

NOPSEMA

ANNUAL REPORT 2014-15



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This document is the annual report of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) covering operations and activities conducted during the year ending 30 June 2015. NOPSEMA's annual report is made available to the Commonwealth Minister for Resources, Energy and Northern Australia the relevant state and Northern Territory ministers, the offshore petroleum industry, its workforce and the public.

In compliance with the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and the *Public Governance, Performance and Accountability Act 2013*, this report will be submitted to be tabled in both Houses of Parliament of the Commonwealth of Australia.

## **Online**

This annual report is available to download from the NOPSEMA website at [nopsema.gov.au](http://nopsema.gov.au), along with further information and documents concerning NOPSEMA.

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**Letter to The Hon Josh Frydenberg MP,  
Minister for Resources, Energy and Northern Australia**

In accordance with Section 690 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, I am pleased to submit the National Offshore Petroleum Safety and Environmental Management Authority's (NOPSEMA) annual report for the year ending 30 June 2015.

I certify that this report complies with requirements for reporting referred to in section 70 of the *Public Service Act 1999* and the requirement for financial statements referred to in section 48 and 49 of the *Public Governance, Performance and Accountability Act 2013*.



Stuart Smith  
Chief Executive Officer  
NOPSEMA

15 October 2015

# Glossary of abbreviations

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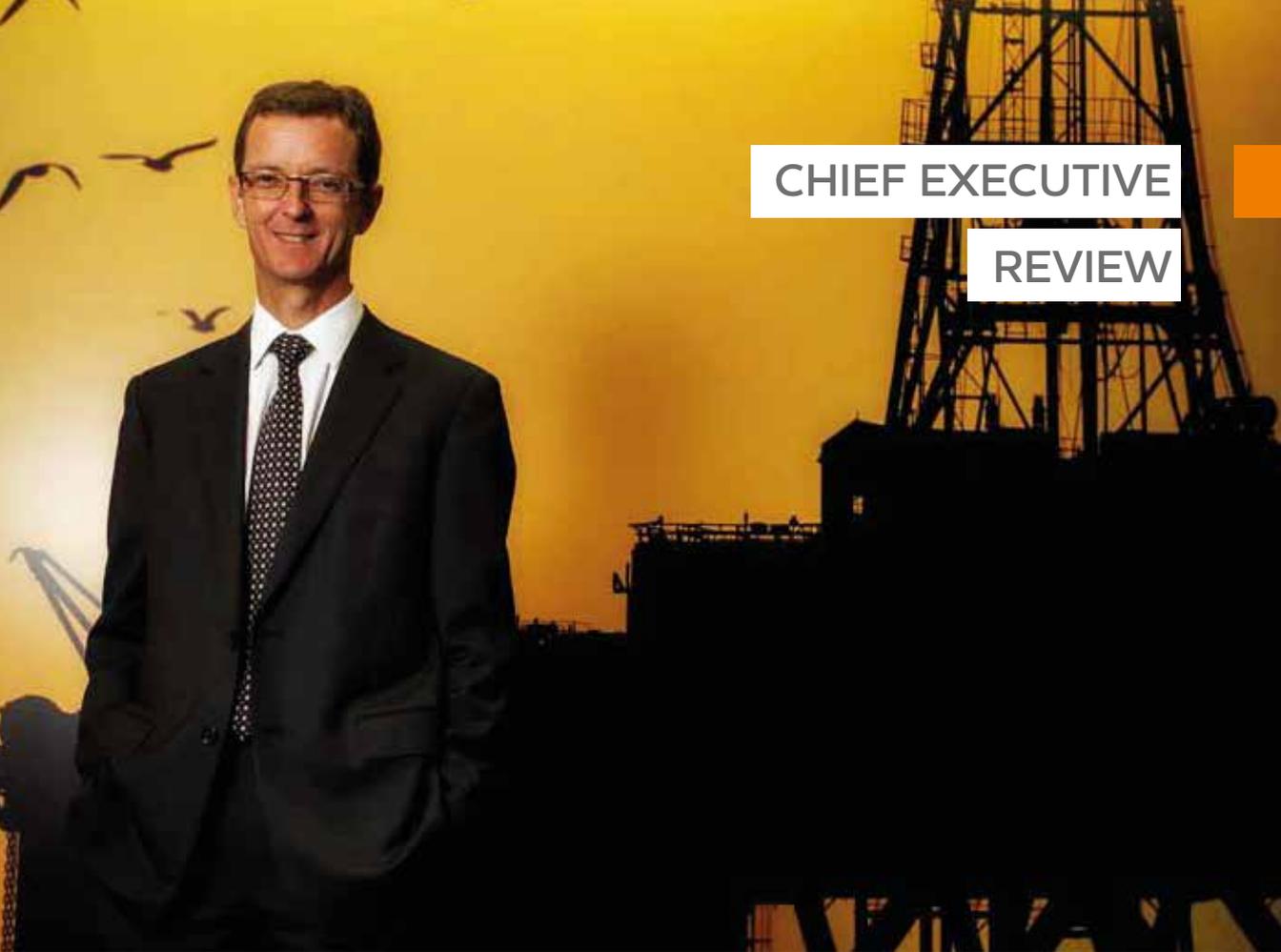
ALARP	as low as reasonably practicable
ANAO	Australian National Audit Office
APPEA	Australian Petroleum Production and Exploration Association
APS	Australian Public Service
APSC	Australian Public Service Commission
ATBA	area to be avoided
AAUWA	application for approval to undertake well activity
COAG	Council of Australian Governments
DIS	Department of Industry and Science
DSMS	diving safety management system
EL	executive level
EP	environment plan
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
FOI Act	<i>Freedom of Information Act 1982</i>
HSC	Health and Safety Committee
ICT	information communication technology
IOPER	International Offshore Petroleum Environmental Regulators
IPS	Information Publication Scheme
IRF	International Regulators' Forum
Miscellaneous Measures Act	<i>Offshore Petroleum and Greenhouse Gas Storage Amendment (Miscellaneous Measures) Act 2015</i>
MODU	mobile offshore drilling unit
National Plan	National Plan for Maritime Environmental Emergencies
NOPSA	National Offshore Petroleum Safety Authority
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NT	Northern Territory
OHS	occupational health and safety
OPGGS Act	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PSZ	petroleum safety zone
Regulatory Levies Act	<i>Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003</i>
WOMP	well operations management plan

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## CHIEF EXECUTIVE

## REVIEW

In 2014-15, the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) worked hard to fulfil its responsibilities as the national regulator of offshore petroleum safety, well integrity, and environmental management. It has done this against a backdrop of substantial changes to the structure and implementation of offshore petroleum regulation in Australia and an industry challenged by declining global oil and gas prices.

I joined NOPSEMA as its Chief Executive Officer (CEO) in September 2014. In my first few months, I met a range of industry stakeholders to gather their feedback on the evolution and performance of NOPSEMA. I was very pleased to hear the high regard in which NOPSEMA is held for its technical competence and capacity to deliver outcomes-based regulation. This high regard is a credit to the influence and leadership of my predecessor Ms Jane Cutler. I was also happy to receive plenty of constructive feedback, which NOPSEMA has taken to guide its key priorities and activities throughout the year.

On 1 July 2014, NOPSEMA became a corporate entity under the *Public Governance, Performance and Accountability Act 2013*. This change aims to allow entities to establish systems and processes for greater efficiency, transparency, and accountability. During the reporting period, NOPSEMA's organisational structure also changed. NOPSEMA now comprises a Safety and Integrity Division, an Environment Division, a Regulatory Support Division, and a Legal team, with each reporting to the Chief Executive Officer. The restructure strengthens NOPSEMA's approach to corporate governance, stakeholder engagement and compliance.

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In 2014-15, NOPSEMA was subject to two performance audits. On 28 February 2015, an independent review of NOPSEMA's compliance with the environmental management authorisation process (the Program) endorsed under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) commenced. This review followed the completion of NOPSEMA's first year as the sole environment regulator of petroleum activities in Commonwealth waters. As at 30 June 2015, the review was ongoing. NOPSEMA was also subject to an independent Operational Review in accordance with section 695(2) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGs Act). The independent panel conducting the review completed their draft report on 30 June 2015. The final report and the Government's response to the report are expected to be completed and tabled in both Houses of Parliament in the coming months. I will be using the findings and recommendations from these reviews to guide NOPSEMA's priorities and activities over the coming year.

During the reporting period, substantial changes to the legislative regime took effect. On 1 October 2014, many of the measures in the Compliance Measures Acts came into full force with the commencement of the *Regulatory Powers (Standard Provisions) Act 2014*. These measures sought to strengthen the regulatory regime in respect to monitoring and compliance, inspection, and enforcement objectives. NOPSEMA has already implemented many of the changes. These changes included publishing improvement and prohibition notices on its website and updating guidance to assist titleholders in demonstrating sufficient financial assurance for proposed petroleum activities, which is now a mandatory requirement for the acceptance of an environment plan.

Throughout the year, I was pleased to hear many organisations express a desire for greater engagement with NOPSEMA. This is a need that was particularly emphasised when NOPSEMA took on the regulation of environmental management in 2012 and with that gained a broad range of new stakeholders.

In 2014-15, NOPSEMA took a more proactive approach to its communication and engagement activities by initiating meetings and workshops with stakeholders and taking up invitations to participate in conferences, forums, and hearings. For example, NOPSEMA provided evidence at Western Australian Parliamentary Inquiry into Safety Related Matters to FLNG, participated in industry and union conferences, and hosted a series of information sessions to discuss consultation requirements under the Environment Regulations. We also participated in activities such as industry forums and the strategic and operational phases of the National Plan for Maritime Environmental Emergencies annual exercise (Exercise Westwind).

I was also pleased to hear some additional states and the Northern Territory express interest in conferring powers for occupational health and safety, well integrity, and environmental management regulation on NOPSEMA. The conferral of regulatory powers is an opportunity for us to further streamline regulatory arrangements and reduce regulatory burden on industry. Victoria has already conferred its safety and well integrity powers on NOPSEMA for coastal waters. NOPSEMA has also been working closely with the South Australian, Northern Territory and other state governments to progress this initiative and it will remain a key priority for us moving forward.

Internationally, NOPSEMA attended the annual general meetings of the International Regulators' Forum and the International Offshore Petroleum Environment Regulators. We attend these meetings to share expertise and insights, and to collaborate with our international regulatory counterparts. Attendance at these meetings also helps NOPSEMA meet its obligations to advise industry, promote compliance with the OPGGS Act, and develop regulatory best practice in Australia.

In 2014-15, the challenge of balancing declining global oil and gas prices with improving safety and environmental outcomes has been at the forefront of industry discussion. As a result, NOPSEMA has been closely monitoring industry performance over the year and where potential trends emerge communicating those insights to industry. I am pleased to report a downward trend in the rate of injuries, accidents, and

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dangerous occurrences. However, preventive maintenance continues to be a prevalent root cause for accidents and dangerous occurrences. In consideration of subdued market conditions, this finding serves as a reminder that industry must be vigilant to ensure that any cost-cutting measures implemented do not affect safety and environmental outcomes. NOPSEMA published the findings of this performance data in its 2014 *Annual Offshore Performance Report*. The report provides context for the performance data we publish on the NOPSEMA website each quarter and supplements our regulatory guidance and information published throughout the year.

At the national APPEA Oil and Gas Conference in May, I noted the adequacy of current performance measures in managing the risks of a major accident event. Many of our existing measures show clear improvement for industry performance with personal safety. Measures for process safety, however, are less definitive with adverse trends emerging for hydrocarbon releases and certain dangerous occurrences requiring the implementation of an emergency response plan. Further consideration of these measures call into question the adequacy of existing leading indicators for process safety. Having raised this issue, I am very pleased to see a receptive industry. NOPSEMA will continue its efforts to progress this issue in 2015-16.

During the reporting period, NOPSEMA concluded its complex investigation into the accident that claimed the lives of two members of the workforce during drilling operations on the *Stena Clyde* mobile offshore drilling unit in the Bass Strait on 27 August 2012. The authority submitted a brief of evidence to the Commonwealth Director of Public Prosecutions and as at 30 June 2015, legal proceedings were ongoing. NOPSEMA also completed its investigation into the accident that occurred on 30 March 2011 in the offshore area of Western Australia when a diver suffered a serious injury to an arm whilst operating high-pressure water blasting equipment subsea. On 27 May 2014, the employer of the diver, Technip Oceania Pty Ltd, pleaded guilty to two breaches of Schedule 3 of the OPGGS Act and was convicted and fined \$70,000 at the sentence hearing on the 25 July 2014. The authority has commenced legal proceedings against the equipment manufacturer involved in the accident, Hammelmann Australia Pty Ltd.

I wish to acknowledge the support and guidance the NOPSEMA Board has provided in my first year. I would also like to thank NOPSEMA's executive and staff for their professional and diligent efforts. While the Australian offshore petroleum industry has come a long way, the process of continuous improvement requires sustained effort and cooperation. I am confident that, if we work together, we can continue to meet the challenges of the future and deliver strong safety and environmental outcomes.



Stuart Smith  
Chief Executive Officer

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“In 2014-15, NOPSEMA has been taking a more proactive approach to its communication and engagement activities by seeking meetings with industry and taking up invitations to participate in conferences, forums, and hearings.”

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# 1. Overview of NOPSEMA

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NOPSEMA is an independent Commonwealth Statutory Agency regulating the health and safety, well integrity and environmental management of offshore petroleum and greenhouse gas storage activities in Commonwealth waters, and in coastal waters where state and territory regulatory powers and functions have been conferred.

NOPSEMA commenced operations on 1 January 2012 following the *Final Government Response to the Report of the Montara Commission of Inquiry* and a decision to extend the remit of the National Offshore Petroleum Safety Authority (NOPSA) to include regulatory functions and responsibilities for environmental management.

By law, offshore petroleum activities cannot commence before NOPSEMA has assessed and accepted detailed risk management plans documenting and demonstrating how an organisation will manage the risks to health and safety to a level that is as low as reasonably practicable (ALARP) and to an ALARP and acceptable level for the environment.

The combination of safety, well integrity and environmental management responsibilities under a single regulator aims to reduce regulatory burden on industry and standardise Australia's offshore petroleum regulation to a quality, best practice model.

## 1.1 Vision

Safe and environmentally responsible Australian offshore petroleum and greenhouse gas storage industries.

## 1.2 Mission

To independently and professionally regulate offshore safety, well integrity and environmental management.

## 1.3 Values

### Professionalism

We will be accountable, consistent, reasonable and act in accordance with the law.

### Ethical

We will demonstrate respect and integrity in all we do.

### Impartiality

We will make our decisions on the merits of the circumstances.

### Leadership

We will be proactive, inclusive and decisive in our conduct as a pre-eminent regulator.

## 1.4 Role and legislated functions

### Role of NOPSEMA

NOPSEMA was established to regulate the health and safety, well integrity and environmental management of offshore petroleum and greenhouse gas storage activities in Commonwealth waters, and in coastal waters where state and territory regulatory powers and functions have been conferred.



### **Legislated functions**

The details of NOPSEMA's legislated functions as Australia's national offshore petroleum and greenhouse gas storage regulator are specified in Section 646 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act) and are reflected in NOPSEMA's corporate plan. The functions cover the regulation of occupational health and safety (OHS), well integrity and environmental management for offshore petroleum and greenhouse gas storage activities, and are outlined as follows:

- to promote the OHS of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations
- to develop and implement effective monitoring and enforcement strategies to secure compliance under the OPGGGS Act and regulations
- to investigate accidents and dangerous occurrences and circumstances relating to deficiencies in the management of well integrity and environmental management
- to advise on matters relating to OHS, well integrity and environmental management
- to make reports, including recommendations, to the responsible Commonwealth minister and each responsible state/Northern Territory (NT) minister
- to cooperate with other Commonwealth and state/NT agencies or authorities having functions relating to regulated operations.

The Statement of Expectations from the responsible Commonwealth minister embodies the guiding principles for performing these functions.

# NATIONAL OFFSHORE PETROLEUM SAFETY AND ENVIRONMENTAL MANAGEMENT AUTHORITY

## STATEMENT OF EXPECTATIONS

This Statement of Expectations sets out my expectations, as the responsible Commonwealth Minister for the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the OPGGS Act), as to the exercise by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) of the functions and powers conferred on it under the OPGGS Act and associated regulations, and other legislation.

