NOPSEMA Annual Report



About this report

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 2018. NOPSEMA's annual report is made available to the Commonwealth Minister for Resources and Northern Australia, the relevant state and Northern Territory ministers, the offshore petroleum industry and the public.

In compliance with the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGS Act) 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.

Access this report

This annual report is available to download from NOPSEMA's website at nopsema.gov.au.

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Transmittal letter

Letter to Senator the Hon. Matthew Canavan, Minister for Resources 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 (NOPSEMA) annual report for the year ending 30 June 2018.

I certify this report complies with requirements for reporting referred to in section 46 of the *Public Governance*, *Performance and Accountability Act 2013*.

Stuart Smith Chief Executive Officer NOPSEMA

28 September 2018

2017SNAPSHOT OF2018PERFORMANCE



38 environment plans

2 offshore project proposals

91 safety cases

7 diving safety management systems

38 well operations management plans



51 environmental management

96 occupational health and safety

8 well integrity

1325 recommendations



537 dutyholders

129 government

105 other (includes non-government organisations and trade unions)





2352 the Regulator magazine

2114 occupational health and safety, well integrity and environmental management news

1808 safety and environment alerts

1015 health and safety representative news



7 environmental management

164 occupational health and safety

13 well integrity



19 ENFORCEMENT ACTIONS

4 general directions

1 prohibition notice

8 improvement notices

6 requests to revise a permissioning document





25 environmental management specialists

36 occupational health and safety specialists

9 well integrity specialists

34 regulatory support staff

22 corporate staff



REFLECTING EFFICIENT OVERALL COST RECOVERY

\$32 million in levy revenue

Less than 17% expenditure on corporate services

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Message from the Chief Executive Officer

Message from the Chief Executive Officer



In 2017–18, the number of offshore petroleum hours worked in waters regulated by NOPSEMA more than doubled following two consecutive years of decline. Such a significant increase came from an unprecedented level of commissioning activity that fundamentally changed the risk profile of the industry and as a result the level of NOPSEMA's regulatory oversight.

When hydrocarbons are first introduced to a facility at the start-up of production it brings with it heightened risks, in particular to the health and safety of the workforce onboard the facility. This is why it is so important for dutyholders to undertake extensive testing during the commissioning phase to ensure the facility's equipment, systems and processes are fit-for-purpose.

Typically, the type testing undertaken during commissioning will result in a number of incidents required to be reported to the regulator. This proved true with NOPSEMA receiving 30 percent more reports of OHS notifiable incidents during the year. While a proportion of these incidents would likely have been false alarms, NOPSEMA's inspections and investigations similarly increased to ensure dutyholders were managing and reducing risks to as low as reasonably practicable.

During the year, NOPSEMA inspectors conducted 155 inspections across multiple facilities and activities. From these inspections, 1325 recommendations for improvement were identified and issued to the relevant dutyholders for action. Further to this activity, 184 investigations were undertaken with the objective of verifying reports received of notifiable incidents, workforce complaints and relevant provided information.

It will always be NOPSEMA's preference to promote compliance with the legislation through educational campaigns and providing direct advice through our assessments and inspections. Unfortunately, this isn't always enough with certain notifiable incidents and findings from inspections and investigations warranting enforcement action. In 2017–18, NOPSEMA issued 19 enforcement actions to address breaches of the legislation, hold responsible parties to account and deter similar noncompliance from the wider industry.

It should be noted that a dutyholder must demonstrate their awareness and compliance with the legislation before their activity is even allowed to commence. Teams of NOPSEMA specialists ensure this awareness and compliance by assessing key permissioning documents such as safety cases and environment plans. In 2017–18, our specialists completed 176 assessments of key permissioning documents, in addition to a further 242 other regulatory assessments.

While NOPSEMA has no role in the selection or release of offshore areas for petroleum activities, we continued to progress a number of initiatives during the year to build community confidence in the regulatory regime. This is particularly important for activities proposed in frontier areas like the Great Australian Bight.

In July 2017, NOPSEMA established the Transparency Initiative to align cross jurisdictional efforts to improve the transparency of offshore petroleum environmental management. The initiative is led by a steering committee comprising NOPSEMA, various federal and state government representatives, the peak offshore petroleum industry body, the Law Council of Australia and Seafood Industry Australia.

