# INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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**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 2022.

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 2022, 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 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2022
- a Statement of Administered Financial Position as at 30 June 2022
- a Statement of Administered Cash Flows for the year ended 30 June 2022
- a Schedule of Income and Expenses attributable to administered activities for the year ended 30 June 2022
- 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 2022.

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.

Richardson

Andrew Richardson
**Auditor-General**

20 September 2022

# Department for Energy and Mining (DEM)

# Financial Statements

For the year ended 30 June 2022

**Department for Energy and Mining**
**Certification of the Financial Statements**
*for the year ended 30 June 2022*

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 2022

Ben Adams
**Chief Financial Officer**
16 September 2022

## Department for Energy and Mining
## Statement of Comprehensive Income
*for the year ended 30 June 2022*

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Income** | | | |
| Appropriation | 2.1 | 53 307 | 106 837 |
| SA Government grants, subsidies and transfers | 2.2 | 55 162 | 79 671 |
| Fees and charges | 2.3 | 30 343 | 24 146 |
| Sales of goods and services | | 4 720 | 4 284 |
| Interest | 2.5 | 907 | 937 |
| Commonwealth-sourced grants and funding | 2.6 | 400 | 273 |
| Resources received free of charge | 2.7 | 538 | 5 364 |
| Other income | 2.8 | 4 081 | 3 778 |
| Recoveries | 2.9 | 2 914 | 63 837 |
| Net gain from the disposal of non-current assets | 2.10 | 5 | (44) |
| **Total income** | | **152 377** | **289 083** |
| **Expenses** | | | |
| Grants and subsidies | 4.1 | 33 790 | 84 199 |
| Supplies and services | 4.2 | 37 365 | 43 269 |
| Employee benefits expenses | 3.3 | 41 944 | 39 174 |
| Depreciation and amortisation | 5.1, 5.3 | 2 946 | 3 059 |
| Borrowing costs | | 4 | 5 |
| Other expenses | 4.3 | 2 470 | 5 529 |
| Cash alignment transfers to Consolidated Account | | 24 867 | - |
| **Total expenses** | | **143 386** | **175 235** |
| **Net result** | | **8 991** | **113 848** |
| **Total comprehensive result** | | **8 991** | **113 848** |

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 2022*

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6.1 | 132 956 | 84 295 |
| Receivables | 6.2 | 6 879 | 49 524 |
| Other current assets | 6.3 | 2 548 | 3 643 |
| **Total current assets** | | **142 383** | **137 462** |
| **Non-current assets** | | | |
| Property, plant and equipment | 5.1 | 55 032 | 52 016 |
| Intangible assets | 5.3 | 3 582 | 2 244 |
| Receivables | 6.2 | 14 496 | 15 363 |
| **Total non-current assets** | | **73 110** | **69 623** |
| **Total assets** | | **215 493** | **207 085** |
| **Current liabilities** | | | |
| Payables | 7.1 | 7 593 | 13 118 |
| Employee benefits liability | 3.4 | 4 167 | 4 919 |
| Financial liabilities | 7.2 | 187 | 216 |
| Provisions | 7.3 | 182 | 194 |
| Security deposits | 7.4 | 28 430 | 18 900 |
| Other current liabilities | 7.5 | 3 888 | 5 693 |
| **Total current liabilities** | | **44 447** | **43 040** |
| **Non-current liabilities** | | | |
| Payables | 7.1 | 802 | 884 |
| Employee benefits liability | 3.4 | 8 336 | 9 408 |
| Financial liabilities | 7.2 | 192 | 180 |
| Provisions | 7.3 | 2 821 | 3 642 |
| Other non-current liabilities | 7.5 | 98 | 125 |
| **Total non-current liabilities** | | **12 249** | **14 239** |
| **Total liabilities** | | **56 696** | **57 279** |
| **Net assets** | | **158 797** | **149 806** |
| **Equity** | | | |
| Retained earnings | | 124 593 | 115 602 |
| Asset revaluation surplus | | 3 226 | 3 226 |
| Contributed capital | | 30 978 | 30 978 |
| **Total equity** | | **158 797** | **149 806** |

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 2022*

| | Retained earnings $'000 | Asset revaluation surplus $'000 | Contributed capital $'000 | Total equity $'000 |
|---|---|---|---|---|
| **Balance as at 1 July 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** |
| Gain on revaluation of property, plant and equipment | - | - | - | - |
| **Total comprehensive result 2020-21** | **113 848** | **-** | **-** | **113 848** |
| Net assets transferred by proclamation | - | - | - | - |
| Equity contribution received | - | - | - | - |
| **Balance as at 30 June 2021** | **115 602** | **3 226** | **30 978** | **149 806** |
| **Net result for 2021-22** | **8 991** | **-** | **-** | **8 991** |
| **Total comprehensive result 2021-22** | **8 991** | **-** | **-** | **8 991** |
| **Balance as at 30 June 2022** | **124 593** | **3 226** | **30 978** | **158 797** |

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 2022*

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| *Cash inflows* | | | |
| Appropriation | | 53 307 | 106 837 |
| SA Government grants, subsidies and transfers | | 55 162 | 79 671 |
| Fees and charges | | 28 985 | 28 665 |
| Commonwealth-sourced grants and funding | | 400 | 273 |
| Sales of goods and services | | 4 767 | 4 821 |
| Loans granted | | - | 3 327 |
| Interest | | 907 | 861 |
| Net GST recovered from ATO | | 1 703 | 10 460 |
| Receipts of security deposits | | 9 665 | 2 377 |
| Net receipts from paid parental leave scheme | | 25 | 50 |
| Other receipts | | 50 970 | 28 821 |
| **Cash generated from operations** | | **205 891** | **266 163** |
| *Cash outflows* | | | |
| Employee benefits expenses | | (45 071) | (39 751) |
| Supplies and services | | (42 672) | (52 485) |
| Refunds of security deposits | | (135) | (17) |
| Grants and subsidies | | (35 849) | (90 436) |
| Payments for paid parental leave scheme | | (28) | (44) |
| Cash alignment transfers to Consolidated Account | | (24 867) | - |
| Other payments | | (834) | (826) |
| **Cash used in operations** | | **(149 456)** | **(183 559)** |
| **Net cash provided by operating activities** | 8.2 | **56 435** | **82 604** |
| **Cash flows from investing activities** | | | |
| *Cash inflows* | | | |
| Proceeds from sale of property, plant and equipment and other assets | | 14 | 36 |
| **Cash generated from investing activities** | | **14** | **36** |
| *Cash outflows* | | | |
| Purchase of property, plant and equipment | | (7 532) | (8 016) |
| **Cash used in investing activities** | | **(7 532)** | **(8 016)** |
| **Net cash used in investing activities** | | **(7 518)** | **(7 980)** |

## Department for Energy and Mining
## Statement of Cash Flows
*for the year ended 30 June 2022*

| | | | |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| *Cash outflows* | | | |
| Repayment of principal portion of lease liabilities | | (256) | (256) |
| **Cash used in financing activities** | | **(256)** | **(256)** |
| **Net cash used in financing activities** | | **(256)** | **(256)** |
| **Net increase in cash and cash equivalents** | | **48 661** | **74 368** |
| Cash at the beginning of the period | | 84 295 | 9 927 |
| **Cash at the end of the period** | 6.1 | **132 956** | **84 295** |

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 items***

The department has administered activities and resources. Administered financial statements relating to administered resources are presented separately as the final part of this report. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for the department's transactions.