### Guiding principles

NOPSEMA is responsible for administering the objectives-based regulatory regime under the OPGGS Act and associated regulations in accordance with the principles of best practice regulatory administration. This involves regulating the safety, integrity, environmental management and day-to-day operations of all offshore petroleum and greenhouse gas storage activities in Commonwealth waters and in designated coastal waters where powers have been conferred by other jurisdictions. Through this, NOPSEMA aims to:

- reduce the risk to human health and safety of persons engaged in offshore petroleum and greenhouse gas activities to as low as reasonably practicable;
- maintain the structural integrity of facilities (including pipelines), wells and well related equipment; and
- reduce environmental risks and impacts from offshore petroleum and greenhouse gas activities to as low as reasonably practicable.

### Providing Effective and Efficient Regulation

I expect NOPSEMA will act in accordance with regulatory best practice in its decision-making, policies, processes and communication practices to maximise efficiency, effectiveness and transparency, and minimise compliance costs. NOPSEMA should regularly review its policies and procedures to identify improvements to achieve these goals, within a risk-based approach to compliance obligations, engagement and enforcement, allowing for proportionate approaches suited to the size, nature, complexity and risk of regulated entities.

This includes ensuring that offshore petroleum activities do not have unacceptable impacts on matters protected under Part 3 of the *Environment Protection and Biodiversity Conservation Act 1999*, through the effective and efficient administration of the environmental management authorisation Program endorsed by the Commonwealth Minister for the Environment in February 2014.

### Deregulation and Streamlining Agenda

The Government is committed to reducing red tape and compliance costs for business and the community as a critical step towards improving Australia's productivity. The Government is overhauling the process for creating, implementing and reviewing new regulations. This includes a process within Government whereby the costs and benefits of additional regulation are carefully balanced, and the costs of new regulations are offset. I expect NOPSEMA to look for opportunities to reduce compliance costs for business and the community and contribute to the Government's \$1 billion red and green tape reduction target, without compromising the regulatory outcomes required under the OPGGS Act. This will include identifying and implementing streamlined processes and eliminating duplication in order to reduce the red tape burden, improve efficiency and lift productivity.

COAG Energy Council Ministers have noted opportunities to further streamline regulatory arrangements for petroleum activities, including the potential to reduce the regulatory burden on the offshore petroleum industry through the conferral of powers and functions on NOPSEMA for occupational health and safety, integrity (including well integrity) and environmental management in designated coastal waters.

NOPSEMA will work in close collaboration and cooperation with my department and those jurisdictions that have agreed to commence discussions on the conferral of powers and functions on NOPSEMA, namely the Northern Territory and South Australia, as well as other Commonwealth Government agencies, to progress streamlined regulatory arrangements through the conferral of powers and functions in coastal waters on NOPSEMA. I expect that every effort will be made to have this in place by June 2015.

I also expect that NOPSEMA will work closely with my department to continue discussions with the other states regarding the regulation of their coastal waters.

### **Technological Change**

I expect NOPSEMA to be positioned to respond to the changing social, commercial and technological contexts in which it operates. The introduction of Floating Liquefied Natural Gas (FLNG) by industry is one such technological change.

FLNG technology can have an important role in maintaining and enhancing the cost competitiveness of Australia's offshore petroleum sector. It presents an innovative and cost effective option for LNG developments at a time of growing cost pressures and international competition. FLNG has the potential to support the next wave of investment in Australia's offshore petroleum sector and place Australia at the forefront of LNG technology innovation. I expect NOPSEMA to keep abreast of this and other technological developments to ensure it can regulate any proposals in a timely manner with vigour and expertise.

### **Regulatory Change**

Australia continues to implement leading practice regulation for the offshore petroleum sector. Key to this is ongoing improvements to regulations and to regulatory practices to pursue leading-practice operations by the sector and appropriate and efficient regulation by NOPSEMA. As such I expect NOPSEMA to actively and constructively engage in the regulatory change process.

In particular, I expect NOPSEMA to provide an operational regulatory perspective on government policy considerations and engage with industry on implementing changes to regulations and regulatory processes. Amongst others, this includes working with my department and industry to complete, implement and operate amendments to Part 5 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 and changes requiring a demonstration of sufficient financial assurance to be made by the titleholder to NOPSEMA.

### **Stakeholder Engagement**

Engagement with stakeholders including industry, government and the public is crucial for NOPSEMA's effective regulation of the objective-based regime. As such I expect NOPSEMA will:

- Encourage continuous and systematic cooperation and collaboration with industry, workforce representatives and the community in a proactive and consultative manner, including facilitating information sharing and exchange, on NOPSEMA's regulatory operating framework and requirements relating to offshore petroleum and greenhouse gas storage activities.
- Promote and secure compliance with the requirements of the OPGGS Act and its associated regulations, including identified matters of national environmental significance, through monitoring, enforcement and proactive engagement with stakeholders.
- Keep the responsible Commonwealth Minister and members of the COAG Energy Council informed of regulatory activities as required under the Act, including notifying relevant Ministers of significant incidents and emerging risks in a timely manner.
- Work collaboratively with Commonwealth, State and Northern Territory (NT) government agencies in pursuit of best practice regulation and policy, including actively and constructively providing policy agencies with an operational regulatory perspective on the development and implementation of government policy.

- Work collaboratively with the Australian Maritime Safety Authority and other relevant operational agencies in pursuit of streamlined regulation of the offshore petroleum sector and enhanced coordination of emergency response arrangements.
- Improve the collaborative relationship with the National Offshore Petroleum Titles Administrator, to improve end-to-end service to the industry and reduce costs without compromising regulatory integrity.
- Work proactively with the NOPSEMA Advisory Board, and have regard to its advice on strategic matters relating to the performance of NOPSEMA's functions.
- Work cooperatively with international regulators, primarily through the International Regulators' Forum, to further international best practice regulation.

### **Operational Matters**

In order to undertake its duties in the most efficient manner, I expect NOPSEMA will:

- Maintain appropriate staffing numbers with the necessary competence and technical proficiency to fulfil regulatory responsibilities.
- Operate on a full cost-recovery basis from industry levies and fees in accordance with the Australian Government Cost Recovery Policy, the purposes of the NOPSEMA Special Account and the requirements of the *Public Governance, Performance and Accountability Act 2013*.
- Have in place a structure and governance arrangement that promotes independence, transparency, and cost efficiency.

As a regulator, NOPSEMA engages daily with risk and risk assessments. To analyse and assess these risks, I expect NOPSEMA will:

- Implement and maintain an effective risk based monitoring and compliance framework and employ appropriate regulatory tools to ensure compliance and risk mitigation in relation to offshore petroleum and greenhouse gas activities.
- Maintain a transparent and well-documented systematic risk management framework to assist the identification, evaluation and mitigation of regulatory risks<sup>1</sup> and ensure NOPSEMA resources are allocated to match identified priorities.
- Have in place sound information management systems that record key aspects of regulatory decisions, including the rationale and supporting evidence for a decision.

This Statement of Expectations will be reviewed in July 2016.

The Hon Ian Macfarlane MP  
September 2014

<sup>1</sup> Regulatory risk is an actual or potential event or circumstance that interferes with the achievement of a regulation policy objective or administrative outcome. It can be categorised into two broad groups:

- risk that affects a regulator's ability to effectively administer regulation; and
- risk that decreases a regulated entity's ability or willingness to comply with regulatory requirements.

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## 1.5 Changes to the legislative regime

NOPSEMA assists the Department of Industry and Science in the development of legislative and regulatory amendments through the provision of expert technical advice and assistance. During the reporting period, there were substantive changes to the legislative regime NOPSEMA administers.

### Amendments to the OPGGS Act

#### *Compliance Measures Acts*

In 2013-14, NOPSEMA reported that the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures) Act 2013* and the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures No. 2) Act 2013* received Royal Assent on 14 March 2013 and 28 May 2013 respectively. The Acts contained a range of measures aimed at strengthening the offshore petroleum regulatory regime in respect to monitoring and compliance, inspection and enforcement objectives. During the reporting period, on 1 October 2014, those measures took effect with the commencement of the *Regulatory Powers (Standard Provisions) Act 2014* (the Regulatory Powers Act). The resulting amendments to the OPGGS Act include:

- redrafting of the Act to allow for the triggering of standard monitoring and investigation powers contained in the Regulatory Powers Act
- streamlining of NOPSEMA's inspectorate powers including the merging of NOPSEMA's OHS and environment inspector categories into a single 'NOPSEMA inspector' title
- inserting a new Schedule 2A to provide NOPSEMA inspectors with monitoring and inspection powers in respect to environmental management laws, including the power to issue environmental improvement and prohibition notices requiring titleholders to take action to remove significant threats to the environment
- introducing a civil penalty regime to provide NOPSEMA with an alternative enforcement tool aimed at improving compliance outcomes
- increasing criminal penalty levels so they are consistent with other major hazard industry legislation
- enabling the parties responsible for administering the OPGGS Act to share information in appropriate circumstances
- requiring NOPSEMA to publish OHS and environment improvement and prohibition notices on its website
- clarifying insurance requirements to ensure compulsory maintenance of sufficient financial assurance by titleholders and clarifying NOPSEMA's compliance role in this regard.

In 2014-15, NOPSEMA updated its core process documents to ensure the above changes were appropriately reflected and implemented. NOPSEMA also published one prohibition and six improvement notices on its website.

#### *Miscellaneous Measures Act*

On 20 March 2015, many of the amendments to the OPGGS Act introduced by the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Miscellaneous Measures) Act 2015* (Miscellaneous Measures Act) commenced.

The Miscellaneous Measures Act introduced amendments that simplified the distinction between coastal maritime zones. It did this by changing the definition of 'designated coastal waters' to allow for the states and the Northern Territory to confer regulatory powers and functions on NOPSEMA across the broadest geographic scope of their coastal waters. Specifically, these amendments allow conferral in respect to any waters of the sea that are on the landward side of the offshore area, enabling conferral for large bays and other waters which are 'internal' to the state or the Northern Territory.

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To ensure that the cost recovery arrangements that apply to conferral of these waters are not affected by the change to the definition of ‘designated coastal waters’, amendments to the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* (the Regulatory Levies Act) were introduced. Previously, the Regulatory Levies Act excluded conferral of any waters of the sea landward of the offshore area from being cost recoverable. The *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Amendment (Designated Coastal Waters) Act 2014* remedied this exclusion by amending the Regulatory Levies Act to include the establishment of a mechanism to recover NOPSEMA’s costs as a condition of conferral of any waters of the sea that are on the landward side of the offshore area. Lakes and rivers are not eligible for conferral on NOPSEMA and continue to be subject to onshore legislation.

The Miscellaneous Measures Act also introduced amendments providing an alternative mechanism for multiple holders of a single title to take eligible voluntary actions. This mechanism is achieved by permitting multiple titleholders to choose between using the existing nominations process for the taking of eligible voluntary actions or taking these actions jointly by way of affixing the signatures of all titleholders.

On 3 April 2015, amendments introduced by the Miscellaneous Measures Act to section 646A of the OPGGS Act commenced. These amendments seek to improve the operation of the provision by clarifying and separating analogous conditions between the conferral of regulatory powers and functions on NOPSEMA for petroleum activities and greenhouse gas storage activities. The amendments also prescribed the basis for arrangements for NOPSEMA to recover the cost of performing conferred regulatory powers and functions in waters of the sea landward side of the offshore area of a state or territory.



## 1.6 Organisational structure

In 2015, NOPSEMA implemented an organisational restructure. The new structure comprises two regulatory divisions, one regulatory support division, and a legal team, each reporting to the Chief Executive Officer. The restructure provided NOPSEMA with a strengthened approach to its corporate governance, stakeholder engagement activities, and compliance efforts. The Safety and Integrity division's core business is the regulation of the management of risk to the health and safety of people at facilities and to the structural integrity of facilities. The Environment division's core business is the regulation of the risk to the environment arising from petroleum activities. The Regulatory Support division's core business is leading regulatory development and corporate support services. The Legal team provides advice in relation to matters affecting the business operations of NOPSEMA and ensures that it meets its statutory and legal obligations.

### NOPSEMA organisational structure – 30 June 2015

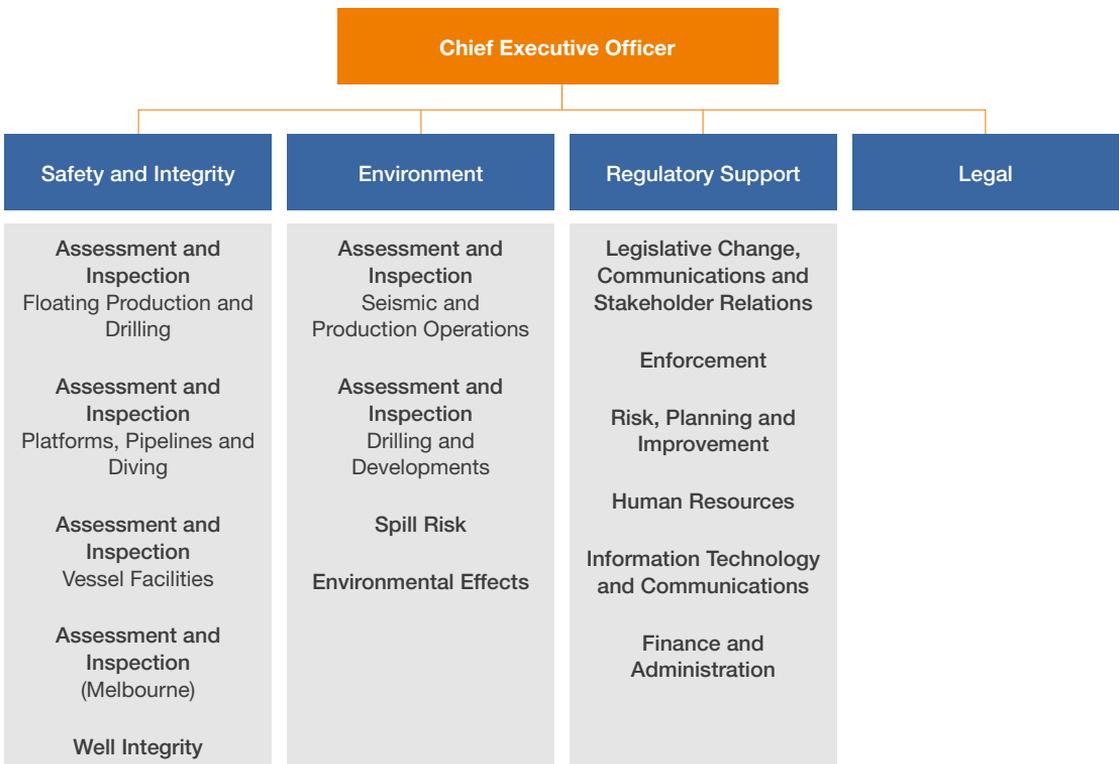


Figure 1.

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## 1.7 Outcome and program structure

NOPSEMA's outcome and program structure is specified by the Commonwealth Government and documented in Budget Related Paper no. 1.12 of the Portfolio Budget Statements 2014-15.

During 2014-15, NOPSEMA's performance reporting framework comprised one outcome. The specified outcome is as follows:

Promote and enforce the effective management of risks to the offshore workforce, the environment and the structural integrity of facilities, wells and well-related equipment of the Australian offshore petroleum and greenhouse gas storage industries through regulatory oversight.

NOPSEMA contributes to this outcome through rigorous assessment of safety cases, well operations management plans and environment plans, coupled with effective monitoring, investigation and, where appropriate, enforcement action.

## 1.8 Jurisdiction

NOPSEMA regulates the health and safety, well integrity and environmental management of offshore petroleum and greenhouse gas storage activities in Commonwealth waters, and in coastal waters where state and territory regulatory powers and functions have been conferred. Regulation remains the responsibility of the relevant state or territory where regulatory powers and functions have not been conferred.

The OPGGS Act requires the conferral of OHS and well integrity regulation combined. Victoria has conferred its functions for regulating OHS and well integrity in Victorian coastal waters on NOPSEMA. During 2014-15, no other state or territory conferred functions for the regulation of OHS and well integrity or environmental management.

The Joint Petroleum Development Area in the Timor Sea is regulated by the National Petroleum Authority (Autoridade Nacional do Petróleo) of Timor-Leste on behalf of the governments of Australia and Timor-Leste.