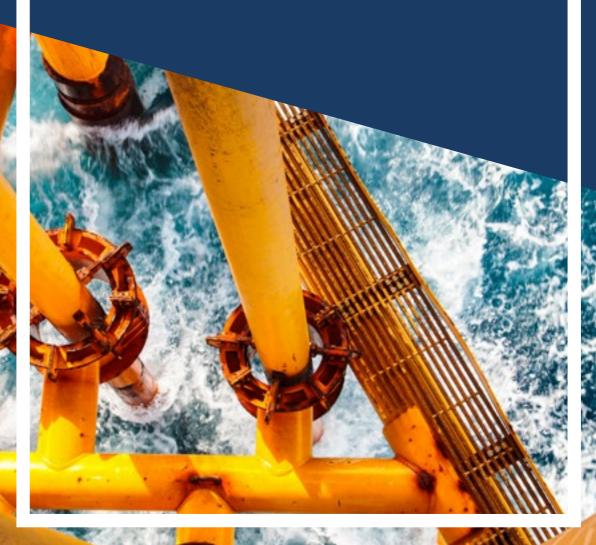
With the support of the Transparency Initiative, NOPSEMA also established the Reference Case Project which aims to reduce the size and complexity of environment plans and make it less burdensome for stakeholders to engage in the approvals process. National Energy Resource Australia (NERA) became the interim coordinator of the project during the year to develop a sustainable model with industry for the project to continue.

The Transparency Initiative also assisted in the establishment of NOPSEMA's Community and Environment Reference Group. Following expressions of interest, eight members were appointed to the group from varying backgrounds including commercial and recreational fishing, conservation and advocacy, small business and tourism, and more. The group provides NOPSEMA with their perspectives on the regulation of offshore petroleum environmental management. Consultation on petroleum activities and management of longer-term, cumulative environmental impacts have already been noted by the group as areas of interest.

In reflecting on the past year, I wish to acknowledge the support of the NOPSEMA Advisory Board, the professional and diligent efforts of NOPSEMA's staff and the considerable efforts of industry, the workforce and the community to ensure sound safety and environmental outcomes. I am proud of our achievements to date and committed to ensuring that NOPSEMA continues to be well placed to respond to future challenges.

Stuart Smith Chief Executive Officer

Message from the Advisory Board Chair



Message from the Advisory Board Chair

In 2017–18, the NOPSEMA Advisory Board (the Board) held four meetings. Following each meeting, a written report was provided to the Minister for Resources and Northern Australia. Throughout the year, the Board provided advice and feedback on a variety of matters to the Minister and the NOPSEMA CEO, covering a broad range of topics from regulatory management to industry performance.

The refocusing of operations throughout the offshore oil and gas industry towards production and commissioning in 2017-18 marked a significant shift and change in risk profile compared to the previous three years, which were more focused on construction. The industry had its best year for safety performance in 2016–17, but a significant increase in hours worked combined with a 35 percent increase in the offshore workforce, coincided with a deterioration in industry safety performance over the course of the last twelve months. The Board recognises the ongoing changes in risk profile for the industry, and continues to provide strategic advice to the Minister and CEO on industry safety.

Throughout the year, Board members discussed how NOPSEMA can better demonstrate its social license to regulate, and how it is demonstrating the value it brings to the offshore oil and gas safety and environmental arenas. The Minister's announcement on 28 November 2017 regarding policy changes to improve transparency was consistent with advice provided by the Board in the past twelve months which related to the need for greater transparency on environmental matters. The Board was pleased with additional actions taken by NOPSEMA throughout the year in support of this objective. These actions included the expansion in content and distribution of The Regulator, NOPSEMA's external quarterly magazine, the release of a range of new fact sheets and brochures to encourage understanding of the regulatory regime, and the launch of the Community and Environment Reference Group to provide feedback directly to NOPSEMA from interested stakeholders outside of industry.