### 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 have been prepared based on a 12-month period and presented in Australian currency. All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars ($'000). 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.

Significant accounting policies are set out throughout the notes.

The department is liable for fringe benefits tax (FBT) and goods and services tax (GST).

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 (ATO), 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.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

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.

***New and amended standards adopted by the department***

The department has early adopted AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* which clarifies the requirements for disclosure of material accounting policy information and clarifies the distinction between accounting policies and accounting estimates. There has been no impact on the department's financial statements.

## 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.

***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.

### 1.2. Objectives and programs (continued)

**Income and expenses by program**

| | Mineral Resources and Energy | | Water Industry Technical and Safety Regulation | | General / Not attributable | | Activity Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income** | | | | | | | | |
| Appropriation | - | - | - | - | 53 307 | 106 837 | 53 307 | 106 837 |
| SA Government grants, subsidies and transfers | 51 723 | 76 543 | 3 439 | 3 128 | - | - | 55 162 | 79 671 |
| Fees and charges | 30 343 | 24 146 | - | - | - | - | 30 343 | 24 146 |
| Sales of goods and services | 4 720 | 4 284 | - | - | - | - | 4 720 | 4 284 |
| Interest | 907 | 937 | - | - | - | - | 907 | 937 |
| Commonwealth-sourced grants and funding | 400 | 273 | - | - | - | - | 400 | 273 |
| Resources received free of charge | 510 | 5 339 | 28 | 25 | - | - | 538 | 5 364 |
| Other income | 4 078 | 3 773 | 3 | 5 | - | - | 4 081 | 3 778 |
| Recoveries | 2 863 | 63 837 | 51 | - | - | - | 2 914 | 63 837 |
| Net gain from the disposal of non-current assets | 5 | (43) | - | (1) | - | - | 5 | (44) |
| **Total income** | **95 549** | **179 089** | **3 521** | **3 157** | **53 307** | **106 837** | **152 377** | **289 083** |
| **Expenses** | | | | | | | | |
| Grants and subsidies | 33 770 | 84 197 | 20 | 2 | - | - | 33 790 | 84 199 |
| Supplies and services | 36 586 | 42 488 | 779 | 781 | - | - | 37 365 | 43 269 |
| Employee benefits expenses | 39 700 | 37 289 | 2 244 | 1 885 | - | - | 41 944 | 39 174 |
| Depreciation and amortisation | 2 645 | 2 740 | 301 | 319 | - | - | 2 946 | 3 059 |
| Net loss from the disposal of non-current assets | - | - | - | - | - | - | - | - |
| Borrowing costs | 4 | 4 | - | 1 | - | - | 4 | 5 |
| Other expenses | 2 444 | 5 503 | 26 | 26 | - | - | 2 470 | 5 529 |
| Cash alignment transfers to Consolidated Account | - | - | - | - | 24 867 | - | 24 867 | - |
| **Total expenses** | **115 149** | **172 221** | **3 370** | **3 014** | **24 867** | **-** | **143 386** | **175 235** |
| **Net result** | **(19 600)** | **6 868** | **151** | **143** | **28 440** | **106 837** | **8 991** | **113 848** |

### 1.2. Objectives and programs (continued)

**Assets and liabilities by program**

| | Mineral Resources and Energy | | Water Industry Technical and Safety Regulation | | Activity Total | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Assets** | | | | | | |
| Cash and cash equivalents | 129 319 | 82 844 | 3 637 | 1 451 | 132 956 | 84 295 |
| Receivables | 20 618 | 63 763 | 757 | 1 124 | 21 375 | 64 887 |
| Other current assets | 2 548 | 3 643 | - | - | 2 548 | 3 643 |
| Property, plant and equipment | 48 853 | 46 576 | 6 179 | 5 440 | 55 032 | 52 016 |
| Intangible assets | 3 176 | 2 008 | 406 | 236 | 3 582 | 2 244 |
| **Total assets** | **204 514** | **198 834** | **10 979** | **8 251** | **215 493** | **207 085** |
| **Liabilities** | | | | | | |
| Payables | 8 156 | 13 763 | 239 | 239 | 8 395 | 14 002 |
| Employee benefits | 11 824 | 13 637 | 679 | 690 | 12 503 | 14 327 |
| Financial liabilities | 371 | 389 | 8 | 7 | 379 | 396 |
| Provisions | 2 805 | 3 651 | 198 | 185 | 3 003 | 3 836 |
| Security Deposits | 28 430 | 18 900 | - | - | 28 430 | 18 900 |
| Other liabilities | 3 875 | 5 393 | 111 | 425 | 3 986 | 5 818 |
| **Liabilities** | **55 461** | **55 733** | **1 235** | **1 546** | **56 696** | **57 279** |

### 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 only material financial impact related to delays to Remote Areas Energy Supplies (RAES) projects due to restricted access to remote areas. Budgeted savings from the Future Sustainability and Central Power House projects were both delayed until the 2022-23 financial year.

Refer to note 9.4 for impacts in 2022-23.

### 1.4. Changes to the Department

The Office of Hydrogen Power South Australia (OHPSA) was established as an attached office of the Department for Energy and Mining by proclamation on 19 May 2022.

As OHPSA is not controlled by the Department for Energy and Mining, its operations do not form part of these financial statements. However, the flow through of appropriation funding to OHPSA is reflected in the intra-government revenues and expenses of the Department.