ACTIVITY IN NOPSEMA JURISDICTION 2014-15		
Category	Type	Number
Occupational health and safety	Facility operators <sup>a</sup>	38
	Facilities	176
Well integrity	Titleholders <sup>b</sup>	26
	Titles	64
	Wells	143
Environmental management	Activity operators <sup>c</sup>	24
	Activities <sup>c</sup>	90

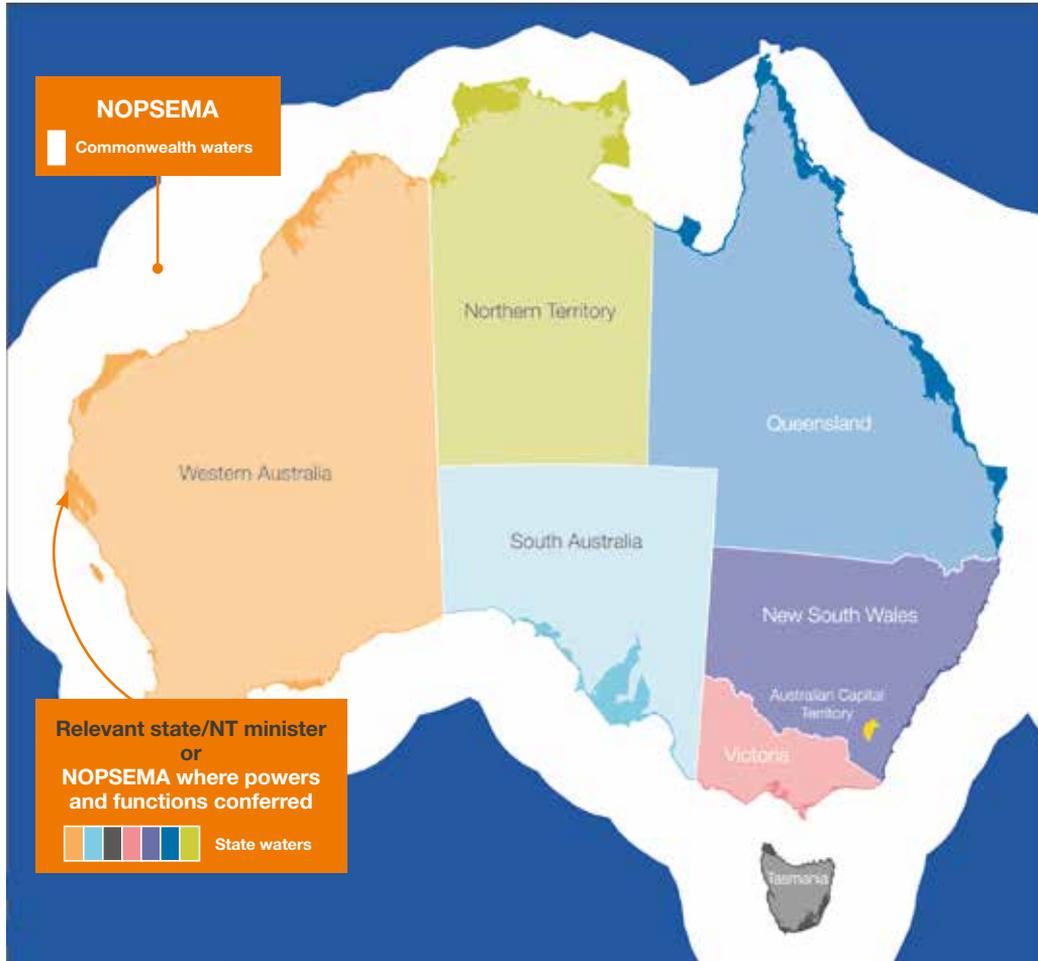
<sup>a</sup> based on monthly injury report submissions

<sup>b</sup> based on well integrity assessment submissions

<sup>c</sup> based on authorised accepted environment plans

Table 1.

## Jurisdiction for safety, well integrity and environmental management



Note: State and Northern Territory coastal waters conform more or less to the Australian continent and associated islands. Commonwealth waters extend seaward from the edge of the three nautical mile limit of designated coastal waters, to the outer extent of the Australian Exclusive Economic Zone at 200 nautical miles.

Figure 2.

## 2. Report on performance

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In 2014-15, NOPSEMA continued to challenge industry to secure compliance with the legislation to drive improved health, safety and environmental outcomes.

During the reporting period, NOPSEMA operated in accordance with its Corporate Plan 2012-15.

Key achievements included:

- maintaining efficient and effective regulatory oversight of offshore petroleum facilities and activities through rigorous assessment, inspection and investigation
- embedding and improving processes in the regulation of environmental management, in particular, implementing changes to reflect significant changes to the legislative regime
- improving liaison and consultation processes and increased stakeholder engagement activities
- regular publication of an expansive data set showing industry and NOPSEMA performance.

NOPSEMA faced challenges relating to government and the industry environment, which have and will continue to influence regulatory priorities. They include:

- the maintenance of ageing infrastructure
- the volatility of oil and gas commodity prices
- the introduction of new and emerging technologies
- increasing community expectations
- reducing regulatory burden on industry.

### **2.1 Legislated functions, strategic priorities and performance indicators**

Table 2 outlines how NOPSEMA performed its legislated functions as specified in its Corporate Plan 2012-15.

Performance of legislated functions 2014-15				Progress 2014-15
Functions	Strategies	Performance indicators		
<b>COMPLIANCE</b>	<p>Develop and implement effective monitoring and enforcement strategies to secure compliance</p> <p>Maintain and improve internal systems, processes and capabilities to ensure expert, consistent, and independent regulatory decisions in accordance with the OPGGS Act and Regulations</p> <p>Monitor and inspect for compliance with accepted regulatory plans and safety cases and, where necessary, take enforcement action</p> <p>Maintain capability for appropriate regulatory crisis response</p>	Agency resourced adequately with skilled professionals		On track
		Assessment decisions within required timeframes		On track
		Compliance inspections meet annual targets		On track
		Actions arising from inspections completed by duty holders within specified timeframes		On track
		Duty holder activities conducted as per accepted regulatory submissions*		On watch
		Industry and NOPSEMA performance statistics published regularly		On track
<p>Investigate accidents, dangerous occurrences and circumstances</p> <p>Maintain internal capabilities and processes to ensure expert, consistent, and independent investigations are completed in accordance with the OPGGS Act Regulations and NOPSEMA systems</p> <p>Communicate lessons learnt from incidents to industry</p>	Improvement in industry performance measures†		On watch	
	National reporting system for environment plans developed		Complete	
	Increased resources for incident investigations‡		On track	
	Recommended incident recurrence prevention measures implemented by duty holders within agreed timeframe		On watch	
	Increased transparency of enforcement activities		On track	
	Lessons learnt communicated directly to duty holders and published		On track	

\* Ongoing compliance monitoring – multiple operators issued recommendations and enforcement actions

† 25% increase in hydrocarbon release rate (from 20 to 25) from 2013-14 to 2014-15

‡ Overall increase in availability of resources following review of investigation processes

Performance of legislated functions 2014-15				Progress 2014-15
Functions	Strategies	Performance indicators		
<b>Promote</b> safety, well integrity and environmental management	Develop risk-based promotional programs Maintain robust, open and accountable relationships with industry stakeholders in relation to submission and assessment of regulatory plans and safety cases and broader regulatory functions Further develop early engagement with industry on facility/activity proposals	Increased themed information sessions, as part of strategic stakeholder liaison	Complete	
		Guidelines and regulatory information published as a priority	Complete	
		Increased workforce engagement obtained via health and safety representatives	On track	
		Production facility design notification scheme developed and implemented <sup>s</sup>	On watch	
<b>Advise</b> on safety, well integrity and environmental management matters	Develop and publish guidance notes to assist stakeholders with preparation of regulatory plans and safety cases Actively engage with industry and other stakeholders to provide guidance on interpretation of the Regulations Develop policy on advice to stakeholders	Emphasis maintained on guidelines and regulatory information publications	Complete	
		Targeted stakeholder feedback sought on draft guidance notes	On track	
		Industry information sessions and presentations published on the NOPSEMA website	Complete	
		Responded to enquiries or complaints promptly	Complete	
		Consistent and independent advice provided to duty holders	Complete	

<sup>s</sup> Further progress is dependent on regulations/legislative change  
Table 2.

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## 2.2 Assessments

During the reporting period, NOPSEMA received 427 submissions of the following assessment types:

- ‘area to be avoided’ (ATBA) access application
- application for approval to undertake well activity (AAUWA)
- diving safety management system (DSMS)
- environment plan (EP)
- petroleum safety zone (PSZ) access application
- PSZ application
- safety case
- scope of validation
- well operations management plan (WOMP)
- diving start-up notice.

NOPSEMA notified over 99% of all assessment decisions within the legislated or policy time frames.

### Safety

NOPSEMA is responsible for the administration of the OPGGS (Safety) Regulations 2009. NOPSEMA received 28 new safety cases submissions and 74 revised safety cases submissions during the reporting period. NOPSEMA notified 100% of new safety case assessments and 99% of revised safety case assessments within the legislated timeframes.

### Well integrity

NOPSEMA is responsible for the administration of Part 5 – Well operations management plans and approval of well activities under the OPGGS (Resource Management and Administration) Regulations 2011.

NOPSEMA received 30 submissions for well operations management plans and 143 applications for approval to undertake well activity for assessment during the reporting period. NOPSEMA notified 100% of well integrity assessments within the legislated timeframes.

### Environmental management

NOPSEMA is responsible for the administration of the OPGGS (Environment) Regulations 2009.

NOPSEMA received 59 new environment plan submissions and 12 revised environment plan submissions during the reporting period. NOPSEMA notified 100% of environment plan assessments within the legislated timeframes.

Assessment notifications 2014-15					
Assessment type	Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Occupational health and safety	Safety case new	28	27	27	100%
	Safety case revised	74	73	72	99%
	Scope of validation	54	N/A	N/A	N/A
	Diving SMS new	2	2	1	50%
	Diving SMS revised	9	7	7	100%
	Diving start-up notice	10	10	10	100%
	<b>Total OHS</b>		<b>177</b>	<b>119</b>	<b>117</b>
Well integrity	WOMP – new	22	22	22	100%
	WOMP – variation	8	8	8	100%
	AAUWA – application	143	134	134	100%
	<b>Total WI</b>	<b>173</b>	<b>164</b>	<b>164</b>	<b>100%</b>
Environmental management	Environment plan new	59	56	56	100%
	Environment plan revised	12	14	14	100%
	<b>Total EPs</b>	<b>71</b>	<b>70</b>	<b>70</b>	<b>100%</b>
Petroleum safety zones	PSZ application new	5	5	5	100%
	PSZ application renewal	0	0	N/A	
	PSZ access application	0	0	N/A	
	ATBA Access application	1	1	1	100%
<b>Total</b>		<b>427</b>	<b>359</b>	<b>357</b>	<b>99%</b>

Table 3.

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## 2.3 Inspections

### Safety

During the reporting period, NOPSEMA conducted a total of 118 inspections across a range of facility types and operators. The program of 57 topic-based safety inspections for 2014-15 focused on:

- performance standards
- management of change
- workforce involvement
- blow out preventers and associated well control equipment.

NOPSEMA's planned inspections involved some or all of the following activities:

- communication with OHS representatives and the workforce
- verifying that actions arising from recommendations of previous inspections had been completed
- confirming that the hardware and procedural systems described in the safety case or DSMS were in place, obtaining evidence that such systems were functional in practice, and gaining assurance that the implementation of the systems would be ongoing
- verifying that risk control improvements had been implemented
- testing personnel knowledge and understanding of selected aspects of the safety case or DSMS and supporting documentation, as relevant.

In addition to the activities mentioned above, the scope of planned inspections centred on the following factors:

- areas that generate a significant portion of the risk and control measures and elements of the safety management system that have the most influence on risk as described in the facility safety case or DSMS
- responsible party health and safety performance
- recorded accident and dangerous occurrences, and complaints
- recorded investigations and enforcement actions.

NOPSEMA undertook all inspections in an informed, risk-based, and consistent manner. NOPSEMA's risk-based inspection planning established the following targets for inspection frequency:

- normally attended production facilities and mobile offshore drilling units (MODUs) – twice per year
- diving operations, multi-purpose vessels, normally unattended facilities – on an opportunistic basis
- pipelines or subsea facilities with a high probability of people being at or near the pipeline or subsea facility – once every two years<sup>1</sup>
- pipelines or subsea facilities with medium to low probability of people being at or near the pipeline or subsea facility – once every four years<sup>1</sup>
- mobile facilities operating in Australian Commonwealth waters for the first time – within six weeks of the commencement of operations for non-drilling facilities, and within three weeks for drilling facilities, where practical.

Targets are applied on a pro-rata basis to mobile facilities that are not present in NOPSEMA's jurisdiction all year. During the reporting period, NOPSEMA's inspection frequency was in line with set targets.

<sup>1</sup> Frequencies may be further increased or decreased based on a range of operator and pipeline-based factors.

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## Well integrity

During the reporting period, NOPSEMA conducted 11 risk-based inspections of titleholder's regulatory compliance with respect to their management of well operations. The inspections focused on well barrier management, performance standards, and management of change.

## Environmental management

During the reporting period, NOPSEMA conducted 59 environmental management inspections, compared with 21 inspections in 2013-14. The increase reflects the phased implementation of environmental management regulation within NOPSEMA. From 2014-15, NOPSEMA's policy target for environmental management inspections is 60 per year. NOPSEMA conducted inspections covering a range of petroleum activities, including seismic surveys, drilling and production operations.

NOPSEMA undertook all inspections in an informed, risk-based, and consistent manner, with particular regard to the following environmental risk factors:

- the environment that may be affected by planned activities and/or unplanned events, including matters protected under Part 3 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act)
- socio-economic values and sensitivities
- target hydrocarbon type (where applicable)
- industry trends in recordable and reportable environmental incidents.

NOPSEMA established the following environmental management inspection targets for the reporting period:

- all new titleholders undertaking an exploration or development activity – prior to or during the first activity
- production activities – at least annually for Group III, IV or V oils, and opportunistically for Group I and II oils
- drilling activities – prior to or during the activity for Group III, IV or V oils, and opportunistically for Group I and II oils
- seismic activities – prior to or during the activity for all surveys overlapping habitat critical to survival, or biologically important areas during an important life cycle stage for EPBC-listed species, or where specific controls are required to manage interactions with a particular socio-economic value or sensitivity, and opportunistically for other seismic activities.

During the reporting period, all policy targets for inspection were met.

## 2.4 Incidents, investigations and enforcement

NOPSEMA received a total of 431 notifications and reports in 2014-15, including accidents, dangerous occurrences, environmental management incidents, complaints and notifications for information only, as detailed below.

### Safety

In 2014-15, NOPSEMA received 358 notifications relating to reportable OHS matters. These notifications comprised nine accidents, 344 dangerous occurrences and five complaints. NOPSEMA received a further 23 OHS notifications, one of which was an exercise and 22 for information only.

During the reporting period, NOPSEMA concluded its independent investigation into an accident that claimed the lives of two offshore workers on the *Stena Clyde* mobile offshore drilling unit in the Bass Strait in August 2012. In April 2014, NOPSEMA submitted a brief of evidence to the Commonwealth Director of Public Prosecutions (CDPP). Legal proceedings against Stena Drilling, the operator of the drilling unit, are ongoing and as at 30 June 2015 the matter was still before the courts.

NOPSEMA also completed its investigation into an accident involving a diver who suffered a serious injury to an arm whilst operating subsea high-pressure water blasting equipment on 30 March 2011. On 17 October 2013, NOPSEMA commenced proceedings against Technip Oceania Pty Ltd., the employer of the diver. On 27 May 2014, Technip pleaded guilty to two breaches of the OPGGS Act and was convicted and fined \$70,000 at the sentence hearing on 25 July 2014. Legal proceedings against Hammelmann Australia Pty Ltd, the importer/supplier of the equipment involved in the accident are ongoing and as at 30 June 2015 the matter was still before the courts.

A number of inspections and investigations resulted in enforcement action in accordance with NOPSEMA's enforcement policy (see table 4).

### Environmental management

In 2014-15, there were 18 reportable and 276 recordable environmental management incidents reported to NOPSEMA, and three complaints relating to environmental management. NOPSEMA also received eight notifications for information only and five notifications during exercises. Two enforcement actions were undertaken in relation to environmental management matters, including one written warning and one request for revision of an environment plan (see Table 4).

Enforcement activities 2014-15	
Type of enforcement activity	Number
OHS written warning	2
OHS improvement notice	19
OHS prohibition notice	1
OHS request for a revised safety case	0
EM written warning	1
EM intent to withdraw EP acceptance	0
EM request for revision of environment plan	1
<b>Total</b>	<b>24</b>

Table 4.

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## 2.5 Achievement of budget targets

NOPSEMA aims to deliver within 10% of its budget forecast for each reporting period. In 2014-15 the results were:

- revenue of \$39.7 million was higher than budget by 4.5%
- operating expenditure of \$32.2 million was lower than budget by 15.3%.