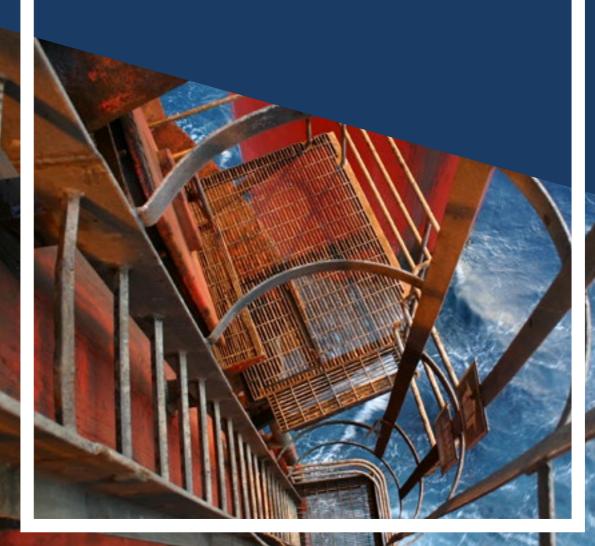
The Board is keen to see more information extracted from the industry data currently being submitted to NOPSEMA. The limitations with the data made available to NOPSEMA makes it difficult for the authority to perform multi-functional and multi-dimensional analysis for safety and environment reporting, as well as posing difficulties for benchmarking with other jurisdictions. There is more scope for optimising the collection and analysis of data provided by industry to NOPSEMA. This scope will require discussion with industry to determine what and how data is submitted, if this should be changed and whether better algorithms can be used to more proactively monitor both safety and environmental performance.

Over the coming years there will be an increasing number of ageing facilities decommissioned, and the Board recognises the potentially significant regulatory workload ahead for NOPSEMA. The communications initiatives launched or enhanced this year provide NOPSEMA with a solid foundation to engage industry and the wider stakeholder base for the successful implementation of this next phase.

2.5

Erica Smyth Chair, NOPSEMA Advisory Board

Overview of NOPSEMA



Overview of NOPSEMA

NOPSEMA is Australia's independent regulator for health and safety, well integrity and environmental management for offshore petroleum and greenhouse gas storage activities.

History

In 1999, the Australian Government commissioned a review into the adequacy of offshore safety regulation in Australia. The review sought to examine the day-today regulation of offshore safety which, at the time, was carried out by the states and the Northern Territory using a combination of prescriptive and goal-setting legislative rules. A key recommendation of the review was that the existing regulatory and legislative framework be revised to establish a single regulator for offshore safety. The recommendation was accepted by all state and Northern Territory governments and, in 2005, the National Offshore Petroleum Safety Authority (NOPSA) was established as the sole regulator for offshore health and safety in Commonwealth waters. Victoria also conferred on NOPSA its powers and functions for the regulation of offshore safety in Victorian waters.

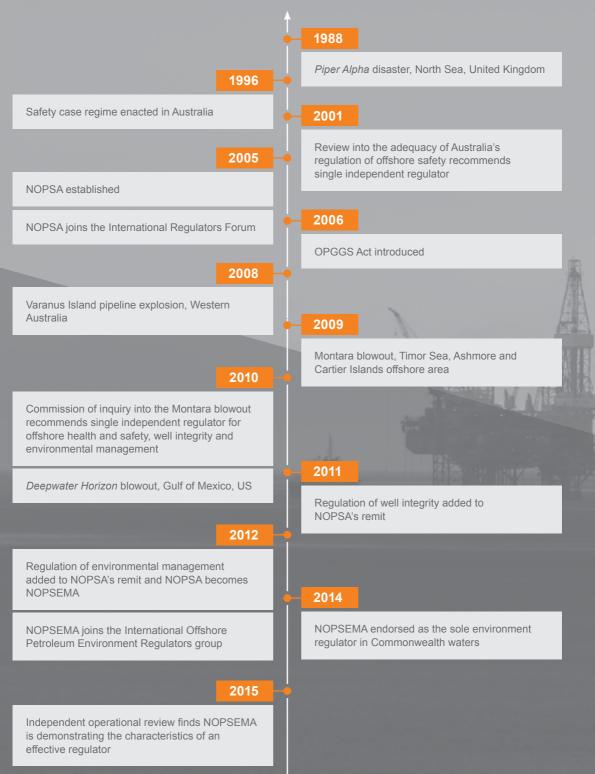
While much had been achieved to improve offshore safety in Australia, in the years that followed NOPSA's establishment a number of major offshore accidents became the unfortunate catalyst for further change. In 2008, a high pressure 12 inch export sales gas pipeline ruptured and exploded on the beach of Varanus Island off the coast of Western Australia. Another parallel pipeline then ruptured directing fires towards the onshore processing plant and causing several associated lines to rupture and ignite. In 2009, a failure of the Montara H1 well integrity barriers in the Timor Sea, north of Australia, led to an oil spill and gas leak that lasted 74 days. A fire eventually destroyed the wellhead platform and the West Atlas jack-up drill rig. In 2010, the Deepwater Horizon drilling rig suffered a loss of well control and major blowout in the