### 1.5. Budget performance

The budget performance table compares the department's outcomes against budget information presented to Parliament (2021-22 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 2022 $'000 | Actual 2022 $'000 | Variance $'000 |
|---|---|---|---|---|---|
| **Statement of Comprehensive Income** | | | | | |
| **Income** | | | | | |
| Appropriation | 2.1 | | 54 777 | 53 307 | (1 470) |
| SA Government grants, subsidies and transfers | 2.2 | | 51 822 | 55 162 | 3 340 |
| Fees and charges | 2.3 | (a) | 26 774 | 30 343 | 3 569 |
| Sales of goods and services | | | 4 477 | 4 720 | 243 |
| Interest | 2.5 | | 974 | 907 | (67) |
| Commonwealth-sourced grants and funding | 2.6 | | - | 400 | 400 |
| Resources received free of charge | 2.7 | | - | 538 | 538 |
| Other income | 2.8 | | 4 174 | 4 081 | (93) |
| Recoveries | 2.9 | | 2 199 | 2 914 | 715 |
| Net gain from the disposal of non-current assets | 2.10 | | - | 5 | 5 |
| **Total income** | | | **145 197** | **152 377** | **7 180** |
| **Expenses** | | | | | |
| Grants and subsidies | 4.1 | (b) | 64 668 | 33 790 | (30 878) |
| Supplies and services | 4.2 | (c) | 42 599 | 37 365 | (5 234) |
| Employee benefits expenses | 3.3 | | 41 717 | 41 944 | 227 |
| Depreciation and amortisation | | | 3 630 | 2 946 | (684) |
| Borrowing costs | | | 10 | 4 | (6) |
| Other expenses | 4.3 | | 865 | 2 470 | 1 605 |
| Cash alignment transfers to Consolidated Account | | (d) | - | 24 867 | 24 867 |
| **Total expenses** | | | **153 489** | **143 386** | **(10 103)** |
| **Net result** | | | **(8 292)** | **8 991** | **17 283** |

| | Note | Original budget 2022 $'000 | Actual 2022 $'000 | Variance $'000 |
|---|---|---|---|---|
| **Investing Expenditure Summary** | | | | |
| Total new projects | | - | 240 | 240 |
| Total existing projects | | 6 597 | 5 982 | (615) |
| Total annual programs | | 1 096 | 847 | (249) |
| **Total investing expenditure** | | **7 693** | **7 069** | **(624)** |

### 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 where the Department consider that provision of a variation explanation assists with interpretation and understanding of the financial statements.

***Income***

(a) Fees and charges are $3.6 million above original budget due to a significant upturn in the mining industry flowing through to increased application, rental and licence fees.

***Expenditure***

(b) Grants and subsidies are $30.9 million below original budget primarily due revised milestones and payment schedules across a range of projects including Jobs and Economic Growth Fund ($9.7 million) and Renewable Technology Fund ($6.9 million) projects, Demand Management Trials project ($3.6 million) and the Home Battery Scheme ($2.6 million).

(c) Supplies and services are $5.2 million below original budget primarily due to revised milestones and payment schedules associated with the Demand Management Trials project ($5.3 million) and Jobs and Economic Growth Fund projects ($2.7 million), partly offset by continuation of the funding arrangement with the State Owned Generator Leasing Company for the operation of the State's emergency generators into early 2021-22 ($1.2 million) and additional diesel fuel costs on the Remote Area Energy Supply Scheme ($0.8 million).

(d) Cash Alignment transfers to consolidated account reflect repayment to the consolidated account of excess funds recovered from Project EnergyConnect in 2020-21.

### 1.6. Significant transactions with government related entities

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

- approximately 95 per cent of accommodation services are supplied by the Department for Infrastructure and Transport (DIT);
- 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 $1.3 million for provision of corporate services and the Department of Primary Industries and Regions SA (PIRSA) of $1.3 million for information technology services.

## 2. Income

### 2.1. Appropriation

Appropriations are recognised on receipt.

Appropriation pursuant to the *Appropriation Act* consists of $53.3 million (2021: $106.8 million) for operational funding. This appropriation comprises money issued and applied to the department as per Schedule 1 of the Act.

The movement in appropriation between 2020-21 and 2021-22 primarily reflects the finalisation of grant payments to project EnergyConnect in 2020-21 ($37.1 million – Note 4.1) and the partial use of recoveries from the project to offset appropriation requirements in 2021-22 ($26.4 million). This is partially offset by comparatively minor increases in appropriation funded operations across the Department.

### 2.2. SA Government grants, subsidies and transfers

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Green Industry Fund | 20 759 | 53 333 |
| Jobs and Economic Growth Fund | 21 464 | 14 684 |
| Industry licence fee allocation | 11 725 | 11 329 |
| Other Intra-government transfers | 1 214 | 325 |
| **Total SA Government grants subsidies and transfers** | **55 162** | **79 671** |

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 Jobs and Economic 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

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Mining and petroleum licence fees | 28 610 | 22 603 |
| Mining and petroleum non-licence fees | 1 733 | 1 541 |
| Other fees and charges | - | 2 |
| **Total fees and charges** | **30 343** | **24 146** |

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***

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Receivables from contracts with customers, included in 'Receivables' | 1 787 | 1 563 |
| Contract liabilities | (3 861) | (5 637) |
| **Total contact balances** | **(2 074)** | **(4 074)** |

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 substantially decreased due to two significant mining tenements being renewed after complex assessment processes that carried over from 2020-21.

Revenue totalling $4.2.million was recognised in 2021-22 that was included in contract liabilities at 1 July 2021. No revenue related to adjustments to prices for performance obligations satisfied or partially satisfied in prior periods.

## 2.4. Sales of goods and services

Revenue from the sale of electricity $4.7 million (2021: $4.3 million) 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***

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Receivables from contracts with customers, included in 'Receivables' | 578 | 708 |

There is an unconditional right to receive payment for sales of electricity when billed. No contract assets or liabilities are recognised. Receivables decreased 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

Interest revenues $0.9 million (2021: $0.9 million) relate to loans provided through the Renewable Technology Fund which began in December 2018.