In addition to NOPSEMA's \$39.7 million revenue, there is \$0.8 million in deferred revenue, which is \$2.2 million down from 2013-14, relating to environment plan levies that cannot be recognised until NOPSEMA accepts those environment plans.

In 2015-16, NOPSEMA will be undertaking a review of its cost recovery arrangements to ensure levy rates are aligned with NOPSEMA's future expenditure requirements. The current cost recovery arrangements are contained in the Cost Recovery Impact Statement (CRIS) covering 1 January 2014 to 31 December 2015. These arrangements included an increase to safety case and environment plan levies which were effective from 1 January 2014.

The CRIS and further information about NOPSEMA's cost recovery arrangements is available at [nopsema.gov.au](http://nopsema.gov.au).

## 2.6 Stakeholder engagement

Consistent with its responsibilities under the OPGGS Act, NOPSEMA continued to promote and advise on health and safety, well integrity and environmental management matters in support of improved industry performance.

During the reporting period, NOPSEMA engaged with industry peak bodies, health and safety representatives and union organisations on a range of safety and environmental issues including efforts focussed on clarifying NOPSEMA's role with respect to environmental management following environmental regulatory streamlining.

### Presentations, workshops and exhibitions

As part of NOPSEMA's commitment to maintaining an open, accountable, and robust relationship with its stakeholders, during the reporting period, NOPSEMA hosted or participated in 10 workshops and 30 forums and conferences attended by industry and regulatory audiences in Australia and internationally.

In September 2014, NOPSEMA hosted a series of information sessions to discuss consultation requirements under the Environment Regulations. NOPSEMA representatives met with a number of fishing and environmental non-government organisations, government agencies, and titleholders to clarify consultation requirements and address concerns around the consultation processes undertaken by some titleholders in the course of preparing an environment plan.

In May 2015, NOPSEMA exhibited alongside the Department of Industry and Science (DIS), Geoscience Australia and the National Offshore Petroleum Titles Administrator (NOPTA) at the annual Australian Petroleum Production and Exploration Association (APPEA) Oil and Gas Conference and Exhibition 2015 in Melbourne. NOPSEMA used the conference as a platform to launch its 2014 *Annual offshore performance report* and promote its legislative functions to key industry stakeholders.

NOPSEMA publishes details of the events it participates in and presentations delivered by NOPSEMA staff at [nopsema.gov.au](http://nopsema.gov.au).

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## 2.7 Stakeholder relations and communications

In support of NOPSEMA's legislated function to promote health and safety, well integrity and environmental management awareness across the Australian offshore petroleum industry, NOPSEMA:

- published five issues of its online newsletter, *the Regulator*; with the number of subscribers totalling 3528 during the reporting period
- published the 2014 *Annual offshore performance report*
- published two safety alerts relating to outcomes of planned inspections and accident and dangerous occurrence investigations
- published two brochures; one on the offshore petroleum lifecycle and the other outlining requirements for effective consultation for petroleum activities in Commonwealth waters
- provided interviews and comments for 23 articles in mainstream media and industry publications and distributed two media releases
- published guidance on occupational health and safety regulation topics including fatigue avoidance
- published guidance on environmental management matters including the preparation of environment plan summaries and financial assurance requirements
- published information papers on oil pollution risk management, safety culture and perception surveys.

In support of NOPSEMA's legislated function to report to the responsible Commonwealth minister, and each responsible state or Northern Territory minister, NOPSEMA:

- produced and delivered quarterly national, state and territory reports on industry and regulatory activity and performance
- prepared 13 information and action briefs for the Commonwealth minister.

## 2.8 Inter-agency activities

### Commonwealth and state agencies

In 2014-15, NOPSEMA provided extensive support to the Department of Industry and Science (DIS) in relation to the health and safety, well integrity and environmental management regulatory regime for the offshore petroleum sector. In particular, NOPSEMA implemented the Regulator Performance Framework in support of the Government's deregulation initiatives and provided input to DIS on progressing amendments to both the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 and the Offshore Petroleum and Greenhouse Gas Storage (Safety) Regulations.

During the reporting period, as part of the Australian Government Industry Innovation and Competitiveness Agenda, NOPSEMA undertook a comprehensive assessment of existing standards and risk assessment processes in the offshore regulatory regime. The assessment found that the regime does not impose any restrictive adherence to prescribed Australian or international standards or risk assessment processes. Instead, the regime allows duty holders to use best practice standards and risk assessment processes from any origin provided they reduce the risks and impacts of proposed activities to a level that is ALARP or ALARP and acceptable.

NOPSEMA continued to work with DIS and the South Australian and Northern Territory governments to progress conferral of regulatory powers and functions on NOPSEMA for health and safety, well integrity, and environmental management in designated coastal waters. Discussions were also held with other jurisdictions regarding the potential for conferral.

NOPSEMA also collaborated with the Australian Maritime Safety Authority on the National Plan for Maritime Environmental Emergencies to maximise Australia's marine pollution response capability.

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## **International regulators**

NOPSEMA is committed to an open dialogue, sharing expertise and insights, and collaborating with international regulatory counterparts to develop regulatory good practice to drive improvements in health and safety, well integrity and environmental management outcomes in the Australian offshore petroleum industry. NOPSEMA's active involvement in both the International Regulators' Forum (IRF) and the International Offshore Petroleum Environment Regulators (IOPER) are examples of this commitment.

The IRF comprises eleven leading independent national offshore petroleum regulators and exists to drive improvements in health and safety in the oil and gas industry through collaboration in joint programs and information sharing. The IOPER is a collaborative group of national regulators whose members share a common goal of raising environmental performance standards within the offshore petroleum exploration and production industry.

In November 2014, NOPSEMA attended the IRF annual general meeting in Mexico to discuss and consider issues including strategies to enhance safety performance outcomes. In May 2015, NOPSEMA also participated in the IRF mid-year meeting in Houston, Texas.

NOPSEMA attended the IOPER annual meeting in November 2014, which was held in tandem with the IRF annual general meeting in Mexico. At the meeting, members agreed to implement the Australian-led strategic priority project promoting oil spill preparedness principles. NOPSEMA continued its involvement as an active member of the IOPER by participating in the mid-year meeting in Washington D.C in March 2015.

## 3. Management and accountability

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### 3.1 Corporate governance

Overall responsibility for the management of NOPSEMA is vested in its CEO. The OPGGS Act provides that the CEO have all the legal powers and functions that the law assigns to NOPSEMA, although authority for day-to-day operations may be delegated to Heads of Divisions. Under the OPGGS Act, the CEO of NOPSEMA is required to have regard to the advice of the NOPSEMA Board and is responsible for keeping the Board informed.

The OPGGS Act requires NOPSEMA to report, as appropriate, to the responsible Commonwealth minister and each responsible state or territory minister on investigations. It also provides for states and territories to confer their powers on NOPSEMA in relation to:

- the health and safety of persons
- structural integrity of wells and well-related activities
- environmental management.

The Commonwealth minister, after consultation with relevant state or territory ministers, may issue policy principles to NOPSEMA, with which NOPSEMA must comply. These policy principles direct the manner in which NOPSEMA fulfils its responsibilities. Under the streamlined environmental authorisation arrangements, NOPSEMA is required to report annually to the Minister for the Environment detailing decisions made on assessments, findings of any compliance inspections, reported environmental incidents, and any investigations underway.

As a Commonwealth statutory authority and corporate entity, NOPSEMA also has statutory obligations under the *Public Service Act 1999* and the *Public Governance, Performance and Accountability Act 2013*. NOPSEMA ensures compliance with statutory requirements through a range of corporate governance structures.

The CEO established the Audit Committee as part of the overall financial governance structure of the organisation. The primary purpose of the committee is to provide independent assurance and advice to the CEO on NOPSEMA's internal control mechanisms, financial and business risks, and compliance with its statutory obligations. In addition, the committee provides a forum for communication between senior management and the internal and external auditors.

NOPSEMA's planning process links its vision, mission, objectives and legislated functions to the outputs that NOPSEMA delivers on behalf of the Commonwealth Government. This process is shown diagrammatically in Figure 3. Key reference documents for the reporting period are the NOPSEMA Corporate Plan 2012-15 and the NOPSEMA Annual Operating Plan 2014-2015.

### NOPSEMA corporate governance



Figure 3.

### 3.2 Management framework

NOPSEMA’s management model is supported by an integrated planning and performance management framework, incorporating a corporate plan, annual operating plan, and regular team planning processes.

NOPSEMA management framework		
OPGGS Act legislated function	Corporate support	Strategic management
Develop and implement effective monitoring and enforcement strategies to secure compliance  Investigate accidents, dangerous and circumstances  Promote safety, well integrity and environmental management  Advise on safety, well integrity and environmental management matters  Report to the Commonwealth minister and each responsible state/NT minister  Cooperate with other agencies performing functions relating to offshore petroleum operations and activities	Resource management: <ul style="list-style-type: none"> <li>• Human resources, training and development</li> <li>• Physical asset management</li> <li>• Financial operations</li> </ul> Information management: <ul style="list-style-type: none"> <li>• IT and network</li> </ul> Governance and compliance management: <ul style="list-style-type: none"> <li>• Communications systems</li> <li>• Procurement</li> <li>• Regulatory management system and quality management system</li> <li>• Legal advice</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate planning</li> <li>• Performance framework</li> <li>• Regulatory framework and strategic direction</li> <li>• Priority setting</li> <li>• Reputation management</li> <li>• Data management</li> </ul>
		Review and improvement
		<ul style="list-style-type: none"> <li>• Internal audit</li> <li>• Independent review</li> <li>• Legislative review</li> <li>• Cost arrangements review</li> <li>• Industry consultation</li> </ul>

Figure 4.

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### 3.3 Business risk and fraud management

In 2014-15, NOPSEMA revised and updated the Chief Executive Instructions and Chief Executive Financial Delegations in accordance with the PGPA Act and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). The Chief Executive Instructions are aimed at promoting the efficient, effective, economical, and ethical use of Commonwealth resources. The Chief Executive Financial Delegations provide a formal line of legal authority to carry out certain actions and clarify who can make particular decisions of a financial impact on behalf of NOPSEMA. Delegates are personally liable for their actions.

Internal and external audits of NOPSEMA's financial internal controls reported no significant control weaknesses.

Throughout the reporting period, NOPSEMA maintained a risk management framework based on *AS/NZS ISO 31000:200 Risk management – Principles and guidelines* and aligned with the Commonwealth Risk Management Policy. The framework facilitates the management of key risks so that NOPSEMA may continue to carry out its statutory functions and meet the expectations of both the responsible Commonwealth minister and its stakeholders.

NOPSEMA's CEO also established a Risk Committee to assist in carrying out duties and meeting statutory obligations under the PGPA Act relating to the establishment and maintenance of risk and control systems. NOPSEMA also participated in the Comcover Risk Management Benchmarking Survey and the results of the survey confirmed NOPSEMA has a robust risk management system in place.

In 2014-15, NOPSEMA prepared an updated fraud risk assessment and a fraud control plan. The plan includes prevention, detection, investigation, reporting, and data collection procedures and processes. The plan complies with the Commonwealth Fraud Control Framework 2014 as required under the PGPA Rule. No actual or suspected instances of fraud were reported during the reporting period.

NOPSEMA continued to review its Audit Committee Charter to align with the better practice guide issued by the Australian National Audit Office (ANAO) for Public Sector Audit Committees. The NOPSEMA Audit Committee comprises two NOPSEMA executive staff and two independent committee members, from unrelated chartered accountancy practices, appointed to act as chair and alternate chair. Internal auditors PricewaterhouseCoopers acted as advisors on the committee, as were NOPSEMA's external auditors Ernst and Young (on behalf of the ANAO).

### 3.4 Asset management

During 2014-15, NOPSEMA undertook asset management in accordance with the Commonwealth Procedure Guidelines, and the requirements of the Chief Executive Instructions and procedural rules. NOPSEMA assessed all assets for impairment, in accordance with the Australian Accounting Standard AASB 136 Impairment of Assets, to ensure appropriate book values. No indicators of impairment were found.

NOPSEMA's assets under management include non-financial assets with the net value of \$4.5 million, made up of:

- fit-out, valued at \$2.9 million
- property, plant and equipment, valued at \$0.4 million
- intangible assets, valued at \$1.2 million.

NOPSEMA continued to develop its regulatory management system software to improve its functionality.

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### 3.5 External scrutiny

NOPSEMA is subject to external scrutiny through parliamentary committees, the ANAO, the courts, administrative tribunals, the Commonwealth Ombudsman, the Freedom of Information Commissioner and the Privacy Commissioner. Where NOPSEMA was subject to scrutiny in 2014-15 is provided below.

#### **Inquiries by parliamentary committees**

On 12 November 2014 and 7 April 2015, NOPSEMA appeared at the Western Australian Parliament Economics and Industry Standing Committee's Inquiry into Safety-related matters relating to FLNG projects in Australian waters off the Western Australian coast. The Committee made positive findings in its report regarding NOPSEMA's administration of the offshore legislative regime and its ability to assess and monitor the risks associated with FLNG technology. The report is available at [parliament.wa.gov.au](http://parliament.wa.gov.au).

NOPSEMA provided evidence to the Australian Parliament Senate Estimates (Economics Legislation Committee) in October 2014, February 2015, and May 2015.

#### **Applications to Administrative Appeals Tribunal**

During the reporting period, NOPSEMA was involved in one application for review of decision before the Administrative Appeals Tribunal (AAT) regarding access to documents under the *Freedom of Information Act 1982* (FOI Act). The proceedings have not yet been resolved and are continuing in the AAT.

#### **Complaints to the Commonwealth Ombudsman**

NOPSEMA responded to an investigation of one complaint received by the Commonwealth Ombudsman. The Ombudsman notified NOPSEMA that further investigation was not warranted and closed the complaint.

#### ***Environment Protection and Biodiversity Conservation Act 1999 Streamlining Review***

The independent review of NOPSEMA's performance under the EPBC Act environmental management authorisation process (the Program) commenced in early 2015. The review is examining the first year of NOPSEMA's management of the Program with the outcome of the review expected to be completed in the second half of 2015.

#### **NOPSEMA Operational Review**

An independent panel commenced the triennial operational review of NOPSEMA during 2014-15. The outcome of the review is expected to be tabled in both Houses of Parliament along with a government response, during the second half of 2015.

## 4. Management of human resources

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To perform its regulatory functions, NOPSEMA must attract, engage, and retain a skilled workforce.

In 2014-15, NOPSEMA implemented priority items from its Human Resources Strategy 2013-2016 with a focus on the following:

- A high performance culture
  - NOPSEMA developed and implemented policies and procedures that support a high performing organisation.
  - NOPSEMA's employee performance management system, which is a key element of its performance culture, continued to engage staff.
- Attraction, recruitment and retention
  - NOPSEMA was successful in its efforts to recruit experienced professionals to specialist positions.
  - NOPSEMA identified career-development opportunities and leadership pathways for staff.
- Learning and development
  - NOPSEMA continued to encourage employees to actively pursue opportunities for professional development to strengthen their skills and knowledge.
  - NOPSEMA increased the number of available in-house learning and development opportunities for all staff including on-line training.

In 2014-15, five staff commenced with NOPSEMA, four of those were regulatory specialists. During the reporting period, 13 employees left NOPSEMA, eight of which were regulatory specialists.

### 4.1 Statistics on staffing and performance pay

NOPSEMA employees do not receive performance pay. Details on remuneration and staffing levels are outlined in Table 5.

NOPSEMA staffing and remuneration 2014-15														
NOPSEMA classification	APS 1	APS2	APS3	APS4	APS5	APS6	EL1	EL1 Regulatory	EL1 Well Integrity	EL2	EL2 Lead	EL2 Regulatory Managers	EL2 Well Integrity	SES
Fulltime salary range (\$)	\$46,029 -\$52,934	\$54,083 -\$59,837	\$60,988 -\$66,743	\$67,892 -\$79,400	\$80,550 -\$92,057	\$93,208 -\$104,714	\$126,579 -\$156,959	\$187,690 -\$211,151	\$258,073 - \$275,669	\$161,100 -\$189,867	\$213,497 -\$233,438	\$234,612 -\$258,073	\$281,534 -\$299,130	\$284,886 -\$314,880
Staff total	3	8	5	13	2	52	6	4	3	9	1	3	3	3
Perth	3	7	5	13	2	46	5	4	3	8	1	3	3	3
Melbourne	0	1	0	0	0	6	1	0	0	1	0	0	0	0
Part-time	0	0	1	2	1	4	0	0	0	1	0	0	0	0
Full-time	3	8	4	11	1	48	6	4	3	8	1	3	3	3
Male	1	0	0	6	1	38	6	2	3	7	1	3	3	3
Female	2	8	5	7	1	14	0	2	0	2	0	0	0	0
Indigenous	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Employment Instrument	0	2	1	2	0	5	0	0	2	0	0	0	3	1	3	
Australian Workplace Agreement (AWA) <sup>a</sup>																
Common Law Contract (CLC)	3	8	5	13	2	52	6	4	3	9	1	3	3	3	3	3

<sup>a</sup> All staff are on CLCs. During the reporting period, NOPSEMA transferred those staff on AWAs to CLCs, the forms to terminate the AWAs have been filed with the Fair Work Commission. Note: Information relating to the NOPSEMA CEO is included in notes to the financial statements 2014-2015

**Table 5.**

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## 4.2 Employee benefits

NOPSEMA provides access to an employee assistance program that delivers free counselling services to employees and their families, annual flu shots, and a \$300 subsidy to employees that require prescription glasses to perform their duties. NOPSEMA provides flexible working arrangements for its staff, including part-time opportunities and the possibility of a nine-day fortnight arrangement subject to operational need.

