



3 August 2017

Senate Environment and Communications
Legislative Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: ec.sen@aph.gov.au

Dear Sir/Madam

Please find below responses to questions on notice asked of the Minerals Council of Australia (MCA) at the hearing on 12 July 2017 for the Senate Environment and Communications Reference Committee Inquiry into 'rehabilitation of mining and resources projects as it relates to Commonwealth responsibilities'.

Question 1 – Comment on Queensland Audit Office (QoA) 2014 report

Senator Waters: *Do you want to pass judgement on, or respond to, the statements by the Audit Office or the vast number of mines in care and maintenance?*

Response

The MCA would question the statement that the QoA report concludes there are 'vast' numbers of sites in care and maintenance. This is not drawn out in the report. Furthermore, the report acknowledges there is some confusion over definitions which may confound any analysis of the number of sites in care and maintenance. The Department of Natural Resources and Mines (NRM) response to the report (QoA report p.56) highlights this concern:

It is very important to distinguish between a 'care and maintenance' site and an 'abandoned mine' site. Mines may be placed in care and maintenance for various reasons, a typical case being where current commodity prices make operations uneconomic but there is an expectation of improvement in subsequent years. By definition...an 'abandoned mine' site is one where mining tenure no longer exists. Whilst not stated in the definition, further necessary conditions are that the environmental authority also no longer exists and it is not possible to pursue the entity that created the disturbance.

Furthermore, in line with the MCA submission to the inquiry, sites in 'care and maintenance' must maintain their environmental authority and ongoing liability for the site remains with the mining lease holder – it is not relinquished until government requirements have been met.

Senator Waters: *Yes. Have a look at that audit report. They were certainly saying that enforcement by government is poor but they also pointed to the lack of a culture of compliance in your industry. I would be interested in your response to both of those two charges.*

Response

There is no data in the report that suggests there is a culture of non-compliance as it relates to mine rehabilitation – the subject of the inquiry. Where it does discuss compliance results (p. 33) it includes

2013-14 data for all industries and all aspects regulated by the Department of Environment and Heritage Protection (EHP), making it impossible to draw conclusions on the resources industry and in particular mine rehabilitation performance. In addition, the report contains no analysis of the environmental impacts of any non-compliance, so again it isn't possible to extrapolate what the actual impact may be, or their significance, particularly on Commonwealth matters which is the focus of the inquiry.

With respect to enforcement, the QoA report highlights a range of deficiencies in the EHP processes. It makes several recommendations to improve the performance of enforcement and compliance activities. The relevant departments affected by these recommendations (NRM and EHP) have generally responded positively to QoA report recommendations.

The QoA report is now four years old. The Queensland Government has since responded. Accordingly, we consider the report as it reads may be of little value to the inquiry. Instead, we suggest it would be more informative for the Committee to follow up on the implementation of the QoA recommendations directly with the Queensland Government.

Question 2 – Materiality and accounting standards

Senator Waters: *I want to ask you about the issue of disclosing rehabilitation liabilities. You refer, on page 21 of your submission—page 159 in our pack—to the Australian Accounting Standards Board's standards. You make reference to the fact that these various accounting standards might require disclosure of rehabilitation and closure liabilities. But you also say that that disclosure would only occur where they were material. Can I just ask you a bit more about that? Who decides whether they are material or not? Are those accounting standards applicable at law or are they merely best practice?*

Response

The *Corporations Act 2001* requires certain entities, which includes most mining companies, to prepare audited annual financial statements. These statements must provide a true and fair view of its financial position and performance and which comply with Australian Accounting Standards Board (AASB) standards.¹

The relevant standard for rehabilitation liabilities is AASB 137 - Provisions, Contingent Liabilities and Contingent Assets. The objective of AASB 137 is to ensure that appropriate recognition criteria and measurement bases are applied and that sufficient information is disclosed in the notes to enable the user of the financial statements to understand their nature, timing and amounts.

Annual financial statements must be prepared on a true and fair basis and based on materiality. The concept of materiality is discussed in both the AASB101 accounting standard (presentation of financial statements) and ASA 320 auditing standard. While the assessment of materiality relies on professional judgement, materiality is explained in the following way:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.
- Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.
- Judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

¹ Australian Accounting Board Standards, [homepage](#), viewed 1 August 2017

Should you have any questions regarding the above responses, please do not hesitate to contact me

Yours sincerely

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