## 2.6. Commonwealth-sourced grants and funding

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| **Grants** | | |
| Hydrogen Training for Emergency Responders | 350 | - |
| Alternative Regulatory Instruments Review | 45 | - |
| Greenhouse and Energy Minimum Standards (GEMS) Inspections | 5 | - |
| Hydrogen Safety and Regulation | - | 150 |
| National Energy Efficient Buildings | - | 60 |
| Energy Legislation Drafting | - | 42 |
| Bioenergy | - | 21 |
| **Total Commonwealth-sourced grants and funding** | **400** | **273** |

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 Training for Emergency Responders - to continue the National Hydrogen Strategy Actions related to hydrogen skills and training.
- GEMS Inspections - to carry out compliance monitoring activities in relation to the *Greenhouse and Energy Minimum Standards Act 2012* and *Building Energy Efficiency Disclosure Act 2010.*
- Alternative Regulatory Instruments Review - to evaluate suitable regulatory performance setting instruments to establish demand response capability product requirements outside the *Greenhouse and Energy Minimum Standards Act 2012.*

## 2.7. Resources received free of charge

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Services received free of charge - Shared Services SA | 369 | 362 |
| ICT Services received free of charge - DPC | 169 | 166 |
| Donated assets | - | 4 836 |
| **Total resources received free of charge** | **538** | **5 364** |

Contributions of services are recognised only when a fair value can be determined reliably, and the services would be purchased if they had not been donated. The department receives Financial Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA free of charge valued at $0.4 million and ICT services from the ICT and Digital Government (IDG) area in the DPC valued at $0.2 million.

## 2.8. Other income

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Fuel tax credits | 1 956 | 1 993 |
| Support for the regulation of Extractive Mining Operations | 1 605 | 1 341 |
| Other income | 520 | 444 |
| **Total other income** | **4 081** | **3 778** |

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

## 2.9. Recoveries

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Other | 1 688 | 1 689 |
| Emergency generation | 1 226 | 9 421 |
| Project EnergyConnect | - | 52 727 |
| **Total recoveries** | **2 914** | **63 837** |

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

The reduction in recoveries on emergency generation is commensurate with a reduction in payments to the State-Owned Generator Leasing Company for the operation of the State's emergency generators.

Recoveries from Project EnergyConnect represent reimbursement of costs incurred by the department to support early works on the SA-NSW interconnector project.

## 2.10. Net gain from the disposal of non-current assets

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Plant and equipment and other non-current assets** | | |
| Net proceeds from disposal | 14 | 36 |
| Less net book value of assets disposed | (9) | (80) |
| **Net gain / (loss) from the disposal of plant and equipment** | **5** | **(44)** |

## 3. Committees and employees

### 3.1. Key management personnel

Key management personnel of the department include the Minister for Energy and Mining (the Minister), Chief Executive and six members of the Executive Team.

The compensation disclosed in this note excludes salaries and other benefits the Minister 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.

| | 2022 | 2021 |
|---|---|---|
| **Compensation** | **$'000** | **$'000** |
| Salaries and other short term employee benefits | 1 583 | 1 664 |
| Post-employment benefits | 229 | 410 |
| **Total compensation** | **1 812** | **2 074** |

***Transactions with key management personnel and other related parties***

The department did not enter into any transaction with key management personnel or their close family during the reporting period that were not consistent with normal procurement arrangements.

### 3.2. Committee members

Members during the 2022 financial year were:

**Minerals and Energy Advisory Council**

P Carr (Chair)
D Maxwell ^
B Barnes
K Hulmes ^
K Keates
K Reznikov
J Brunton
I Grant
H Kim
K Salisbury
S Masters ^
S Thuraisingham
C Stevens
D Swift
S Emms

**Risk and Performance Committee**

C Dunsford (Chair)
S Adlaf*
J Cirson*
D Contala (appointed August 2021)
R Hindmarsh* (appointed September 2021)
G Giannopoulos* (appointed March 2022, resigned May 2022)
P Chau* (appointed June 2022)
N Morris* (resigned March 2022)
J Hill (resigned June 2022)

**Power Line Environment Committee**

K Steinle (Chair)
A Burnell*
C Donovan
K Galpin*
P Khoury
M Lee

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for committee duties during 2021-22.

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

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)

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:

| | 2022 | 2021 |
|---|---|---|
| $1 - $19 999 | 7 | 5 |
| **Total number of members** | **7** | **5** |

The total remuneration received or receivable by members was $7 000 (2021: $11 000). Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax paid.

## 3.3. Employee benefits expenses

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| Salaries and wages | | 33 443 | 30 664 |
| Employment on-costs – superannuation | | 3 888 | 3 511 |
| Annual leave | | 3 053 | 2 647 |
| Employment on-costs – other | | 2 011 | 1 820 |
| Workers' compensation | | (691) | 656 |
| Skills and experience retention leave | | 206 | 205 |
| Committee fees - excluding on-costs | 3.2 | 6 | 10 |
| Long service leave | | 28 | (339) |
| **Total employee benefits expenses** | | **41 944** | **39 174** |

***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.

***Employee remuneration***

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

| | 2022 Number | 2021 Number |
|---|---|---|
| $154 001 to $157 000* | n/a | 3 |
| $157 001 to $177 000 | 10 | 6 |
| $177 001 to $197 000 | 5 | 7 |
| $197 001 to $217 000 | 7 | 3 |
| $217 001 to $237 000 | 4 | 6 |
| $237 001 to $257 000 | 3 | 3 |
| $257 001 to $277 000 | 2 | - |
| $277 001 to $297 000 | 1 | 2 |
| $297 001 to $317 000 | 1 | - |
| $337 001 to $357 000 | - | 1 |
| $357 001 to $377 000 | 1 | 1 |
| $377 001 to $397 000 | 1 | - |
| $397 001 to $417 000 | - | 1 |
| $417 001 to $437 000 | 1 | - |
| **Total** | **36** | **33** |

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 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 and any related fringe benefits tax paid.

The total remuneration received by those employees for the year was $8.0 million (2021: $7.1 million).

## 3.3. Employee benefits expenses (continued)

***Targeted voluntary separation packages (TVSPs)***

There were no TVSPs during the reporting period (2021: nil).

***Workforce Rejuvenation Scheme***

9 employees received a Rejuvenation Payment during the reporting period (2021: nil).

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| Amount paid to separated employees: | | |
| Workforce Rejuvenation Scheme payments | 388 | - |
| Leave paid to separated employees | 227 | - |
| **Net cost to the department** | **615** | **-** |

### 3.4. Employee benefits liability

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current** | | |
| Annual leave | 3 385 | 3 249 |
| Accrued salaries and wages | 89 | 957 |
| Long service leave | 411 | 410 |
| Skills and experience retention leave | 282 | 303 |
| **Total current employee benefits** | **4 167** | **4 919** |
| **Non-current** | | |
| Long service leave | 8 336 | 9 408 |
| **Total non-current employee benefits** | **8 336** | **9 408** |
| **Total employee benefits liability** | **12 503** | **14 327** |

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.

***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 2021 (1.25%) to 2022 (3.5%)

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.

### 3.4. Employee benefits liability (continued)

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 $1.3 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 2021 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.