## 4.3 Learning and development

NOPSEMA is committed to the learning and development of its workforce. In addition to any technical training related to their roles, NOPSEMA employees received training in performance management, privacy, ethics, fraud and corruption, first aid. Employees also attended courses such as Preventing Bullying, Harassment, and Discrimination in the Workplace, the Australian Public Service Commission (APSC) Code of Conduct, Certificate IV in Investigations and Statutory Compliance, Project Management and Writing Skills for Government.

## 4.4 Code of conduct

NOPSEMA continued to actively support and uphold the Australian Public Service (APS) values and code of conduct.

NOPSEMA informs and educates new employees in the APS values and code of conduct through the agency's induction process. New employees receive a copy of the APS publications in their induction pack, which comprises *Respect: Promoting a culture free from harassment and bullying in the APS* and bookmarks on APS values, employment principles, and ethics.

All NOPSEMA staff receive APSC Code of Conduct training. Potential breaches of the code are investigated and any findings are dealt with appropriately. As a condition of employment, all staff are required to declare potential conflicts of interest.

NOPSEMA has a trained and experienced Ethics Contact Officer who supports the ongoing work of the APS Ethics Advisory Service. The APS provides advice and resources for the application and interpretation of the APS values, code of conduct, and employment principles. The officer is a point of contact for all NOPSEMA staff for advice on ethical decision-making and dissemination of information.

## 5. Purchasing

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### 5.1 Consultants

NOPSEMA engages consultants where it requires supplementary specialist expertise or where independent research, review or assessment may be required. Consultants are typically engaged to investigate or diagnose a defined issue or problem, carry out defined reviews or evaluations, or provide independent advice, information or creative solutions to assist in NOPSEMA's decision-making.

Prior to engaging consultants, NOPSEMA takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and PGPA Rule, including the Commonwealth Procurement Rules and relevant internal policies.

During 2014-15, NOPSEMA spent \$589,100 on consultancy contracts.

### 5.2 Australian National Audit Office access clauses

During the reporting period, NOPSEMA did not undertake any contracts of \$100,000 or more (inclusive of GST) which did not provide for the Auditor-General to have access to the contractor's premises.

### 5.3 Contracts exempt from the AusTender

NOPSEMA did not initiate any competitive tenders or contracts that were exempt from AusTender reporting requirements. NOPSEMA publishes its Annual Procurement Plan on the AusTender website, [tenders.gov.au](http://tenders.gov.au), before the start of each financial year. The plan is published to give advance notice to potential providers and private sector businesses of the scope and timing of work NOPSEMA anticipates will be available to be undertaken.

## 6. Other mandatory information

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### 6.1 Work health and safety

NOPSEMA is committed to providing a safe and healthy workplace consistent with its duties under the *Work Health and Safety Act 2011* (WHS Act). NOPSEMA maintains a safety management system, which is subject to a process of continuous improvement.

NOPSEMA's work health and safety commitments include providing ergonomic assessments to all new staff upon commencement (with reassessment as required), regular office inspections, evacuation drills, complementary flu vaccinations, annual risk reviews, the provision of an employee assistance program and bullying, harassment and discrimination awareness training.

There were no investigations, notifiable incidents, or notices issued under Part 10 of the WHS Act during the reporting period.

#### Health and Safety Committee

The NOPSEMA Health and Safety Committee (HSC) continue to make a positive contribution to workplace health and safety at NOPSEMA. The HSC has been instrumental in the review and development of safety procedures and guidelines, and the consideration of identified work health and safety issues.

The HSC met four times in 2014-15. A key achievement of the HSC for 2014-15 included the development of a mental health initiative. Management accepted the initiative, a service provider has been confirmed, and services are soon to be provided.

#### Worker's compensation

NOPSEMA had no worker's compensation claims during the reporting period.

### 6.2 Advertising and market research

During 2014-15, NOPSEMA conducted non-campaign recruitment advertising through AdCorp. NOPSEMA's White Pages listing was made through Telstra Corporation.

The total cost incurred during the period was \$9,949.

NOPSEMA did not conduct any other advertising campaigns or engage any market research organisations during the reporting period.

### 6.3 Ecologically sustainable development and environmental performance

Given NOPSEMA's largely office-based workforce, its environmental risk profile is limited to the leased office premises that NOPSEMA occupies in Perth and Melbourne.

NOPSEMA continues to adopt measures to minimise its environmental impact, including:

- use of electronic solutions as the primary records management system and a means of issuing external publications, including the Regulator, the *Annual offshore performance report* and annual reports
- travel policies that promote the use of video conferencing in preference to air travel, where possible
- no car parking bays are included in the leasing agreement, while secure bicycle racks and changing facilities are, encouraging staff to bike to work or use public transport
- selection of NOPSEMA's head office in Perth to be located in a building that has a five star National Australian Built Environment Rating System energy rating, which is in excess of design expectations and represents excellent energy efficiency in a commercial building
- maintenance of contracts with recycling service providers for the recycling of paper, cardboard, plastics, and toner ink cartridges
- compliance with the Australian Government ICT Sustainability Plan 2010-2015, including replacing data servers with more energy efficient models and switching to recycled paper in multi-function devices.

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## 6.4 Grant programs

NOPSEMA does not administer grants.

## 6.5 Disability reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator, and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report and the APS Statistical Bulletin*. These reports are available at [www.apsc.gov.au](http://www.apsc.gov.au). From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010-2020, which sets out a ten-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring.

## 6.6 Freedom of information and the Information Publication Scheme statement

Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement in Part II of the FOI Act replaced the former requirement to publish a section 8 statement in an annual report. Consistent with IPS requirements, NOPSEMA included on its website a plan detailing what information it publishes under these arrangements.

# FINANCIAL STATEMENTS

2014-15





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## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Industry

I have audited the accompanying annual financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2015, which comprise:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments
- Schedule of Contingencies; and
- Notes to the Financial Statements, including a Summary of Significant Accounting Policies.

### **Accountable Authority's Responsibility for the Financial Statements**

The Chief Executive of the National Offshore Petroleum Safety and Environmental Management Authority is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Agency is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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

**Independence**

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

**Opinion**

In my opinion, the financial statements of the National Offshore Petroleum Safety and Environmental Management Authority:

- a. comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- b. present fairly the financial position of the National Offshore Petroleum Safety and Environmental Management Authority as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Garry Sutherland  
Senior Director  
Delegate of the Auditor-General  
CANBERRA

17 September 2015

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## Statement by Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2015 are based on properly maintained financial records and give a true and fair view of the matters required by the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR), made under the Public Governance, Performance and Accountability Act 2013 (PGPA), as amended.



Stuart Smith  
Chief Executive Officer  
NOPSEMA

17 September 2015



Denis Shaw  
Chief Financial Officer  
NOPSEMA

17 September 2015

# Statement of Comprehensive Income

For the Year Ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>EXPENSES</b>			
Employee benefits	3A	23,149	22,930
Suppliers	3B	7,438	7,529
Depreciation and amortisation	3C	1,625	1,363
<b>Total expenses</b>		<b>32,212</b>	<b>31,822</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Levies	4A	39,441	29,089
Interest	4B	162	150
Other revenue	4C	110	118
<b>Total own-source revenue</b>		<b>39,713</b>	<b>29,357</b>
<b>Net cost of services</b>		<b>7,501</b>	<b>(2,465)</b>
Revenue from Government		-	-
<b>Surplus (Deficit) on continuing operations</b>		<b>7,501</b>	<b>(2,465)</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>		<b>7,501</b>	<b>(2,465)</b>

The above statement should be read in conjunction with the accompanying notes.

# Statement of Financial Position

As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	13,047	3,139
Trade and other receivables	5B	4,908	7,730
<b>Total financial assets</b>		<b>17,955</b>	<b>10,869</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A,C	2,954	3,382
Infrastructure, plant and equipment	6B,C	388	389
Intangibles	6D,E	1,169	1,398
Other non-financial assets	6F	90	223
<b>Total non-financial assets</b>		<b>4,601</b>	<b>5,392</b>
<b>Total assets</b>		<b>22,556</b>	<b>16,261</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	(545)	(903)
Other payables	7B	(1,562)	(2,828)
<b>Total payables</b>		<b>(2,107)</b>	<b>(3,731)</b>
<b>Provisions</b>			
Employee provisions	8A	(4,201)	(3,778)
Other provisions	8B	(2,810)	(2,815)
<b>Total provisions</b>		<b>(7,011)</b>	<b>(6,593)</b>
<b>Total liabilities</b>		<b>(9,118)</b>	<b>(10,324)</b>
<b>Net Assets</b>		<b>13,438</b>	<b>5,937</b>
<b>EQUITY</b>			
<b>Parent Entity Interest</b>			
Contributed equity		896	896
Retained surplus		12,542	5,041
<b>Total parent entity interest</b>		<b>13,438</b>	<b>5,937</b>
<b>Total equity</b>		<b>13,438</b>	<b>5,937</b>

The above statement should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the Year Ended 30 June 2015

	Retained earnings		Contributed equity/capital		Total equity	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Opening balance</b>						
Balance carried forward from previous period	5,041	7,506	896	896	5,937	8,402
<b>Adjusted opening balance</b>	<b>5,041</b>	<b>7,506</b>	<b>896</b>	<b>896</b>	<b>5,937</b>	<b>8,402</b>
<b>Comprehensive income</b>						
Surplus (Deficit) for the period	7,501	(2,465)	-	-	7,501	(2,465)
<b>Total comprehensive income</b>	<b>7,501</b>	<b>(2,465)</b>	<b>-</b>	<b>-</b>	<b>7,501</b>	<b>(2,465)</b>
of which:						
Attributable to the Australian Government	7,501	(2,465)	-	-	7,501	(2,465)
<b>Transactions with owners</b>						
Sub-total transactions with owners	-	-	-	-	-	-
<b>Closing balance as at 30 June</b>	<b>12,542</b>	<b>5,041</b>	<b>896</b>	<b>896</b>	<b>13,438</b>	<b>5,937</b>

The above statement should be read in conjunction with the accompanying notes.

# Cash Flow Statement

For the Year Ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		-	-
Receipts from levies		42,278	30,092
Interest		162	150
GST received		791	792
Other		65	78
<b>Total cash received</b>		<b>43,296</b>	<b>31,112</b>
<b>Cash used</b>			
Employees		(22,727)	(22,461)
Suppliers		(6,637)	(4,217)
GST paid		(733)	(825)
Accommodation		(2,324)	(2,209)
<b>Total cash used</b>		<b>(32,421)</b>	<b>(29,712)</b>
<b>Net cash from (used by) operating activities</b>	9	<b>10,875</b>	<b>1,400</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment		-	-
Proceeds from sales of non-capital fitouts		-	-
<b>Total cash received</b>		<b>-</b>	<b>-</b>
<b>Cash used</b>			
Purchase of non-current assets		(967)	(1,059)
<b>Total cash used</b>		<b>(967)</b>	<b>(1,059)</b>
<b>Net cash from (used by) investing activities</b>		<b>(967)</b>	<b>(1,059)</b>
<b>Net increase (decrease) in cash held</b>		<b>9,908</b>	<b>341</b>
Cash and cash equivalents at the beginning of the reporting period		3,139	2,798
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<b>13,047</b>	<b>3,139</b>

The above statement should be read in conjunction with the accompanying notes.

# Schedule of Commitments

As at 30 June 2015

	2015 \$'000	2014 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Net GST recoverable on commitments <sup>1</sup>	2,500	2,954
<b>Total commitments receivable</b>	<b>2,500</b>	<b>2,954</b>
<b>Commitments payable</b>		
<b>Other Commitments</b>		
Operating leases <sup>2</sup>	(24,750)	(27,801)
Commitments to Suppliers	(2,753)	(4,696)
<b>Total other commitments</b>	<b>(27,503)</b>	<b>(32,497)</b>
<b>Net commitments by type</b>	<b>(25,003)</b>	<b>(29,543)</b>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>Operating lease income</b>		
One year or less	290	277
From one to five years	1,251	1,210
Over five years	710	1,041
<b>Total operating lease income</b>	<b>2,251</b>	<b>2,528</b>
<b>Commitments to Suppliers</b>		
One year or less	149	259
From one to five years	101	167
<b>Total commitments to suppliers</b>	<b>250</b>	<b>426</b>
<b>Total commitments receivable</b>	<b>2,501</b>	<b>2,954</b>
<b>Commitments payable</b>		
<b>Other Commitments</b>		
<b>Operating lease commitments</b>		
One year or less	(3,188)	(3,051)
From one to five years	(13,765)	(13,305)
Over five years	(7,797)	(11,445)

	2015 \$'000	2014 \$'000
<b>Total operating lease commitments</b>	<b>(24,750)</b>	<b>(27,801)</b>
<b>Commitments to Suppliers</b>		
Represented by outstanding purchase orders which have not been completed		
One year or less	(1,644)	(2,854)
From one to five years	(1,109)	(1,842)
<b>Total commitments to suppliers</b>	<b>(2,753)</b>	<b>(4,696)</b>
<b>Total other commitments</b>		
One year or less	(4,832)	(5,905)
From one to five years	(14,874)	(15,147)
Over five years	(7,797)	(11,445)
<b>Total other commitments by maturity</b>	<b>(27,503)</b>	<b>(32,497)</b>
<b>Net commitments by maturity</b>	<b>(25,002)</b>	<b>(29,543)</b>

This schedule should be read in conjunction with the accompanying notes.

1. Commitments were GST inclusive where relevant.
2. Operating leases included were effectively non-cancellable and comprise:  
Office accommodation:  
Lease payments are subject to annual increases of 4.5% in Perth and 4% in Melbourne, plus market reviews.

At 30 June 2015 NOPSEMA held the following accommodation leases:  
Part Level 8 Alluvion Building 58 Mounts Bay Road Perth WA - 839 sqm leased to 1 June 2022;  
Level 11 Alluvion Building 58 Mounts Bay Road Perth WA - 1,570.0 sqm leased to 1 June 2022;  
Part Ground Floor 493 St Kilda Road Melbourne VIC - 244 sqm leased to 31 March 2017.

# Statement of Contingencies

As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>BY TYPE</b>			
<b>Contingent assets</b>			
Guarantees		-	-
Claims for damages or costs		-	-
<b>Total contingent assets</b>		-	-
<b>Contingent liabilities</b>			
Claims for damages or costs		-	-
<b>Total contingent liabilities</b>		-	-
<b>Net contingent assets</b>		-	-

The above schedule should be read in conjunction with the accompanying notes.

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# Notes to the Financial Statements

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**For the Year Ended 30 June 2015**

## **Note 1: Summary of Significant Accounting Policies**

### **1.1 Objectives of National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)**

NOPSEMA's strategic vision is: Safe and environmentally responsible Australian offshore petroleum and greenhouse gas storage industries.

As part of the Government's response to the report of the Montara Commission of Inquiry, the Government extended the functions of the National Offshore Petroleum Safety Authority (NOPSA) to include the oversight of non-OHS structural integrity of facilities, wells and well-related equipment, and environmental management. Consequently, NOPSA was renamed the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) on 1 January 2012.

NOPSEMA's primary role is promoting and securing compliance and improvement by duty holders through monitoring, enforcement and proactive engagement with stakeholders to reduce risks to the workforce, the environment and the structural integrity of facilities, wells and well-related equipment of the Australian offshore petroleum and greenhouse gas storage industries through the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act).

