	-	70	70
Total recurring fair value measurements		**7 209**	**38 211**	**45 420**
Total fair value measurements		**7 209**	**38 211**	**45 420**

Fair value classification – non-financial assets at 30 June 2020

	Note	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements				
Land	5.1	7 209	-	7 209
Plant and equipment	5.1	-	8 261	8 261
Buildings and accommodation improvements	5.1	-	29 614	29 614
Works of art	5.1	-	70	70
Total recurring fair value measurements		**7 209**	**37 945**	**45 154**
Total fair value measurements		**7 209**	**37 945**	**45 154**

Land and buildings

An independent valuation of land and buildings owned by the department was performed in June 2020 by a Certified Practising Valuer from Marsh Valuation Services, as at 30 June 2020.

Fair value of land was determined using the direct comparison approach whereby the evidence derived from the analysis of recent sales of similar properties was used to establish the value of the subject property. In this regard, sales evidence was collected as close to the date of valuation as possible and compared to the subject property on the basis of size, zoning, location, topography, shape and current use. The sales were then analysed on a sales price per square metre or hectare of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Given the specialised nature of some of the parcels there were limited directly comparable recent sales evidence available. For properties with limited sales available or more unique zonings and uses a higher number of assumptions and adjustments were required. Where a significant number of assumptions were required the land was valued on a Level 3 basis in the valuation hierarchy. Where sales evidence was available and fewer assumptions were required, the land was valued on a Level 2 basis in the valuation hierarchy.

The fair value of specialised building assets was determined using current replacement cost. A broad search for other similar properties, not only locally based but across the State, indicated that there had been limited registered sales of such properties in the past 18 months.

10.2. Fair value (continued)

The value of the buildings and site improvements was determined using the cost approach, by first establishing their estimated cost to replace with an equivalent new asset less depreciation for their physical, functional and economic obsolescence.

For non-specialised building assets where the asset can be identified as having the capability to be compared to open market conditions, the direct comparison or income approach was adopted whereby the evidence derived from the analysis of recent sales of similar properties was used to establish the value of the subject property. In this regard, sales evidence was collected as close to the date of valuation as possible and compared to the subject property on the basis of quality, age, condition and size of improvements, location, land area and shape. The sales were then analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and the comparable sales data.

Plant and 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 Practicing 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.

10.2. Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2021

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

	Plant and equipment	Buildings and accommodation improvements	Works of art	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2020	8 261	29 614	70	37 945
Acquisitions	1 527	274	-	1 801
Capitalised subsequent expenditure	1 702	-	-	1 702
Disposals	(80)	-	-	(80)
Asset derecognition	(62)	-	-	(62)
Donated Assets	(851)	-	-	(851)
Closing balance at the end of the period	**10 497**	**29 888**	**70**	**40 455**
Losses for the period recognised in net result:				
Depreciation	(1 298)	(946)	-	(2 244)
Total losses recognised in net result	**(1 298)**	**(946)**	**-**	**(2 244)**
Closing balance at 30 June 2021	**9 199**	**28 942**	**70**	**38 211**

Reconciliation of level 3 recurring fair value measurement as at 30 June 2020

	Plant and equipment	Buildings and accommodation improvements	Works of art	Total
	$'000	$'000	$'000	$'000
Opening balance at 1 July 2019	232 434	28 251	70	260 755
Acquisitions	817	153	-	970
Capitalised subsequent expenditure	-	307	-	307
Transfer into level 3	-	153	-	153
Disposals	(27)	-	-	(27)
Asset derecognition	-	(746)	-	(746)
Closing balance at the end of the period	**233 224**	**28 118**	**70**	**261 412**
Losses for the period recognised in net result:				
Depreciation	(7 815)	(628)	-	(8 443)
Net assets transferred by proclamation	(217 148)	-	-	(217 148)
Total losses recognised in net result	**(224 963)**	**(628)**	**-**	**(225 591)**
(Losses) for the period recognised in other comprehensive income (OCI):				
Revaluation increment/(decrements)	-	2 124	-	2 124
Total (losses) recognised in OCI	**-**	**2 124**	**-**	**2 124**
Closing balance at 30 June 2020	**8 261**	**29 614**	**70**	**37 945**

10.3. 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 *SA Government Risk Management Guide* 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 notes 7.1 and 7.2 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 - receivables

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss (ECL) using the simplified approach in AASB 9 *Financial Instruments.* 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 Management 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.