## 4. Expenses

### 4.1. Grants and subsidies

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Home Battery Scheme | 10 035 | 24 289 |
| Jobs and Economic Growth Fund Projects | 5 132 | 1 436 |
| Remote Areas Energy Supply Scheme | 4 476 | 4 535 |
| Other grants and subsidies | 4 092 | 3 912 |
| Grid Scale Storage Fund | 4 000 | 2 917 |
| Australian Energy Market Commission | 2 367 | 2 287 |
| Demand Management | 2 110 | 1 581 |
| Renewable Technology Fund | 1 284 | 2 612 |
| Energy Productivity Program | 259 | 1 885 |
| Bird Lake | 35 | 1 695 |
| Project EnergyConnect | - | 37 050 |
| **Total grants and subsidies** | **33 790** | **84 199** |

### 4.2. Supplies and services

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Emergency generation and storage [(a)] | 5 363 | 13 209 |
| Contractors [(b)] | 8 478 | 8 726 |
| Energy supply fuel and lubricants | 8 334 | 5 412 |
| Service level agreements [(c)] | 3 436 | 3 158 |
| Accommodation | 3 301 | 3 906 |
| Office administration expenses | 1 857 | 2 025 |
| Information technology and communication charges [(d)] | 1 600 | 1 653 |
| Consultants | 1 111 | 1 656 |
| Marketing | 943 | 569 |
| Staff related expenses | 911 | 890 |
| Travel and related expenses | 791 | 619 |
| Remote areas energy supplies plant and equipment | 607 | 878 |
| Service recoveries | 475 | 446 |
| Accounting and audit fees [(e)] | 158 | 122 |
| **Total supplies and services** | **37 365** | **43 269** |

(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.

(d) Resources provided free of charge by DPC ICT were $0.2 million (2021: $0.2 million) 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 (2021: $0.1 million). No other services were provided by the Auditor-General's Department.

#### Accommodation

Most of the department's accommodation is provided by DIT 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. Other expenses

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Donated current assets | 1 095 | 1 193 |
| Department for Environment and Water levy | 834 | 826 |
| Shared Services fee | 369 | 362 |
| Concessional lending discount | - | 2 228 |
| Donated plant and equipment | - | 851 |
| Accommodation incentive amortisation | (27) | (27) |
| Bad and doubtful debts | (140) | (32) |
| Other expenses | 339 | 128 |
| **Total other expenses** | **2 470** | **5 529** |

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 in 2020-21 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 10.1.

Plant and equipment include $3.7 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 or leased by the department***

The following table shows the movement of property, plant and equipment owned or leased by the department during 2021-22:

| | Plant and equipment | Building and accommodation improvements | Land | Works of art | Capital works in progress | ROU vehicles | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Carrying amount as at 1 July 2021** | 9 199 | 28 942 | 7 209 | 70 | 6 202 | 394 | 52 016 |
| Additions | 988 | 1 | - | - | 4 192 | 241 | 5 422 |
| Capitalisation | 1 447 | - | - | - | (1 447) | - | - |
| Disposals | (9) | - | - | - | - | (1) | (10) |
| Asset derecognition | - | - | (1) | - | - | - | (1) |
| Depreciation | (1 188) | (949) | - | - | - | (258) | (2 395) |
| **Carrying amount as at 30 June 2022** | **10 437** | **27 994** | **7 208** | **70** | **8 947** | **376** | **55 032** |
| | | | | | | | |
| **Gross carrying amount** | | | | | | | |
| Gross carrying amount | 19 432 | 30 190 | 7 208 | 70 | 8 947 | 857 | 66 704 |
| Accumulated depreciation | (8 995) | (2 196) | - | - | - | (481) | (11 672) |
| **Carrying amount as at 30 June 2022** | **10 437** | **27 994** | **7 208** | **70** | **8 947** | **376** | **55 032** |

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 | ROU vehicles | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | | $'000 |
| **Carrying amount as at 1 July 2020** | 8 261 | 29 614 | 7 209 | 70 | 1 507 | 429 | 47 090 |
| Additions | 1 527 | 274 | - | - | 6 397 | 222 | 8 420 |
| Capitalisation | 1 702 | - | - | - | (1 702) | - | - |
| Disposals | (80) | - | - | - | - | (1) | (81) |
| Asset derecognition | (62) | - | - | - | - | - | (62) |
| Donated assets | (851) | - | - | - | - | - | (851) |
| Depreciation | (1 298) | (946) | - | - | - | (256) | (2 500) |
| **Carrying amount as at 30 June 2021** | **9 199** | **28 942** | **7 209** | **70** | **6 202** | **394** | **52 016** |
| | | | | | | | |
| **Gross carrying amount** | | | | | | | |
| Gross carrying amount | 17 020 | 30 192 | 7 209 | 70 | 6 202 | 793 | 61 486 |
| Accumulated depreciation | (7 821) | (1 250) | - | - | - | (399) | (9 470) |
| **Carrying amount as at 30 June 2021** | **9 199** | **28 942** | **7 209** | **70** | **6 202** | **394** | **52 016** |

## 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 2022, the department has 46 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 on the Statement of Financial Position. The department's maturity analysis of its lease liabilities is disclosed in note 7.2. Expenses related to right-of use assets, including interest and depreciation expenses, are disclosed on the Statement of Comprehensive Income. Cash outflows related to right-of-use assets 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.

### 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 2021-22:

| | Intangibles software | Intangibles work in progress | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Carrying amount as at 1 July 2021** | 1 344 | 900 | 2 244 |
| Additions | - | 1 889 | 1 889 |
| Amortisation | (551) | - | (551) |
| **Carrying amount as at 30 June 2022** | **793** | **2 789** | **3 582** |
| | | | |
| **Gross carrying amount** | | | |
| Gross carrying amount | 5 075 | 2 789 | 7 864 |
| Accumulated amortisation | (4 282) | - | (4 282) |
| **Carrying amount as at 30 June 2022** | **793** | **2 789** | **3 582** |

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

| | Intangibles software | Intangibles work in progress | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Carrying amount as at 1 July 2020** | 1 903 | - | 1 903 |
| Additions | - | 900 | 900 |
| Amortisation | (559) | - | (559) |
| **Carrying amount as 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 as at 30 June 2021** | **1 344** | **900** | **2 244** |

## 6. Financial assets

### 6.1. Cash and cash equivalents

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Deposits with the Treasurer | 125 095 | 80 445 |
| Deposits with the Treasurer – Accrual Appropriation | 7 861 | 3 850 |
| **Total cash** | **132 956** | **84 295** |

Cash is measured at nominal amounts.