### **1.2 Basis of Preparation of the Financial Report**

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a. The Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR), for reporting periods ending on or after 1 July 2014; and
- b. Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an Accounting Standard or the FRRs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments and the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

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### 1.3 Compliance with Statutory Requirements

The Australian Government continues to have regard to developments in case law, including the High Court's most recent decision on Commonwealth expenditure in *Williams v Commonwealth* (2012) 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2012-13 the Commonwealth received additional legal advice that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. During 2013-14 the agency has reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. The agency has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the agency. The agency is not aware of any specific breaches of Section 83 in respect of these items.

Following the introduction of the PGPA Act on 1 July 2014, no mechanism was available for NOPSEMA to spend monies for normal business operations in accordance with the appropriation found in section 682(6) of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. This resulted in a breach of section 83 of the Constitution where the total amounts receipted were \$32.4 million. This was considered to be a technical issue where no amounts were recovered and waived and the situation was corrected as soon as it was identified.

### 1.4 Significant Accounting Judgements and Estimates

No accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

### 1.5 New Australian Accounting Standards

#### *Adoption of New Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued prior to the sign-off date, that are applicable to the current period, none had a material impact on NOPSEMA.

#### *Future Australian Accounting Standard requirements*

In regards to standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board prior to the sign-off date that are applicable to future periods, none are expected to have a material impact on NOPSEMA for future reporting periods.

### 1.6 Revenue

NOPSEMA operates on a full cost recovery basis by means of levies on the industry it regulates. Levies have been set in Regulation. Revenue from levies is recognised when the levies become payable in accordance with AASB 1004 Contributions. In addition NOPSEMA receives interest on cash balances held in operation and deposit bank accounts.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of reporting period. Allowances are made when collectability of the debt is no longer probable.

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## 1.7 Gains

### *Resources Received Free of Charge*

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements.

### *Sale of assets*

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

## 1.8 Transactions with the Government as Owner

### *Equity Injections*

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

### *Restructuring of Administrative Arrangements*

Net assets received from or relinquished to another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

### *Other Distributions to Owners*

The FRRs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

## 1.9 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

### *Leave*

The liability for employee benefits includes provision for annual leave and long service leave. 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 of the Agency is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, including the Agency's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been calculated in accordance with the Australian Government shorthand method. The estimate of the present value takes into account attrition rates and pay increases through promotion and inflation.

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## *Superannuation*

Staff of NOPSEMA are members of the Public Sector Superannuation Scheme (PSS), the Public Sector Superannuation accumulation plan (PSSap) or their own nominated superannuation schemes.

The PSS is a defined benefit scheme for the Australian Government. The PSSap and nominated superannuation schemes are defined contribution schemes.

The liability for PSS is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item. There is no liability for defined contribution schemes.

NOPSEMA makes employer contributions to the PSS at rates determined by an actuary to be sufficient to meet the current cost to the Government. NOPSEMA accounts for the contributions as if they were contributions to defined contribution plans. NOPSEMA makes employer contributions to the PSSap and nominated schemes that are at least equal to the minimum contribution rate specified by the ATO for the period.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

### **1.10 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets.

An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

### **1.11 Cash**

Cash is recognised at its nominal value. Cash and cash equivalents includes:

- a. cash on hand;
- b. cash held by outsiders; and
- c. cash in special accounts.

### **1.12 Financial assets**

NOPSEMA recognises its financial assets at their nominal values in the following categories:

- a. cash and cash equivalents; and
- b. Trade and other receivables.

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### *Trade and Other Receivables*

Trade receivables, which generally have 30-day terms, are recognised and carried at original statutory amounts as notified to facility operators, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is made when there is objective evidence that NOPSEMA will not be able to collect the debts. Bad debts are written off when identified, subject to the approval of the Finance Minister.

### *Impairment of Financial Assets*

Financial assets are assessed for impairment at the end of each reporting period.

## **1.13 Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

### *Suppliers and Other Payables*

Supplier and other payables are recognised at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to NOPSEMA prior to the end of the financial year that are unpaid and arise when NOPSEMA becomes obliged to make future payments in respect of the purchase of these goods or services. The amounts are unsecured and are paid within 30 days of a correct tax invoice being received by NOPSEMA.

### *Provisions*

Provisions are recognised when NOPSEMA has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

## **1.14 Contingent Liabilities and Contingent Assets**

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

## **1.15 Acquisition of Assets**

Assets are recorded at cost of acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

## 1.16 Property, Plant and Equipment

### *Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by NOPSEMA where there exists an obligation to restore the property to its original condition. These costs are included in the value of NOPSEMA's leasehold improvements with a corresponding provision for the 'make good' recognised.

### *Revaluations*

Fair values for each class of asset are determined as shown below:

Asset Class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciations as at the revaluation date were eliminated against the gross carrying amount of the asset and the asset was restated to the revalued amount.

### *Depreciation*

Depreciable property plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to NOPSEMA using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2015	2014
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

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### *Impairment*

All assets were assessed for impairment at 30 June 2015. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if NOPSEMA were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

### **1.17 Intangibles**

NOPSEMA's intangibles comprise internally developed software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of NOPSEMA's software are 3 years.

Regulatory Management System (RMS) Software is amortised on a straight-line basis over its anticipated useful life. The useful life of NOPSEMA's RMS software is 5 years.

All software assets were assessed for indications of impairment as at 30 June 2015.

### **1.18 Taxation / Competitive Neutrality**

NOPSEMA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST except:

- a. where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b. for receivables and payables.

### **Note 2 : Events after the Reporting Period**

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the entity.

## Note 3: Expenses

	2015 \$'000	2014 \$'000
<b>Note 3A: Employee benefits</b>		
Wages and salaries	16,862	16,731
Superannuation:		
Defined benefit plans	809	1,040
Defined contribution plans	2,532	2,290
Leave and other entitlements	2,899	2,823
Other employee benefits	47	46
<b>Total employee benefits</b>	<b>23,149</b>	<b>22,930</b>
<b>Note 3B: Suppliers</b>		
Consultants	492	884
Contractors	407	188
Other	4,044	3,979
<b>Total goods and services</b>	<b>4,943</b>	<b>5,051</b>
Provision of goods – external parties	817	1,214
Rendering of services – external parties	4,126	3,837
<b>Total goods and services</b>	<b>4,943</b>	<b>5,051</b>
<b>Other supplier expenses</b>		
Operating lease rentals	2,319	2,302
Workers compensation premiums	175	176
Total other supplier expenses	2,494	2,478
<b>Total supplier expenses</b>	<b>7,437</b>	<b>7,529</b>
<b>Note 3C: Depreciation and amortisation</b>		
Depreciation:		
Infrastructure, plant and equipment	227	124
Buildings	459	414
<b>Total depreciation</b>	<b>686</b>	<b>538</b>

	2015 \$'000	2014 \$'000
Amortisation:		
Intangibles:		
Computer Software:	939	825
<b>Total amortisation</b>	<b>939</b>	<b>825</b>
<b>Total depreciation and amortisation</b>	<b>1,625</b>	<b>1,363</b>

## Note 4: Income

	2015 \$'000	2014 \$'000
<b>Own Source Revenue</b>		
<b>Note 4A: Levies</b>		
Levies	39,441	29,089
<b>Total revenue from Levies</b>	<b>39,441</b>	<b>29,089</b>
<b>Note 4B: Interest</b>		
Deposits	162	150
<b>Total Interest</b>	<b>162</b>	<b>150</b>
<b>Note 4C: Other revenue</b>		
NOPSEMA implementation funding	-	-
Other revenue	109	117
Freedom of Information applications	1	1
<b>Total other revenue</b>	<b>110</b>	<b>118</b>

## Note 5: Financial Assets

	2015 \$'000	2014 \$'000
<b>Note 5A: Cash and Cash Equivalents</b>		
Special Accounts	-	3,139
Cash at Bank	13,047	-
<b>Total cash and cash equivalents</b>	<b>13,047</b>	<b>3,139</b>
<b>Note 5B: Trade and Other Receivables</b>		
Goods and Services:		
Goods and services - external parties	4,535	7,414
<b>Total receivables for goods and services</b>	<b>4,535</b>	<b>7,414</b>
<b>Other receivables:</b>		
Accrued interest receivable	21	150
Safety case levy / accrued revenue	193	(50)
Travel advances	6	7
GST receivable from the Australian Taxation Office	151	209
Other	2	-
<b>Total and other receivables</b>	<b>373</b>	<b>316</b>
Less impairment allowances account	-	-
<b>Total trade and other receivables (net)</b>	<b>4,908</b>	<b>7,730</b>
Receivables are expected to be recovered in:		
No more than 12 months	4,908	7,730
More than 12 months	-	-
<b>Total trade and other receivables (net)</b>	<b>4,908</b>	<b>7,730</b>
Receivables are aged as follows:		
Not overdue	4,898	6,495
Overdue by:		
0 to 30 days	10	143
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	-	1,092
<b>Total receivables (gross)</b>	<b>4,908</b>	<b>7,730</b>

## Note 6: Non-Financial Assets

	2015 \$'000	2014 \$'000
<b>Note 6A: Buildings</b>		
<b>Leasehold improvements:</b>		
Fair value	4,671	4,650
Accumulated depreciation	(1,717)	(1,268)
<b>Total leasehold improvements</b>	<b>2,954</b>	<b>3,382</b>
<b>Total buildings</b>	<b>2,954</b>	<b>3,382</b>
No indicators of impairment were found for buildings.		
No buildings are expected to be sold or disposed of within the next 12 months.		
<b>Note 6B: Infrastructure, Plant and Equipment</b>		
<b>Infrastructure, plant and equipment:</b>		
Fair value	1,431	1,206
Accumulated depreciation	(1,043)	(817)
<b>Total infrastructure, plant and equipment</b>	<b>388</b>	<b>389</b>

The historical cost of leasehold improvements and infrastructure, plant and equipment was deemed to represent fair value at 30 June 2015.

No indicators of impairment were found for infrastructure, plant and equipment.

No infrastructure, plant or equipment is expected to be sold or disposed of within the next 12 months.

	Buildings \$'000	Infrastructure plant & equipment \$'000	Total \$'000
<b>Note 6C: Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2014-15)</b>			
<b>As at 1 July 2014</b>			
Gross book value	4,650	1,206	5,856
Accumulated depreciation and impairment	(1,268)	(817)	(2,085)
<b>Net book value 1 July 2014</b>	<b>3,382</b>	<b>389</b>	<b>3,771</b>
Additions:			
By purchase	-	257	257
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-

	Buildings \$'000	Infrastructure plant & equipment \$'000	Total \$'000
Depreciation expense	(459)	(227)	(686)
Disposals: Cost	(57)	-	(57)
Disposals: Accumulated Depreciation	57	-	57
<b>Net book value 30 June 2015</b>	<b>2,923</b>	<b>419</b>	<b>3,342</b>
<b>Net book value as of 30 June 2015 represented by:</b>			
Gross book value	4,671	1,431	6,102
Accumulated depreciation	(1,717)	(1,043)	(2,760)
	<b>2,954</b>	<b>388</b>	<b>3,342</b>
<b>As at 1 July 2013</b>			
Gross book value	4,529	868	5,397
Accumulated depreciation/amortisation and impairment	(911)	(693)	(1,604)
<b>Net book value 1 July 2013</b>	<b>3,618</b>	<b>175</b>	<b>3,793</b>
Additions:			
By purchase	178	338	516
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(414)	(124)	(538)
Disposals:	(57)	-	(57)
Disposals: Accumulated Depreciation	57	-	57
<b>Net book value 30 June 2014</b>	<b>3,382</b>	<b>389</b>	<b>3,771</b>
<b>Net book value as of 30 June 2014 represented by:</b>			
Gross book value	4,650	1,206	5,856
Accumulated depreciation/amortisation and impairment	(1,268)	(817)	(2,085)
<b>Closing net book value</b>	<b>3,382</b>	<b>389</b>	<b>3,771</b>

	2015 \$'000	2014 \$'000
<b>Note 6D: Intangibles</b>		
Computer software:		
Internally developed - in progress	51	-
Internally developed - in use	5,408	4,748
<b>Total computer software (gross)</b>	<b>5,459</b>	<b>4,748</b>
Accumulated amortisation	(4,290)	(3,350)
<b>Total computer software (net)</b>	<b>1,169</b>	<b>1,398</b>
<b>Total intangibles</b>	<b>1,169</b>	<b>1,398</b>

No indicators of impairment were found for intangible assets.

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

	Computer software internally developed \$'000
<b>Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2014-15)</b>	
<b>As at 1 July 2014</b>	
Gross book value	4,748
Accumulated amortisation	(3,350)
<b>Net book value 1 July 2014</b>	<b>1,398</b>
Additions:	
By purchase	710
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(939)
<b>Net book value 30 June 2015</b>	<b>1,169</b>
<b>Net book value as of 30 June 2015 represented by:</b>	
Gross book value	5,459
Accumulated amortisation	(4,290)
	1,169
<b>As at 1 July 2013</b>	
Gross book value	4,205
Accumulated amortisation	(2,525)
<b>Net book value 1 July 2013</b>	<b>1,680</b>

Additions:	
By purchase	543
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(825)
Disposals:	-
Other	-
<b>Net book value 30 June 2014</b>	<b>1,398</b>
<b>Net book value as of 30 June 2014 represented by:</b>	
Gross book value	4,748
Accumulated amortisation	(3,350)
<b>Closing net book value</b>	<b>1,398</b>

	2015	2014
	\$'000	\$'000
<b>Note 6F: Other Non-Financial Assets</b>		
Prepayments	90	223
<b>Total other non-financial assets</b>	<b>90</b>	<b>223</b>

No indicators of impairment were found for other non-financial assets.

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## Note 7: Payables

	2015 \$'000	2014 \$'000
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	(545)	(903)
<b>Total supplier payables</b>	<b>(545)</b>	<b>(903)</b>
Settlement is usually made within 30 days.		
<b>Note 7B: Other</b>		
Wages and salaries	(788)	(682)
Deposits held	(774)	(2,146)
GST payable to ATO	-	-
<b>Total other payables</b>	<b>(1,562)</b>	<b>(2,828)</b>
<b>Total other payables are expected to be settled in:</b>		
No more than 12 months	(1,562)	(2,828)
More than 12 months	-	-
	<b>(1,562)</b>	<b>(2,828)</b>

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## Note 8: Provisions

	2015 \$'000	2014 \$'000
<b>Note 8A: Employee Provisions</b>		
Leave	(3,640)	(3,271)
Other	(560)	(507)
<b>Total employee provisions</b>	<b>(4,200)</b>	<b>(3,778)</b>
Employee provisions are expected to be settled in:		
No more than 12 months	(2,422)	(1,968)
More than 12 months	(1,778)	(1,810)
<b>Total employee provisions</b>	<b>(4,200)</b>	<b>(3,778)</b>
<b>Note 8B: Other Provisions</b>		
Provision for restoration obligations	(487)	(477)
Lease incentive	(2,323)	(2,338)
<b>Total other provisions</b>	<b>(2,810)</b>	<b>(2,815)</b>
Other provisions are expected to be settled in:		
More than 12 months	(2,810)	(2,815)
<b>Total other provisions</b>	<b>(2,810)</b>	<b>(2,815)</b>
	<b>Provision for restoration \$'000</b>	
<b>Carrying amount 1 July 2014</b>	<b>(2,815)</b>	
Additional provisions made	(10)	
Amounts used	15	
Unwinding of discount or change in discount rate	-	
<b>Closing balance 2015</b>	<b>(2,810)</b>	

NOPSEMA currently has two agreements for the leasing of premises which have provisions requiring the agency to restore the premises to their original condition at the conclusion of the leases. NOPSEMA has made provisions to reflect the present value of these obligations.

## Note 9: Cash Flow Reconciliation

	2015 \$'000	2014 \$'000
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow Statement	13,047	3,139
Balance sheet	13,047	3,139
<b>Difference</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	7,501	(2,465)
Add revenue from government	-	-
<b>Adjustments for non-cash items</b>		
Depreciation /amortisation	1,625	1,363
Amounts received free of charge	45	40
<b>Changes in assets / liabilities</b>		
Decrease in net receivables	2,764	1,339
Decrease / (increase) in prepayments	133	(185)
Increase in employee provisions	422	469
(Decrease) / increase in other provisions	(4)	93
(Decrease) / increase in supplier payables	(252)	59
(Decrease) / increase in accrued liabilities and levies paid in advance	(1,417)	720
Decrease / (increase) in GST receivable	58	(33)
<b>Net cash from / (used by) operating activities</b>	<b>10,875</b>	<b>1,400</b>

## Note 10: Contingent Liabilities and Assets

NOPSEMA had no contingent liabilities or assets to report at the end of the reporting period.