Gulf of Mexico, United States (US). The accident killed 11 workers and led to the worst oil spill in US history lasting 87 days.

In 2010, the Australian Government commissioned an inquiry into the Montara blowout. The review made a strong recommendation for the existing framework to be revised again so that a single independent regulatory body be established to regulate offshore safety, well integrity, and environmental management. The recommendation was accepted by the Australian Government and, in 2011, NOPSA's remit was expanded to include the regulation of well integrity. On 1 January 2012, that remit further expanded to include the regulation of environmental management. To reflect its new responsibilities, NOPSA became known as NOPSEMA under section 645 of the OPGGS Act. In February 2014, following a detailed and comprehensive assessment, the Minister for the Environment endorsed NOPSEMA's environmental management authorisation process. The minister's endorsement confirmed NOPSEMA as the sole environment regulator in Commonwealth waters by expanding NOPSEMA's remit to include matters protected under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act).

NOPSEMA's effectiveness to bring about improvements in offshore health and safety, well integrity and environmental management is independently reviewed every five years. The first review was undertaken in 2015 and found NOPSEMA to be demonstrating the characteristics of an effective regulator. The next review is scheduled for 2020.

Figure 1: Key moments in the evolution of Australia's offshore petroleum regulatory regime



Principal functions

NOPSEMA's principal functions are detailed under section 646 of the OPGGS Act, and are 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 ensure compliance under the OPGGS Act and regulations
- to investigate accidents, dangerous occurrences and circumstances relating to OHS, 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 and Northern Territory minister
- to cooperate with other Commonwealth, state and Northern Territory agencies or authorities having functions relating to regulated operations.

Portfolio outcome

NOPSEMA has a single portfolio outcome set by the Australian Government and outlined in the Portfolio Budget Statements.

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 storage industries through regulatory oversight.

Corporate objectives

Vision

A safe and environmentally responsible Australian offshore petroleum and greenhouse gas storage industry.

Purpose

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

Values

Professionalism

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

Ethics

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.

Collegiately

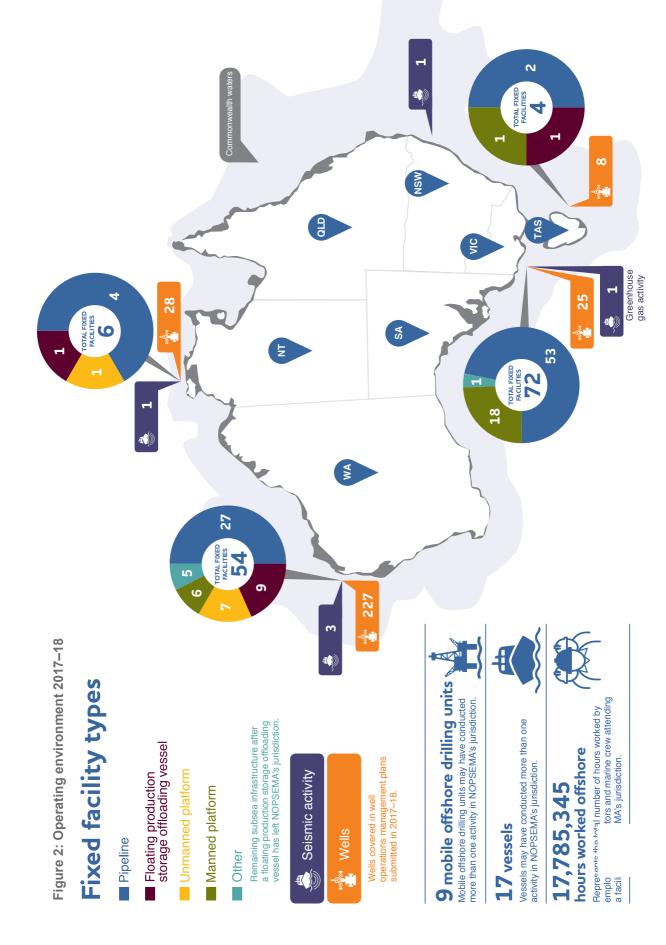
We will act on and make informed decisions through open and respectful dialogue.