10.3. Financial instruments (continued)

TMS	Debtor gross carrying amount $'000	Loss %	Lifetime expected losses $'000
Current (not past due)	570	1	8
1 - 30 days past due	28	2	1
31 - 60 days past due	566	5	29
61 - 90 days past due	4	6	-
More than 90 days past due	172	8	14
Loss Allowance	**1 340**		**52**

PEPS	Debtor gross carrying amount $'000	Loss %	Lifetime expected losses $'000
Current (not past due)	191		1
1 - 30 days past due	-		-
31 - 60 days past due	20	1	-
61 - 90 days past due	15	1	-
More than 90 days past due	-	2	-
Loss Allowance	**226**		**1**

General invoices	Debtor gross carrying amount $'000	Loss %	Lifetime expected losses $'000
Current (not past due)	44 662		155
1 - 30 days past due	19	1	-
31 - 60 days past due	-	6	-
61 - 90 days past due	74	28	21
More than 90 days past due	71	40	28
Loss Allowance	**44 826**		**204**

RAES	Debtor gross carrying amount $'000	Loss %	Lifetime expected losses $'000
Current (not past due)	15	2	-
1 - 30 days past due	51	4	2
31 - 60 days past due	(2)	16	-
61 - 90 days past due	-	31	-
More than 90 days past due	199	41	81
Loss Allowance	**263**		**83**
Total Loss Allowance	**46 655**		**340**

10.3. 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 (except for concessional loans – refer below) at amortised cost are considered to have low credit risk based on payment history. The ECL is nil.

Impairment of financial assets - Concessionary loans

The department measures expected credit losses (ECLs) on concessional loans at an amount equal to lifetime credit losses under the general impairment model in AASB 9.

At each reporting date, the department considers whether there has been a significant increase in credit risk of each of the concessional loans since initial recognition and when estimating ECL. The department considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes qualitative and quantitative information, based on the department's historical experience and consideration of current and future economic conditions.

The department assumes that the credit risk on a concessionary loan has increased significantly if it is more than 30 days past due.

The department considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the department in full, without recourse by the department; or
- The concessionary loan is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the concessionary loan.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the department under the terms of the contract) and the cash flows that the department expects to recover.

There are no indicators of any significant credit losses over loans provided by the department.

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.

10.3. Financial instruments (continued)

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 of financial instruments

The department measures all financial instruments at amortised cost.

10.3. Financial instruments (continued)

Maturity analysis of financial instruments

Category of financial asset and financial liability	Note	2021 Carrying amount / fair value $'000	2021 Contractual maturities* Within 1 year $'000	1 - 5 years $'000	More than 5 years $'000
Financial assets					
Cash	6.1	84 295	-	-	-
Current receivables	6.2	49 153	49 153	-	-
Non-current receivables	6.2	15 363	-	4 661	10 702
Total financial assets at amortised cost		**148 811**	**49 153**	**4 661**	**10 702**
Financial liabilities					
Payables **	7.1	7 442	7 442	-	-
Other financial liabilities	7.2	396	216	180	-
Total financial liabilities at amortised cost		**7 838**	**7 658**	**180**	**-**

Category of financial asset and financial liability	Note	2020 Carrying amount / fair value $'000	2020 Contractual maturities Within 1 year $'000	1 - 5 years $'000	More than 5 years $'000
Financial assets					
Cash	6.1	9 927	9 927	-	-
Loans and receivables	6.2	26 663	26 663	-	-
Total assets		**36 590**	**36 590**	**-**	**-**
Financial liabilities					
Payables **	7.1	8 588	8 588	-	-
Other financial liabilities	7.2	432	220	212	-
Total		**9 020**	**8 808**	**212**	**-**

*Maturities analysis is presented using the undiscounted cash flows and therefore may not total to equal the carrying amount/fair value of the financial instrument.

**Excludes statutory payables including fees payable to the Auditor General.

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges, and Auditor-General's Department audit fees. This is in addition to employee related payables, such as payroll tax, Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contracts as enforceable by law. All amounts recorded are carried at amortised cost.

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

11. Trust Fund

Extractive Areas Rehabilitation Fund

The Extractive Areas Rehabilitation Fund is credited with amounts by way of a 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.

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

	2021 $'000	2020 $'000
Income		
Royalties	3 356	2 945
Total income	**3 356**	**2 945**
Expenses		
Extractive Industries contribution	1 341	1 328
Rehabilitation costs	33	14
Other expenses	-	30
Total expenses	**1 374**	**1 372**
Net result	**1 982**	**1 573**
Total comprehensive result	**1 982**	**1 573**

	2021 $'000	2020 $'000
Current assets		
Cash	31 544	29 562
Total assets	**31 544**	**29 562**
Net assets	**31 544**	**29 562**
Equity		
Net receipts	1 982	1 573
Retained earnings	29 562	27 989
Fund balance at the end of the period	**31 544**	**29 562**

Department for Energy and Mining
(DEM)

Administered Financial Statements

For the year ended 30 June 2021

Department for Energy and Mining
Statement of Administered Comprehensive Income
for the year ended 30 June 2021

	2021	2020
	$'000	$'000
Administered income		
Appropriation	403	403
Royalties	322 938	311 997
Other income	5 150	7 163
Total administered income	**328 491**	**319 563**
Administered expenses		
Employee benefits expenses	403	403
Payment of royalties to the Consolidated Account	322 938	311 997
Other expenses	5 166	7 163
Total administered expenses	**328 507**	**319 563**
Net result	**(16)**	**-**
Total comprehensive result	**(16)**	**-**

The accompanying notes form part of these financial statements.