## Note 11: Senior Management Personnel Remuneration

	2015 \$'000	2014 \$'000
<b>Note 11A: Senior Executive Remuneration Expense for the Reporting Period</b>		
<b>Short-term employee benefits:</b>		
Salary	(888,000)	(897,000)
Annual leave accrued	(88,000)	(86,000)
Other allowances	-	-
Total Short-term employee benefits	(976,000)	(983,000)
<b>Post-employment benefits:</b>		
Superannuation	(137,692)	(110,144)
Total post-employment benefits	(137,692)	(110,144)
<b>Other long-term benefits</b>		
Long-service leave	(52,129)	(14,946)
Total other long-term benefits	(52,129)	(14,946)
<b>Termination benefits</b>	<b>(144,000)</b>	<b>-</b>
<b>Total</b>	<b>(1,309,821)</b>	<b>(1,108,090)</b>

*Notes:*

- Note 11A was prepared on an accrual basis.
- The total number of senior management personnel that are included in the above table are 5 individuals (2014: 3 individuals).

## Note 12: Remuneration of Auditors

	2015 \$'000	2014 \$'000
<b>Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office (ANAO).</b>		
<b>Fair value of the services provided</b>		
Financial statement audit services	42	40
<b>Total</b>	<b>42</b>	<b>40</b>

No other services were provided by the auditors of the financial statement.

## Note 13: Financial Instruments

	2015 \$'000	2014 \$'000
<b>13A Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents	13,047	3,139
Trade and other receivables	4,908	7,730
<b>Total</b>	<b>17,955</b>	<b>10,869</b>
<b>Carrying amount of financial assets</b>	<b>17,955</b>	<b>10,869</b>
<b>Financial Liabilities</b>		
<b>At amortised cost:</b>		
Trade creditors	(545)	(903)
Other	(1,562)	(2,828)
<b>Total</b>	<b>(2,107)</b>	<b>(3,731)</b>
<b>Carrying amount of financial liabilities</b>	<b>(2,107)</b>	<b>(3,731)</b>
<b>13B Net Income and Expense from Financial Assets</b>		
<b>Loans and receivables</b>		
Interest revenue	162	150
<b>Net gain from loans and receivables</b>	<b>162</b>	<b>150</b>
<b>Net gain from financial assets</b>	<b>162</b>	<b>150</b>
<p>The interest income from financial assets at fair value through profit or loss was \$162,108 in the year ending 2015 [2014: \$150,000].</p>		
<b>13C Net Income and Expense from Financial Liabilities</b>		
<b>Financial liabilities - at amortised cost</b>		
Interest expense	-	-
<b>Net loss from financial liabilities - at amortised cost</b>	<b>-</b>	<b>-</b>
<b>Net loss from financial liabilities</b>	<b>-</b>	<b>-</b>
<p>There was no interest expense from financial liabilities not at fair value through profit or loss in the year ending 2015 [2014: Nil].</p>		

### 13D Fair Value of Financial Instruments

The fair value of NOPSEMA's financial instruments is equal to the book value as stated at note 13A.

### 13E Credit Risk

NOPSEMA was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2015: \$5,095,000 and 2014: \$7,730,000).

NOPSEMA collected levies in accordance with the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* and its associated Regulations. Policies and procedures were in place to guide employees on debt recovery techniques.

NOPSEMA held no collateral to mitigate against credit risk.

### 13F Liquidity Risk

NOPSEMA's financial liabilities were payables. The exposure to liquidity risk was based on the notion that NOPSEMA will encounter difficulty in meeting its obligations associated with financial liabilities. This was highly unlikely as NOPSEMA operates on a cost recovery basis and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, NOPSEMA has policies in place to ensure timely payments were made when due and has no past experience of default.

	Within 1 year \$'000	Total \$'000
<b>Maturities for non-derivatives financial liabilities 2015</b>		
<b>Other Liabilities</b>		
Trade creditors	545	545
Other liabilities	1,562	1,562
<b>Total</b>	<b>2,107</b>	<b>2,107</b>

	Within 1 year \$'000	Total \$'000
<b>Maturities for non-derivatives financial liabilities 2014</b>		
<b>Other Liabilities</b>		
Trade creditors	903	903
Other liabilities	2,828	2,828
<b>Total</b>	<b>3,731</b>	<b>3,731</b>

NOPSEMA had no derivative financial liabilities in either the current or prior year.

### 13G Market Risk

NOPSEMA held basic financial instruments that did not expose the entity to certain market risks.

NOPSEMA is not exposed to 'Currency risk' or 'Other price risk'.

### Interest Rate Risk

Effective 1 July 2014, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) came into force.

Section 59 of the PGPA Act allows NOPSEMA to invest relevant money under its own account and receive interest payments

## Note 14: Appropriations

**Table A: Annual Appropriations (Recoverable GST Exclusive<sup>1</sup>)**

2015 Appropriations						
	Annual Appropriation \$'000	Appropriations reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2015 \$'000	Variance \$'000
<b>DEPARTMENTAL</b>						
Ordinary annual services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
<b>Total departmental</b>	-	-	-	-	-	-
2014 Appropriations						
	Annual Appropriation \$'000	Appropriations reduced <sup>1</sup> \$'000	AFM <sup>2</sup> \$'000	Total Appropriation \$'000	Appropriation applied in 2014 \$'000	Variance \$'000
<b>DEPARTMENTAL</b>						
Ordinary annual services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
<b>Total departmental</b>	0	-	-	0	0	-

*Notes:*  
No appropriation during the year, FY14 was also nil as comparison.

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## Note 15: Special Accounts

NOPSEMA's special account was ceased on 1 July 14, and NOPSEMA has been responsible for its own banking arrangements. In this case, the legal authority is Section 682 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGs Act). The legal authority for appropriations from this account is Section 21 of the *Public Governance, Performance and Accountability Act 2013*. The purpose of the account is detailed in Section 684 OPGGS Act as follows:

- To pay or discharge costs, expenses and other obligations incurred by the Safety Authority in the performance of its functions or the exercise of its powers;
- To pay any remuneration or allowances payable to Board members, the CEO and the staff of the Safety Authority; and
- To make any other payments that the Safety Authority is authorised to make by or under any law of a State or of the Northern Territory that confers powers on the Safety Authority, or on the staff of the Safety Authority, in the area and under the circumstances described in section 650.

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. The possibility of this being an issue for NOPSEMA was reported in the notes to the 2010-11 financial statements and NOPSEMA undertook to investigate the issue during 2011-12. During 2012-13, NOPSEMA reviewed the exposure to risks of not complying with statutory conditions on payments from appropriations. This review involved:

- identifying each special appropriation and special account; and
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions.

NOPSEMA identified one special account being the NOPSEMA Special Account. As at 30 June 2015 this work had been completed in respect of this special account and the work conducted noted that the risk of a breach of Section 83 was low. Compliance issues with section 83 are detailed in Note 1.3.

	2015 \$'000	2014 \$'000
<b>National Offshore Petroleum Safety and Environmental Management Authority</b>		
Balance carried from previous period	3,139	2,798
Costs recovered	42,278	30,092
Other receipts	1,018	1,020
<b>Total increase</b>	<b>43,296</b>	<b>31,112</b>
<b>Available for payments</b>	<b>46,435</b>	<b>33,910</b>
Payments made to employees	(22,727)	(22,461)
Payments made to suppliers and GST	(8,337)	(6,101)
Other payments made	(2,324)	(2,209)
<b>Total decrease</b>	<b>(33,388)</b>	<b>(30,771)</b>
<b>Total balance carried to next period</b>	<b>13,047</b>	<b>3,139</b>

## Note 16: Compensation and Debt Relief

	2015 \$'000	2014 \$'000
<b>Departmental</b>		
No payment was provided during the period.	-	-

## Note 17: Reporting of Outcomes

NOPSEMA is structured to achieve one outcome: promote and enforce the effective management of risks to the workforce, the environment and the structural integrity of facilities, wells and well-related equipment of the Australian offshore petroleum and greenhouse gas storage industries through regulatory oversight.

Program 1: Regulatory oversight of Safety Cases, Well Operations Management Plans and Environmental Plans coupled with effective monitoring, investigation and enforcement.

	Outcome 1		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Note 17A: Net Cost of Outcome Delivery</b>				
<b>Expenses</b>				
Departmental	(32,212)	(31,822)	(32,212)	(31,822)
<b>Total</b>	<b>(32,212)</b>	<b>(31,822)</b>	<b>(32,212)</b>	<b>(31,822)</b>
<b>Income from non-government sector</b>				
Departmental	39,441	29,089	39,441	29,089
<b>Total</b>	<b>39,441</b>	<b>29,089</b>	<b>39,441</b>	<b>29,089</b>
<b>Other own-source income</b>				
Departmental	272	268	272	268
<b>Total</b>	<b>272</b>	<b>268</b>	<b>272</b>	<b>268</b>
<b>Net cost/(contribution) of outcome delivery</b>	<b>7,501</b>	<b>(2,465)</b>	<b>7,501</b>	<b>(2,465)</b>

Outcome 1 is described in Note 1.1. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget outcome.

	Outcome 1		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Note 17B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes</b>				
<b>Departmental Expenses:</b>				
Employees	(23,149)	(22,930)	(23,149)	(22,930)
Suppliers	(7,438)	(7,529)	(7,438)	(7,529)
Depreciation and amortisation	(1,625)	(1,363)	(1,625)	(1,363)
<b>Total</b>	<b>(32,212)</b>	<b>(31,822)</b>	<b>(32,212)</b>	<b>(31,822)</b>
<b>Departmental Income:</b>				
Sale of goods and services	39,551	29,207	39,551	29,207
Income from government	-	-	-	-
Interest	162	150	162	150
<b>Total</b>	<b>39,713</b>	<b>29,357</b>	<b>39,713</b>	<b>29,357</b>
<b>Departmental Assets:</b>				
Cash and cash equivalents	13,047	3,139	13,047	3,139
Trade and other receivables	4,908	7,730	4,908	7,730
Land and buildings	2,954	3,382	2,954	3,382
Property, plant and equipment	388	389	388	389
Intangibles	1,169	1,398	1,169	1,398
Other non-financial assets	90	223	90	223
<b>Total</b>	<b>22,556</b>	<b>16,261</b>	<b>22,556</b>	<b>16,261</b>
<b>Departmental Liabilities:</b>				
Suppliers	(545)	(903)	(545)	(903)
Other payables	(1,562)	(2,828)	(1,562)	(2,828)
Employee provisions	(4,201)	(3,778)	(4,201)	(3,778)
Other provisions	(2,810)	(2,815)	(2,810)	(2,815)
<b>Total</b>	<b>(9,118)</b>	<b>(10,324)</b>	<b>(9,118)</b>	<b>(10,324)</b>

Outcome 1 is described in Note 1.1.

## Note 18: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budgets as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited.

### Statement of Comprehensive Income

For the Year Ended 30 June 2015

	Actual	Budget estimate	
		Original	Variance
	2015 \$'000	2015 \$'000	2015 \$'000
<b>EXPENSES</b>			
Employee benefits	23,149	29,470	6,321
Supplier	7,438	7,376	(62)
Depreciation and amortisation	1,625	1,152	(473)
<b>Total expenses</b>	<b>32,212</b>	<b>37,998</b>	<b>5,786</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	39,713	37,869	(1,844)
<b>Total own-source revenue</b>	<b>39,713</b>	<b>37,869</b>	<b>(1,844)</b>
<b>Net cost of services</b>	<b>7,501</b>	<b>(129)</b>	<b>(7,630)</b>
Revenue from Government	-	150	150
<b>Surplus (Deficit) on continuing operations</b>	<b>7,501</b>	<b>21</b>	<b>(7,480)</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>7,501</b>	<b>21</b>	<b>(7,480)</b>

## Statement of Financial Position

For the Year Ended 30 June 2015

	Actual	Budget estimate	
	2015 \$'000	Original	Variance
		2015 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	13,047	5,920	(7,127)
Trade and other receivables	4,908	5,680	772
<b>Total financial assets</b>	<b>17,955</b>	<b>11,600</b>	<b>(6,355)</b>
<b>Non-Financial Assets</b>			
Land and buildings	3,342	2,908	(434)
Intangibles	1,169	1,327	158
Other non-financial assets	90	-	(90)
<b>Total non-financial assets</b>	<b>4,601</b>	<b>4,235</b>	<b>(366)</b>
<b>Total assets</b>	<b>22,556</b>	<b>15,835</b>	<b>(6,721)</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	(545)	(2,683)	(2,138)
Other payables	(1,562)	(483)	1,079
<b>Total payables</b>	<b>(2,107)</b>	<b>(3,166)</b>	<b>(1,059)</b>
<b>Provisions</b>			
Employee provisions	(4,201)	(3,419)	782
Other provisions	(2,810)	(498)	2,312
<b>Total provisions</b>	<b>(7,011)</b>	<b>(3,917)</b>	<b>3,094</b>
<b>Total liabilities</b>	<b>(9,118)</b>	<b>(7,083)</b>	<b>2,035</b>
<b>Net assets</b>	<b>13,438</b>	<b>8,752</b>	<b>(4,686)</b>
<b>EQUITY</b>			
<b>Parent Entity Interest</b>			
Contributed equity	896	896	-
Retained surplus	12,542	7,856	(4,686)
<b>Total parent entity interest</b>	<b>13,438</b>	<b>8,752</b>	<b>(4,686)</b>
<b>Total equity</b>	<b>13,438</b>	<b>8,752</b>	<b>(4,686)</b>

## Statement of Changes in Equity

For the Year Ended 30 June 2015

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget estimate	Variance	Actual	Budget estimate	Variance	Actual	Budget estimate	Variance
	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000	2015 \$'000
<b>Opening balance</b>									
Balance carried forward from previous period	5,041	7,835	2,794	896	896	-	5,937	8,731	2,794
<b>Adjusted opening balance</b>	<b>5,041</b>	<b>7,835</b>	<b>2,794</b>	<b>896</b>	<b>896</b>	<b>-</b>	<b>5,937</b>	<b>8,731</b>	<b>2,794</b>
<b>Comprehensive income</b>									
Surplus (Deficit) for the period	7,501	21	(7,480)	-	-	-	7,501	21	(7,480)
<b>Total comprehensive income</b>	<b>7,501</b>	<b>21</b>	<b>(7,480)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,501</b>	<b>21</b>	<b>(7,480)</b>
of which:									
Attributable to the Australian Government	7,501	21	(7,480)	-	-	-	7,501	21	(7,480)
<b>Transactions with owners</b>									
Sub-total transactions with owners	-	-	-	-	-	-	-	-	-
<b>Closing balance as at 30 June</b>	<b>12,542</b>	<b>7,856</b>	<b>(4,686)</b>	<b>896</b>	<b>896</b>	<b>-</b>	<b>13,438</b>	<b>8,752</b>	<b>(4,686)</b>

The above statement should be read in conjunction with the accompanying notes.