Jurisdiction

NOPSEMA regulates all offshore areas in Commonwealth waters (comprising the first three nautical miles of the territorial sea) and in coastal waters where regulatory powers and functions have been conferred.

As of 30 June 2018, Victoria continued to be the only jurisdiction to have conferred powers and functions on NOPSEMA for the regulation of health and safety and well integrity in Victorian waters. Discussions regarding the conferral of powers and functions continue with other jurisdictions.

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 Australian Government and the Government of Timor-Leste.



Organisational structure

NOPSEMA comprises a Safety and Integrity division, Environment division, a Regulatory Support division and Legal team; each reporting to the Chief Executive Officer (CEO). This structure provides NOPSEMA with clear lines of responsibility that support sound corporate governance, stakeholder engagement and compliance efforts. The Safety and Integrity division regulate the management of health and safety risks to people at or near offshore petroleum facilities. The Environment division regulate the management of risks and impacts to the environment arising from offshore petroleum and greenhouse gas storage activities.

The Regulatory Support division provide regulatory and corporate support services. The Legal team provide advice on matters affecting NOPSEMA's business operations and ensure all statutory and legal obligations are met.

Safety and Integrity	Environment	Regulatory Support	Legal
Assessment and Inspection Floating Production and Drilling Assessment and Inspection	Assessment and Inspection Seismic and Production Operations Assessment and	Legislative Change, Communications and Stakeholder Relations Enforcement	Contracts and Commercial Statutory Advice
Platforms, Pipelines and Diving Assessment and Inspection Vessel Facilities Assessment and Inspection (Melbourne)	Inspection Drilling and Developments Spill Risk Environmental Effects	Risk, Planning and Improvement Human Resources Information Technology and Communications	Information
Well Integrity		Finance and Administration	

Figure 3: NOPSEMA organisational structure

Executive leadership

Stuart Smith, Chief Executive Officer

Stuart Smith was appointed NOPSEMA's CEO in September 2014, following six years as Director General of the Department of Fisheries in Western Australia.

At the Department of Fisheries. Stuart managed the sustainable use of aquatic resources in Western Australia and in adjacent Commonwealth waters. Stuart also worked as a Deputy Director General (DDG) and Acting Director General for the Department of Mines, Industry and Resources (DOIR) in Western Australia. As the DDG for State Development, he was responsible for facilitating major mining and petroleum proiects, attracting investment and promoting trade and economic expansion opportunities in Western Australia. As the DDG for Resources he was responsible for promoting resources exploration in the state, regulating mining activity, managing resources sector royalties and regulating petroleum activity including onshore and offshore safety and environmental management.

Prior to DOIR, Stuart spent 14 years with the Australian Public Service (APS) in Canberra, Melbourne and Perth. During this period, he held various industry development and regulatory roles including positions with the industry portfolio and the Australian Competition and Consumer Commission, together with a secondment to Parliament House as an Inquiry Secretary and adviser.

Stuart holds a Bachelor of Economics from the University of Western Australia and a Graduate Diploma in Economics from the Australian National University.

Derrick O'Keeffe, Head of Division for Safety and Integrity

Derrick O'Keeffe was appointed NOPSEMA's Head of Division for Safety and Integrity in December 2016, following a successful 34 year career in the oil and gas industry.

Derrick possesses a comprehensive understanding of the objective-based regulatory regime having worked in Australia as a Country Manager for Murphy Oil, Chief Operating Officer for Strike Energy, and Business Manager for Woodside Energy. He also has significant international experience, including working in the United Kingdom (UK), US, Asia, and the Middle East with companies such as Blade Petroleum, British Gas, Schlumberger, and Marathon Oil.