Although the department controls the money reported above in the Accrual Appropriation Excess Funds account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

### 6.2. Receivables

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current** | | |
| **Trade receivables** | | |
| From non-government entities | 2 357 | 48 522 |
| From government entities | 909 | 3 |
| Allowance for doubtful debts | (200) | (340) |
| **Total trade receivables** | **3 066** | **48 185** |
| Loans granted | 1 801 | 543 |
| Accrued revenue | 687 | 332 |
| Accrued interest | 76 | 76 |
| Prepayments | 528 | 371 |
| GST input tax recoverable | 698 | - |
| Other receivables | 23 | 17 |
| **Total other current receivables** | **3 813** | **1 339** |
| **Total current receivables** | **6 879** | **49 524** |
| **Non-current** | | |
| Loans granted | 14 496 | 15 363 |
| **Total non-current receivables** | **14 496** | **15 363** |
| **Total receivables** | **21 375** | **64 887** |

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.

## 6.2. Receivables (continued)

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 as at 30 June 2022. Refer to note 10.2 for further information on risk management. The decrease in non-current loans granted and increase in current loans granted in 2022 is due to a revision in the Virtual Power Plant loan schedule.

The net amount of GST recoverable from the ATO is included as part of receivables, consistent with 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.

The decrease in trade receivables is mostly due to the recovery in 2021 for costs incurred by the department to support early works on project EnergyConnect, the SA-NSW interconnector project ($44.6 million).

***Allowance for Impairment loss on receivables***

| | 2022<br>$'000 | 2021<br>$'000 |
|---|---|---|
| **Carrying amount as at 1 July 2021** | (340) | (372) |
| Decrease in the allowance | 140 | 32 |
| **Carrying amount as at 30 June 2022** | **(200)** | **(340)** |

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

Refer to note 10.2 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.

***Financial Instruments***

Financial instrument receivables, at amortised cost, are $18.4 million (2021: $63.0 million)

In government, certain rights to receive cash may not be contractual, but have their source in legislation, therefore the disclosure requirements of AASB 7 *Financial Instruments* will not apply. For the Department, these statutory receivables include fees and charges levied under the *Mining Act (1971)*, *Petroleum and Geothermal Energy Act (2000)* and *Opal Mining Act (1995)* and GST input tax recoverable. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes. Statutory receivables are $2.5 million (2021: $1.6 million)

Prepayments are also not classified as financial instruments for disclosure purposes as they are not financial assets.

### 6.3. Other current assets

Assets on hand as at 30 June 2022 were $2.5 million (2021 $3.6 million).

## 7. Liabilities

### 7.1. Payables

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current** | | |
| Creditors and accrued expenses | 6 687 | 7 564 |
| GST payable | - | 4 614 |
| Employment on-costs | 906 | 940 |
| **Total current payables** | **7 593** | **13 118** |
| **Non-current** | | |
| Employment on-costs | 802 | 884 |
| **Total non-current payables** | **802** | **884** |
| **Total payables** | **8 395** | **14 002** |

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.

Statutory payables do not arise from contracts.

The net amount of GST recoverable from the ATO is included as part of receivables in 2022.

***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 DTF, 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 2021 rate 10.1% to 10.6%. These rates are used in the employment on-cost calculation. The impact on 2022 is not material.

***Financial Instruments***

Financial instrument payables, at amortised cost, are $6.5 million (2021: $7.4 million)

In government, certain rights to pay cash may not be contractual, but have their source in legislation, therefore the disclosure requirements of AASB 7 *Financial Instruments* will not apply. For the Department, these statutory payables include Commonwealth, State and Local government taxes and equivalents, fees and charges, employment on-costs and Auditor-General's Department audit fees. Statutory payables are recognised and measured similarly to contractual payables but are not classified as financial instruments for disclosure purposes. Statutory payables are $1.7 million (2021: $6.4 million)

## 7.2. Financial liabilities

All financial liabilities relate to leases.

A maturity analysis of financial liabilities based on undiscounted gross cash flow is reported in the table below:

| | 2022 | 2021 |
|---|---|---|
| **Financial Liabilities** | **$'000** | **$'000** |
| 1 to 3 years | 334 | 374 |
| 3 to 5 years | 52 | 26 |
| 5 to 10 years | - | - |
| **Total financial liabilities (undiscounted)** | **386** | **400** |

The department measures financial liabilities including borrowings/debt at amortised cost. Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or DTF's incremental borrowing rate. There were no defaults or breaches on any of the financial liabilities throughout the year.

Interest expense on lease liabilities was $4 000 (2021 $5 000)

## 7.3. Provisions

All provisions relate to workers compensation.

| | 2022 | 2021 |
|---|---|---|
| | **$'000** | **$'000** |
| **Reconciliation of workers compensation (statutory and non-statutory)** | | |
| Carrying amount as at 1 July 2021 | 3 836 | 3 290 |
| Increase (decrease) in provisions recognised | (744) | 546 |
| Reductions resulting from payments | (89) | - |
| **Carrying amount as at 30 June 2022** | **3 003** | **3 836** |

The department is an exempt employer under the Return to Work Act 2014. Under a scheme arrangement, the department is responsible for the management of workers rehabilitation and compensation, and is directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs

Accordingly, a liability 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 2022 provided by a consulting actuary engaged through the Office of the Commissioner of Public Sector Employment.

There is a significant degree of uncertainty associated with estimating future claim and expense payments and also around the timing of future payments due to the variety of factors involved. The liability is impacted by agency claim experience relative to other agencies, average claim sizes and other economic and actuarial assumptions.

### 7.4. Security deposits

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. $28.4 million was held as at 30 June 2022 (2021: $18.9 million). 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

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current** | | |
| Contract liabilities | 3 861 | 5 637 |
| Other | - | 29 |
| Accommodation incentive | 27 | 27 |
| **Total current other liabilities** | **3 888** | **5 693** |
| **Non-current** | | |
| Accommodation incentive | 98 | 125 |
| **Total non-current other liabilities** | **98** | **125** |
| **Total other liabilities** | **3 986** | **5 818** |

A maturity analysis of other liabilities based on undiscounted gross cash flow is reported in the table below:

| **Other Liabilities** | 2022 $'000 | 2021 $'000 |
|---|---|---|
| 1 to 3 years | 3 986 | 5 818 |
| 3 to 5 years | - | - |
| 5 to 10 years | - | - |
| **Total Other liabilities (undiscounted)** | **3 986** | **5 818** |

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 DIT for office accommodation. These arrangements do not comprise leases and the accommodation incentives do not comprise financial liabilities under AASB 16 *Leases*. The DIT 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