## Cash Flow Statement

For the Year Ended 30 June 2015

	Actual	Budget estimate	
	2015 \$'000	Original 2015 \$'000	Variance 2015 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	-	150	(150)
Sale of goods and rendering of services	43,296	37,459	(5,837)
<b>Total cash received</b>	<b>43,296</b>	<b>37,609</b>	<b>(5,987)</b>
<b>Cash used</b>			
Employees	(22,727)	(29,470)	(6,743)
Suppliers	(9,694)	(7,370)	2,324
<b>Total cash used</b>	<b>(32,421)</b>	<b>(36,840)</b>	<b>(4,419)</b>
<b>Net cash from (used by) operating activities</b>	<b>10,875</b>	<b>769</b>	<b>(10,406)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	-	-	-
Proceeds from sales of non-capital fitouts	-	-	-
<b>Total cash received</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash Used</b>			
Purchase of non-current assets	(967)	(500)	467
<b>Total cash used</b>	<b>(967)</b>	<b>(500)</b>	<b>467</b>
<b>Net cash from (used by) investing activities</b>	<b>(967)</b>	<b>(500)</b>	<b>467</b>
<b>Net increase (decrease) in cash held</b>	<b>9,908</b>	<b>269</b>	<b>(9,939)</b>
Cash and cash equivalents at the beginning of the reporting period	3,139	5,651	2,512
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>13,047</b>	<b>5,920</b>	<b>(7,427)</b>

Explanations of major variances	Affected line items
Operating expenses were substantially constrained by NOPSEMA in anticipation of budgetary pressures in future periods (\$6.3M).	Statement of Income: Employee benefits Statement of Financial Position: Cash Statement of Equity: Surplus. Statement of Cashflow: Cash used - Employees
Environmental approvals sought by industry from NOPSEMA, subject to levies, proved to be higher than forecast \$1.6M.	Statement of Income: Revenue Statement of financial Position: Cash Statement of Equity: Surplus. Statement of Cashflow: Cash received – Sale of goods and rendering of services
Revenue from Government was no longer receivable by NOPSEMA due to legislative change (\$0.2M).	Statement of Income: Revenue from Government. Statement of Cashflow: Appropriations
Reduction in overall trade and other receivables by NOPSEMA, at a time of increased revenue (\$0.8M).	Statement of Financial Position: Cash and Receivables Statement of Cashflow: Sale of goods and rendering of services
Capital purchases exceeded budget in relation to essential building infrastructure upgrades (\$0.4M).	Statement of Income: Depreciation Statement of Financial Position: Land and buildings Statement of Cashflows: Purchase of non-current assets
Amended billing cycles of suppliers, resulting in lower month-end balances (\$2.1M).	Statement of Financial Position: Suppliers Statement of Cashflow: Cash used - Suppliers
Budget differential caused by deferred revenue related to unapproved Environment Plan levies (\$1.1M).	Statement of income: Sale of goods and rendering of services Statement of Financial Position: Other Payables
Other provisions relating to Lease incentives were not budgeted in this line (\$2.3M).	Statement of income: Supplier Statement of Financial Position: Other Provisions

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## Appendix 2: List of requirements

Part of report	Description	Requirement
Foreward	Letter of transmittal	Mandatory
Foreward	Table of contents	Mandatory
Appendix 1	Index	Mandatory
Foreward	Glossary	Mandatory
Foreward	Contact officer(s)	Mandatory
Foreward	Internet home page address and Internet address for report	Mandatory
<b>Review by Secretary</b>		
CEO Review	Review by departmental secretary	Mandatory
CEO Review	Summary of significant issues and developments	Suggested
CEO Review	Overview of department's performance and financial results	Suggested
CEO Review	Outlook for following year	Suggested
CEO Review	Significant issues and developments – portfolio	Portfolio departments – suggested
<b>Chapter 1</b>	<b>Departmental overview</b>	
1.4	Role and functions	Mandatory
1.7	Organisational structure	Mandatory
1.8	Outcome and programme structure	Mandatory
1.8	Where outcome and programme structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory
N/A	Portfolio structure	Portfolio departments - mandatory
<b>Chapter 2</b>	<b>Report on performance</b>	
2	Review of performance during the year in relation to programmes and contribution to outcomes	Mandatory
2.1	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory
N/A	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory
2.2 – 2.8	Narrative discussion and analysis of performance	Mandatory
2.2 – 2.8	Trend information	Mandatory
N/A	Significant changes in nature of principal functions/services	Suggested
N/A	Performance of purchaser/provider arrangements	If applicable, suggested

Part of report	Description	Requirement
2.2 – 2.8	Factors, events or trends influencing departmental performance	Suggested
3.3	Contribution of risk management in achieving objectives	Suggested
2.2 – 2.8	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory
2.5	Discussion and analysis of the department's financial performance	Mandatory
2.5	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory
N/A	Agency resource statement and summary resource tables by outcomes	Mandatory
<b>Chapter 3</b>	<b>Management and accountability</b>	
<b>3.1</b>	<b>Corporate governance</b>	
3.3	Agency heads are required to certify their agency's actions in dealing with fraud	Mandatory
3.1	Statement of the main corporate governance practices in place	Mandatory
N/A	Names of the senior executive and their responsibilities	Suggested
N/A	Senior management committees and their roles	Suggested
3.1-3.3	Corporate and operational planning and associated performance reporting and review	Suggested
3.3	Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested
4.4	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested
N/A	How nature and amount of remuneration for SES officers is determined	Suggested
<b>3.5</b>	<b>External scrutiny</b>	
3.5	Significant developments in external scrutiny	Mandatory
3.5	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory
3.5	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory
<b>Chapter 4</b>	<b>Management of human resources</b>	
4	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory
4	Workforce planning, staff retention and turnover	Suggested
N/A	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs)	Suggested

Part of report	Description	Requirement	
4.3	Training and development undertaken and its impact	Suggested	
6	Work health and safety performance	Suggested	
N/A	Productivity gains	Suggested	
4.1	Statistics on staffing	Mandatory	
4.1	Statistics on employees who identify as Indigenous	Mandatory	
N/A	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	
4.1	Performance pay	Mandatory	
3.4	Assets management	Assessment of effectiveness of assets management	If applicable, mandatory
<b>Chapter 5</b>	<b>Purchasing</b>		
5	Assessment of purchasing against core policies and principles	Mandatory	
5.1	Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory
5.2	Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory
5.3	Exempt contracts	Contracts exempt from publication in AusTender	Mandatory
5	Small business	Procurement initiatives to support small business	Mandatory
<b>Chapter 7</b>	<b>Financial Statements</b>	<b>Mandatory</b>	

Part of report	Description	Requirement
Chapter 6	Other mandatory information	
6.1	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i> )	Mandatory
6.2	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i> ) and statement on advertising campaigns	Mandatory
6.3	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )	Mandatory
N/A	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory
6.4	Grant programs	Mandatory
6.5	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory
6.6	Information Publication Scheme statement	Mandatory
N/A	Correction of material errors in previous annual report	If applicable, mandatory
N/A	Agency Resource Statements and Resources for Outcomes	Mandatory
Appendix 2	List of requirements	Mandatory



**NOPSEMA**

**BOARD REPORT**

## Chair review

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The past year has seen a change in NOPSEMA's leadership with Stuart Smith's appointment as CEO taking effect from September 2014. There have also been changes to the NOPSEMA Board with the terms of appointment of Lynne Chester, Mike Ollis and Dana Crampton expiring. I wish to acknowledge the significant contribution that they have made, particularly during the period of transition from NOPSA to NOPSEMA. New appointments to the Board are Jim Limerick, Anne-Marie Delahunt and Trish Kerin. These appointments bring strength and experience in regulation, environmental management and process safety to complement the existing skills and competences on the Board.

NOPSEMA evaluated 297 environmental plans over the period 2012-14. Environmental inspections have grown steadily from seven in 2012 to 29 in 2014. Two main areas for improvement have been identified from the submission and inspection information. Firstly, while oil spill preparedness is generally better planned and the response arrangements are verified, some response arrangements do not match the identified risks. NOPSEMA is addressing this with industry, including encouraging cooperative industry response arrangements, making this an assessment and inspection focus area, and providing industry with guidance and education. Secondly, there has been an increase in negative interactions between stakeholders and titleholders. NOPSEMA is addressing this by improving consultation guidance material, engaging in policy debate about stakeholder needs in consultation, and improving website accessibility and functionality for stakeholders.

The industry's performance on personal safety measures continues to improve. However, there is a risk that safety performance and standards may deteriorate in a lower oil price environment. It is pleasing that there is no evidence that maintenance or operating practices are being compromised. The performance measures support this observation but it is not being taken for granted. It is notable that in some other international jurisdictions, there is evidence that performance is deteriorating.

During the year, a new referral process has been implemented whereby the Board is requested by the CEO to provide advice on a particular issue. The first of these referrals sought advice on NOPSEMA's regulatory role with regard to allegations of bullying and harassment on oil and gas facilities. The Board advised that NOPSEMA have a clear regulatory role with regard to systemic bullying and harassment that compromises the safety of a facility. NOPSEMA's role regarding the direct risk to individual health because of bullying and other psychosocial health issues may require clarification.

In NOPSEMA's 2014 annual report, the Board identified conferral of powers on NOPSEMA in relation to petroleum safety, integrity and the environment in state and coastal waters as a significant opportunity to improve offshore regulatory outcomes and efficiency. This continues to be an area of opportunity and focus for the Board, with good progress now being made.

The Board has reviewed the status of legislative amendments, an area where a lot has been achieved. The Board considers that streamlining of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGS Act) (OPGGS Act) is warranted. The Board is encouraged that the design notification scheme is being progressed. While it may be seen as adding a step to the approval process, it reduces risks in the process and is expected to result in better safety outcomes.



Keith Spence  
Chair

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## **NOPSEMA Board functions**

The NOPSEMA Board was established under Part 6.9, Division 3 of the OPGGS Act and is a separate legal entity to NOPSEMA.

The Board provides advice to the responsible Commonwealth, state and Northern Territory petroleum and greenhouse gas ministers, and the Council of Australian Governments (COAG) Energy Council on policy and strategic matters relating to the occupational health and safety of persons engaged in offshore petroleum operations, as well as on well integrity, the environment, and the performance of NOPSEMA. The Board also provides advice and recommendations to the CEO of NOPSEMA on operational policies and strategies.

## **Stakeholder engagement**

### **Ministers**

The NOPSEMA Board is constituted separately to NOPSEMA in order to provide independent advice to the NOPSEMA CEO, relevant state, Northern Territory ministers, and the responsible Commonwealth minister, the Hon Ian Macfarlane MP. The Board and NOPSEMA CEO met with the Minister for Industry and Science in December 2014 to brief the minister on current issues.

The Board's main mechanism for engagement with state and Northern Territory ministers in 2014-15 was through attendance at meetings of the COAG Energy Council and correspondence.

### **NOPSEMA CEO**

In September 2014, Mr Stuart Smith was appointed to the position of NOPSEMA CEO, replacing Ms Jane Cutler. Ms Cutler and Mr Smith attended and participated in all Board meetings during their respective terms in the reporting period. Board meeting agendas included reviewing NOPSEMA's operational policies and strategies in key areas, which provided the primary means of providing advice to the CEOs during 2014-15.

### *Other stakeholders*

To give relevant and accurate advice, the Board maintains links with other relevant stakeholders in industry and government. Liaison in 2014-15 included the following:

- the Chair and CEO attending the COAG Energy Council meeting on 11 December 2014
- meeting with senior APPEA safety and environmental committee executives
- the Chair and Board member Bills meeting with the Director General and a senior Executive of the WA Department of Mines and Petroleum regarding improving offshore petroleum regulatory outcomes and efficiency
- providing a submission to the structural reform of WA Mining, Petroleum and Major Hazard Facilities Safety Legislation
- Board member Bills chairing the American Institute of Chemical Engineers Centre for Chemical Process Safety Asia-Pacific Process Safety Conference at which the CEO presented a keynote address and which was also attended by Board member Limerick
- the Chair and CEO presenting to the WA Ministerial Advisory Panel on safety and environmental policies in the offshore oil and gas industry
- the Chair and individual Board members were also active in the offshore oil and gas sector in various ways, which informed the perspectives that they brought to formulating board advice on specific issues.

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## Focus areas and strategic themes

At each of its meetings during 2014-15, the Board reviewed data on industry performance, legislative change and other characteristics of the offshore regime, and on the staffing and performance of NOPSEMA. The Board provided both general advice to the Minister for Industry and Science based on its deliberations and where appropriate, advice to state and Northern Territory ministers. It also provided advice to the NOPSEMA CEO during meetings and less formally, and responded to one formal request for advice from the CEO.

Specific focus areas and matters discussed during 2014-15 included:

- New technology regulation
  - challenges of regulating new technology such as FLNG
- NOPSEMA's operations
  - the establishment of NOPSEMA as a full body corporate following the introduction of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the subsequent enhancement of NOPSEMA's risk management system, fraud control plan, business risk register and associated governance measures
  - transition to new CEO and his priorities
  - Australian National Audit Office (ANAO) Performance Audit (June 2014), EPBC Act Streamlining Review (due August 2015) and NOPSEMA Triennial Operational Review (June 2015)
  - review of NOPSEMA's Business Risk Register
- Legislative change
  - implications of the financial assurance amendments to the Environment Regulations
  - continued liaison with the Department of Industry and Science (the Department) regarding reviews, amendments and drafting to Regulations under the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 (e.g. design notification scheme, well regulations)
- Reducing regulatory burden
  - progress towards conferral of powers and functions in designated state and coastal waters
  - improving regulatory efficiency such as streamlining environmental approvals in Commonwealth waters
- Improvements to efficiency in environmental function
  - titleholder improvements to reduce impacts and risks to the environment, specifically in relation to oil spill preparedness, consultation and transparency
- Stakeholder engagement
  - NOPSEMA's participation in national oil spill emergency planning and involvement in the annual exercise of the National Plan for Maritime Environmental Emergencies
  - maintaining NOPSEMA's international standing through involvement and participation in the International Offshore Petroleum Environment Regulators (IOPER) and International Regulators' Forum (IRF) annual general meetings
- Industry performance and data analysis
  - monitoring whether the low oil price environment will impact maintenance and safety standards
  - monitoring dangerous occurrences and process safety

The Board also provided a response to a request for advice from the NOPSEMA CEO in relation to NOPSEMA's regulatory role in relation to allegations of bullying and harassment on oil and gas facilities.

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## The year ahead

In September 2014, Minister Macfarlane advised the Board that a separate Statement of Expectations would not be provided, as it was considered the Board's responsibilities were being sufficiently met in accordance with its legislative functions. The minister noted the expectation that the Board should continue to provide advice to NOPSEMA and its CEO to achieve NOPSEMA's Statement of Expectations.

Taking into account its functions under the OPGGS Act and allowing for any ministerial and CEO requests during the coming year for specific advice, the Board's work program included:

- Industry performance – including encouraging better leading indicators and increased transparency in relation to process safety, safety culture, environmental management, and hydrocarbon releases.
- Efficiency of the regulatory regime – including simplifying the OPGGS Act and improving approval timelines, improving NOPSEMA's interactions with operators, reducing duplication, encouraging legislative action from the states and the Northern Territory in relation to the ongoing conferral of functions on NOPSEMA, monitoring the implications of the financial assurance amendments, and reducing 'red and green tape' and the regulatory burden on industry.
- Safety case and environmental regime – including promotion of inherent safety in design and early engagement with operators, and reducing unnecessary differences between safety and environmental legislative instruments.
- New technology and ageing facilities – including risks associated with new technology like floating liquefied natural gas and with ageing offshore facilities and how they are managed.
- NOPSEMA's organisational capacity – including in relation to system, process and people capacity to deliver best practice well integrity, environmental management and offshore petroleum and greenhouse gas safety.
- Providing advice to ministers by correspondence and briefings to the COAG Energy Council.
- Ongoing advice to the CEO at board meetings and out of session.

## Board membership and attendance

During the reporting period, the terms of Dr Lynne Chester and Dr Michael Ollis expired (10 March 2015) and Ms Anne-Marie Delahunt and Ms Trish Kerin were appointed with effect from 11 March 2015.

There were four meetings during the reporting period: 28 August 2014, 4 December 2014, 12 February 2015, and 21 May 2015.

It is the Board's practice that a senior representative of the Department attends meetings as an observer; this ensures effective communications between the Board and the Department and that issues and their priority are well understood. For the past few years, Martin Hoffman (the then Deputy Secretary) attended Board meetings and his presence contributed to the Board's effectiveness significantly. In February 2015, the Board was pleased to welcome John Ryan (Associate Secretary) as the Department's observer.

Attendance at meetings is as indicated in the following table:

NOPSEMA Board member meeting attendance 2014-15				
Name	28 Aug 2014 Meeting 11	4 Dec 2014 Meeting 12	12 Feb 2015 Meeting 13	21 May 2015 Meeting 14
Mr Keith Spence (Chair)	•	•	•	•
Dr Jan Hayes	•	•	•	•
Mr Kym Bills	•	•	•	•
Dr Michael Ollis	•	•	•	n/a
Dr Lynne Chester	•	•	•	n/a
Ms Dana Crampton	Apology	•	•	•
Dr James Limerick	•	•	•	•
Ms Anne-Marie Delahunt	n/a	n/a	n/a	Apology
Ms Trish Kerin	n/a	n/a	n/a	•

Table 1.

## Board financial statement

Remuneration of Board members is set by the Remuneration Tribunal. NOPSEMA funds the remuneration of the Board and its members and the cost of travel to meetings. NOPSEMA also provides secretariat support for board meetings. The Board does not employ staff and does not own or lease physical assets.

Board expenditure in 2014-15 in comparison to NOPSEMA's 2014-15 budget allocation and expenditure in 2014-15 is set out in the following table:

NOPSEMA Board budget and expenditure 2014-15				
Expenditure items	Annual budget 2014-15	Actuals 2014-15	Variance favourable/ (unfavourable)	Last year's actuals 2013-14
	\$'000	\$'000	\$'000	\$'000
Members remuneration	317	282	35	267
Travel and accommodation	30	26	4	17
Other expenses	1	1	0	1
<b>Total</b>	<b>348</b>	<b>309</b>	<b>39</b>	<b>285</b>

Table 2.





[nopsema.gov.au](http://nopsema.gov.au)