Department for Energy and Mining
Statement of Administered Financial Position
as at 30 June 2021

	2021 $'000	2020 $'000
Administered current assets		
Cash and cash equivalents	25 039	24 126
Receivables	6	28
Total current assets	**25 045**	**24 154**
Total assets	**25 045**	**24 154**
Administered current liabilities		
Payables	24 860	24 307
Other liabilities	357	3
Total current liabilities	**25 217**	**24 310**
Total liabilities	**25 217**	**24 310**
Net assets	**(172)**	**(156)**
Administered equity		
Retained earnings	(172)	(156)
Total equity	**(172)**	**(156)**

The total equity is attributable to the SA Government as owner.

Department for Energy and Mining
Statement of Administered Cash Flows
for the year ended 30 June 2021

	2021 (Outflows) Inflows $'000	2020 (Outflows) Inflows $'000
Cash flows from operating activities		
Cash inflows		
Appropriation	403	403
Royalties receipts	324 652	314 540
Other receipts	5 150	7 163
Cash generated from operations	**330 205**	**322 106**
Cash outflows		
Employee benefits expenses	(403)	(403)
Other payments	(4 812)	(7 847)
Payment of royalties to the Consolidated Account	(324 077)	(309 847)
Cash used in operations	**(329 292)**	**(318 097)**
Net cash provided by operating activities	**913**	**4 009**
Net increase in cash and cash equivalents	**913**	**4 009**
Cash and cash equivalents at the beginning of the period	24 126	20 117
Cash and cash equivalents at the end of the period	**25 039**	**24 126**

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 2021

	Royalties		Native Title Agreement		Mintabie Administration	
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Administered income						
Appropriation	-	-	-	-	-	-
Royalties	322 938	311 997	-	-	-	-
Other income	-	-	5 150	7 163	-	-
Total administered income	**322 938**	**311 997**	**5 150**	**7 163**	**-**	**-**
Administered expenses						
Employee benefits expenses	-	-	-	-	-	-
Payment of royalties to the Consolidated Account	322 938	311 997	-	-	-	-
Other expenses	-	-	5 150	7 163	16	-
Total administered expenses	**322 938**	**311 997**	**5 150**	**7 163**	**16**	**-**
Net result	**-**	**-**	**-**	**-**	**(16)**	**-**

	Ministers' Salary		Total	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Administered income				
Appropriation	403	403	403	403
Royalties	-	-	322 938	311 997
Other income	-	-	5 150	7 163
Total administered income	**403**	**403**	**328 491**	**319 563**
Administered expenses				
Employee benefits expenses	403	403	403	403
Payment of royalties to the Consolidated Account	-	-	322 938	311 997
Other expenses	-	-	5 166	7 163
Total administered expenses	**403**	**403**	**328 507**	**319 563**
Net result	**-**	**-**	**(16)**	**-**

A1. Basis of preparation and accounting policies

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 receives 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.

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 Aṉangu Pitjantjatjara Yankunytjatjara Lands.

Mintabie Administration

The Mintabie Township Lease and Lease Agreement came into operation on 1 July 2012. The department administered the residential campsite licencing system and regulation. The lease was terminated with effect from 30 June 2019.

A3. Change to the department's administered items

There were no changes to the department's administered items in the year ended 30 June 2021.

A4. Impact of COVID-19 pandemic on the department's administered items

The worldwide impacts of COVID-19 contributed to a significant fall in petroleum prices, which have recently started to strengthen. The reduction in petroleum royalties was more than offset by minerals royalties in 2021, as iron ore pricing remained strong. Overall, royalties have increased in 2021, largely reflecting improvements in mineral commodity prices supported by higher than forecast production levels.

Forecasts for royalties show a consistent level of growth as a result of commodity pricing improvements and higher production levels.

A5. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2020-21 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 of Administered Comprehensive Income	Original budget 2021 $'000	Actual 2021 $'000	Variance $'000
Administered Income			
Appropriation	403	403	-
Royalties	300 875	322 938	22 063
Other income	5 551	5 150	(401)
Total administered income	**306 829**	**328 491**	**21 662**
Administered Expenses			
Employee benefits expenses	403	403	-
Payment of royalties to the Consolidated Account	300 875	322 938	22 063
Other expenses	5 551	5 166	(385)
Total administered expenses	**306 829**	**328 507**	**21 678**
Net result	**-**	**(16)**	**(16)**

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. There were no variances that exceeded these thresholds.