***Reconciliation of net result to cash flows from operating activities***

| | 2022 $'000 | 2021 $'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 | 132 956 | 84 295 |
| **Balance as per the Statement of Cash Flows** | **132 956** | **84 295** |
| | | |
| **Reconciliation of net cash provided by operating activities to net cost of providing services** | | |
| Net cash provided by operating activities | 56 435 | 82 604 |
| | | |
| **Add / (less) non-cash items** | | |
| Depreciation and amortisation expense of non-current assets | (2 946) | (3 059) |
| Concessional lending discount expense | - | (2 228) |
| Concessional lending discount income | 390 | 357 |
| Amortisation of lease incentive | 27 | 27 |
| Asset derecognition | (1) | (62) |
| Bad and doubtful debts expense | 140 | 32 |
| Resources received free of charge | 538 | 528 |
| Assets received free of charge | - | 4 836 |
| Resources provided free of charge | (538) | (528) |
| Donated assets | (1 095) | (2 044) |
| Gain / (loss) from the disposal of non-current assets | 5 | (44) |
| **Net cash provided by operating activities before change in assets and liabilities** | **52 955** | **80 419** |
| | | |
| **Movement in assets and liabilities** | | |
| (Increase) / decrease in receivables | (44 042) | 39 387 |
| Decrease / (increase) in payables | 5 129 | (2 348) |
| Decrease / (increase) in other liabilities | 1 805 | (1 802) |
| Decrease / (increase) in provisions | 833 | (546) |
| (Increase) in security deposits | (9 530) | (2 360) |
| Decrease in employee benefits | 1 824 | 1 062 |
| Decrease in financial liabilities | 17 | 36 |
| **Net Result** | **8 991** | **113 848** |

Total cash outflows for leases was $0.3 million (2021: $0.3 million).

## 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***

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Within one year | 2 060 | 4 935 |
| Later than one year but not later than five years | - | - |
| **Total capital commitments** | **2 060** | **4 935** |

The department's capital commitments are for installation generation equipment across the RAES program ($1.6 million), and Modern Resources Customer System Transformation ($0.4 million).

***Expenditure commitments***

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| Within one year | 53 746 | 51 827 |
| Later than one year but not later than five years | 76 593 | 93 995 |
| Later than five years | 2 303 | 9 926 |
| **Total expenditure commitments** | **132 642** | **155 748** |

The department's expenditure commitments are for agreements for:

- Memoranda of administrative arrangements with the DIT for accommodation ($12 million),
- South Australian Grid-Connected Battery Facility ($23 million),
- Demonstration of technology from an expanded Hornsdale Power Reserve ($12 million),
- South Australia's Electric Vehicle Public Charging Network ($12 million),
- Remote area energy supply independent operator subsidies ($18 million),
- Management of electricity infrastructure in the remote area energy supply communities ($15 million), and
- South Australia's funding commitment to the Australian Energy Market Commission ($11 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 as at 30 June 2022 is approximately $282 million (2021: approximately $216 million). The department only has a claim on these funds if the licensee fails to perform their 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 2022-23 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 continues to assess 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.

Amending Standard AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* will apply from 1 July 2023. The department continues to assess liabilities (e.g., LSL) and whether or not the department has a substantive right to defer settlement. Where applicable, these liabilities will be classified as current.

### 9.4. COVID-19 pandemic outlook for the department

The department is not expecting there to be any material impacts due to 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. 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.

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.

At both 30 June 2022 and 30 June 2021 all property, plant and equipment was classified as Level 3 with the exception of land which was classified as level 2.

## 10.1. Fair value (continued)

***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.

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 have 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. 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***

The department has adopted the simplified impairment approach under AASB 9 and measured lifetime expected credit losses (ECL) on all trade receivables using an allowance matrix as a practical expedient to measure the impairment allowance.

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.

### 10.2. Financial instruments (continued)

| TMS | Debtor gross carrying amount $'000 | Loss % | Lifetime expected losses $'000 |
|---|---|---|---|
| Current (not past due) | 937 | 1 | 11 |
| 1 - 30 days past due | 190 | 2 | 3 |
| 31 - 60 days past due | 363 | 6 | 21 |
| 61 - 90 days past due | 11 | 7 | 1 |
| More than 90 days past due | 161 | 10 | 16 |
| **Loss Allowance** | **1 662** | | **52** |

| PEPS | Debtor gross carrying amount $'000 | Loss % | Lifetime expected losses $'000 |
|---|---|---|---|
| Current (not past due) | 82 | - | - |
| 1 - 30 days past due | 4 | - | - |
| 31 - 60 days past due | 35 | - | - |
| 61 - 90 days past due | - | - | - |
| More than 90 days past due | - | - | - |
| **Loss Allowance** | **121** | | **-** |

| General invoices | Debtor gross carrying amount $'000 | Loss % | Lifetime expected losses $'000 |
|---|---|---|---|
| Current (not past due) | 104 | - | - |
| 1 - 30 days past due | 2 | - | - |
| 31 - 60 days past due | 6 | 22 | 1 |
| 61 - 90 days past due | - | 28 | - |
| More than 90 days past due | 95 | 44 | 42 |
| **Loss Allowance** | **207** | | **43** |

| RAES | Debtor gross carrying amount $'000 | Loss % | Lifetime expected losses $'000 |
|---|---|---|---|
| Current (not past due) | 13 | 2 | - |
| 1 - 30 days past due | 143 | 5 | 6 |
| 31 - 60 days past due | (1) | 19 | - |
| 61 - 90 days past due | - | 37 | - |
| More than 90 days past due | 212 | 47 | 99 |
| **Loss Allowance** | **367** | | **105** |
| | | | |
| **Total** | **2 357** | | **200** |

### 10.2. Financial instruments (continued)

Impairment losses relate to receivables arising from contracts with customers that are external to SA Government. 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.

## 10.2. Financial instruments (continued)

***Market risk***

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

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

***Categorisation of financial instruments***

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

***Classification of financial instruments***

The department measures all financial instruments at amortised cost.

## 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:

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Income** | | |
| Royalties | 3 968 | 3 356 |
| **Total income** | **3 968** | **3 356** |
| | | |
| **Expenses** | | |
| Extractive Industries contribution | 1 605 | 1 341 |
| Rehabilitation costs | 58 | 33 |
| **Total expenses** | **1 663** | **1 374** |
| **Net result** | **2 305** | **1 982** |
| **Total comprehensive result** | **2 305** | **1 982** |

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Current assets** | | |
| Cash | 33 849 | 31 544 |
| **Total assets** | **33 849** | **31 544** |
| | | |
| **Net assets** | **33 849** | **31 544** |
| | | |
| **Equity** | | |
| Net receipts | 2 305 | 1 982 |
| Retained earnings | 31 544 | 29 562 |
| **Fund balance at the end of the period** | **33 849** | **31 544** |

# Department for Energy and Mining
# (DEM)

# Administered Financial Statements

For the year ended 30 June 2022

# Department for Energy and Mining
## Statement of Administered Comprehensive Income
*for the year ended 30 June 2022*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| **Administered income** | | |
| Appropriation | 330 | 403 |
| Royalties | 382 711 | 322 938 |
| Other income | 6 247 | 5 150 |
| **Total administered income** | **389 288** | **328 491** |
| **Administered expenses** | | |
| Employee benefits expenses | 345 | 403 |
| Payment of royalties to the Consolidated Account | 382 711 | 322 938 |
| Other expenses | 6 182 | 5 166 |
| **Total administered expenses** | **389 238** | **328 507** |
| **Net result** | **50** | **(16)** |
| **Total comprehensive result** | **50** | **(16)** |

The accompanying notes form part of these financial statements.

## Department for Energy and Mining
## Statement of Administered Financial Position
*as at 30 June 2022*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| <u>Administered current assets</u> | | |
| Cash and cash equivalents | 39 924 | 25 039 |
| Receivables | 6 | 6 |
| **Total current assets** | **39 930** | **25 045** |
| **Total assets** | **39 930** | **25 045** |
| <u>Administered current liabilities</u> | | |
| Payables | 39 375 | 24 860 |
| Other liabilities | 677 | 357 |
| **Total current liabilities** | **40 052** | **25 217** |
| **Total liabilities** | **40 052** | **25 217** |
| **Net assets** | **(122)** | **(172)** |
| <u>Administered equity</u> | | |
| Retained earnings | (122) | (172) |
| **Total equity** | **(122)** | **(172)** |

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 2022*

| | 2022<br>(Outflows)<br>Inflows<br>$'000 | 2021<br>(Outflows)<br>Inflows<br>$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash inflows | | |
| Appropriation | 330 | 403 |
| Royalties receipts | 380 798 | 324 652 |
| Other receipts | 6 468 | 5 150 |
| **Cash generated from operations** | **387 596** | **330 205** |
| Cash outflows | | |
| Employee benefits expenses | (345) | (403) |
| Other payments | (5 862) | (4 812) |
| Payment of royalties to the Consolidated Account | (366 504) | (324 077) |
| **Cash used in operations** | **(372 711)** | **(329 292)** |
| **Net cash provided by operating activities** | **14 885** | **913** |
| **Net increase in cash and cash equivalents** | **14 885** | **913** |
| Cash and cash equivalents at the beginning of the period | 25 039 | 24 126 |
| **Cash and cash equivalents at the end of the period** | **39 924** | **25 039** |

The accompanying notes form part of these financial statements.

**Department for Energy and Mining**
**Schedule of Income and Expenses Attributable to Administered Activities**
*For the year ended 30 June 2022*

| | Royalties | | Native Title Agreement | | Mintabie Administration | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Administered income** | | | | | | |
| Royalties | 382 711 | 322 938 | - | - | - | - |
| Other income | - | - | 6 182 | 5 150 | - | - |
| **Total administered income** | **382 711** | **322 938** | **6 182** | **5 150** | **-** | **-** |
| **Administered expenses** | | | | | | |
| Payment of royalties to the Consolidated Account | 382 711 | 322 938 | - | - | - | - |
| Other expenses | - | - | 6 182 | 5 150 | - | 16 |
| **Total administered expenses** | **382 711** | **322 938** | **6 182** | **5 150** | **-** | **16** |
| **Net result** | **-** | **-** | **-** | **-** | **-** | **(16)** |

| | Petroleum and Geothermal | | Ministers' Salary | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Administered income** | | | | | | |
| Appropriation | - | - | 330 | 403 | 330 | 403 |
| Royalties | - | - | - | - | 382 711 | 322 938 |
| Other income | 65 | - | - | - | 6 247 | 5 150 |
| **Total administered income** | **65** | **-** | **330** | **403** | **389 288** | **328 491** |
| **Administered expenses** | | | | | | |
| Employee benefits expenses | - | - | 345 | 403 | 345 | 403 |
| Payment of royalties to the Consolidated Account | - | - | - | - | 382 711 | 322 938 |
| Other expenses | - | - | - | - | 6 182 | 5 166 |
| **Total administered expenses** | **-** | **-** | **345** | **403** | **389 238** | **328 507** |
| **Net result** | **65** | **-** | **(15)** | **-** | **50** | **(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 Note 1 of the controlled 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.

***Petroleum and Geothermal Energy Act Legacy Liabilities Facility***

In October 2021 the Treasurer approved the establishment of a new deposit account, the "Petroleum and Geothermal Energy Act Legacy Liabilities Facility" (The Facility). DEM collects a fee for inactive wells from licensed petroleum and geothermal activities. Those fees are used to decommission and rehabilitate legacy wells or infrastructure that have no attributable owner due to bankruptcy or insolvency.

## A3. Impact of COVID-19 pandemic on the department's administered items

While Covid related absenteeism has impacted logistics and timing of shipments for SA operations, including reports of the temporary closure of a mine in December, these impacts have had little-to-no effect on royalty collections as record prices and increased production has seen a new high for royalty receipts during the year.

## A4. Budget performance

The budget performance table compares the departments outcomes against budget information presented to Parliament (2021-22 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 | Note | Original budget 2022 $'000 | Actual 2022 $'000 | Variance $'000 |
|---|---|---|---|---|
| **Administered Income** | | | | |
| Appropriation | | 409 | 330 | (79) |
| Royalties | (a) | 321 724 | 382 711 | 60 987 |
| Other income | | 5 888 | 6 247 | 359 |
| **Total administered income** | | **328 021** | **389 288** | **61 267** |
| **Administered Expenses** | | | | |
| Employee benefits expenses | | 409 | 345 | (64) |
| Payment of royalties to the Consolidated Account | (a) | 321 724 | 382 711 | 60 987 |
| Other expenses | | 5 888 | 6 182 | 294 |
| **Total administered expenses** | | **328 021** | **389 238** | **61 217** |
| **Net result** | | **-** | **50** | **50** |

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

(a) Royalty receipts are collected on behalf of the State Government and returned to the consolidated account. The higher than budgeted collections are primarily due to higher mineral production volumes and increased commodity prices.