Derick's career has involved building multi-cultural cross-exploration-andproduction teams to develop and deliver growth opportunities. His expertise includes strategy, business development, commercialisation, operations and regulatory management, governance and control, executive crisis management, and stakeholder and media relations. His goal is to assist teams to achieve outcomes they had not thought possible

Derrick holds a Bachelor of Science in Chemical Engineering from Loughborough University of Technology and a Masters of Business Administration from Cranfield University.

Cameron Grebe, Head of Division for Environment

Cameron Grebe was appointed NOPSEMA's Head of Division for Environment in August 2011, following 12 years as an environmental engineer, adviser and manager at Woodside Energy and Shell Global Solutions International. In these roles, he was responsible for the environmental and social impact assessment and management of largescale upstream exploration, production and liquefied natural gas projects.

As the Head of Division for Environment, Cameron is responsible for leading NOPSEMA's regulatory oversight of environmental management across all offshore petroleum activities in Commonwealth waters including oil pollution risk management and emergency planning.

Cameron led the inception and implementation of NOPSEMA's regulation of environmental management, which involved a comprehensive stakeholder engagement and streamlining program. He continues to lead teams of environment specialists to improve environmental management outcomes and NOPSEMA's regulatory activities, this has included substantial stakeholder engagement. Cameron represents NOPSEMA (and Australia) as a member of the International Offshore Petroleum Environment Regulators group.

Cameron holds a Bachelor of Engineering (Environmental Engineering) from RMIT University and a Post Graduate Diploma in Energy Studies from Murdoch University.

Karl Heiden, Head of Division for Regulatory Support

Karl Heiden was appointed NOPSEMA's Head of Division for Regulatory Support in August 2015, following four years as an Environment Manager assisting the inception and implementation of NOPSEMA's regulation of environmental management.

Prior to joining NOPSEMA, Karl spent 12 years working in Canberra, the Australian Capital Territory, in a number of senior advisory roles for various federal government departments and ministers.

At the Department of Fisheries and Forestry, Karl was responsible for the administration of the \$250 million Tasmanian Community Forest Agreement to enhance the protection of Tasmania's forest environment and assist the Tasmanian forest industry to adjust to changes in forest resources. In the Office of the Minister for the Environment, he provided advice on the implementation of the EPBC Act and other EPBC-related matters. Karl also held roles in a number environmental consultancy firms primarily providing advice on large-scale oil and gas projects.

As the Head of Division for Regulatory Support, Karl is responsible for overseeing NOPSEMA's corporate functions including human resources, finance and budget management, and information technology. He is also responsible for delivering regulatory support including independent investigations, stakeholder relations, legislative change and statutory reporting.

Karl holds a Bachelor of Economics from the University of Tasmania and a Masters in Environmental Science from Monash University.

Suzanne Hillier, General Counsel

Suzanne Hiller was appointed NOPSEMA's General Counsel in March 2010, following seven years at the Western Australian Department of Health (DoH). At DoH, she was responsible for managing the Legal and Legislative Services Directorate which included managing the legislative program for the Minister for Health, providing specialist advice on matters associated with the state's health system and providing extensive support during a coronial inquiry process. Suzanne is responsible for managing NOPSEMA's legal function. This includes providing advice on contract and commercial issues and matters relating to audit and risk management. She also provides counsel on statutory interpretation, employment law and investigation and prosecution proceedings.

Suzanne provides guidance to NOSEMA staff in her capacity as the Ethics Officer and Fraud Control and regularly presents on best practice legal management at forums for government and in-house company lawyers.

Suzanne is a graduate of the Australian Institute of Company Directors, holds a Bachelor of Science and Bachelor or Laws from the University of Tasmania and a Masters of Environmental Law from the University of Sydney.



NOPSEMA executive leadership 2017–18: (from left to right) Suzanne Hillier, Cameron Grebe, Stuart Smith (seated), Karl Heiden and Derrick O'Keeffe.

Report on performance



Report on performance

KEY ACHIEVEMENTS



Established a cross-jurisdictional Transparency Initiative to align efforts to improve transparency and community confidence in the offshore petroleum regulatory regime.



Continued to progress cooperative risk management solutions in oil spill preparedness and response within industry.



Promoted better communication between responsible parties undertaking well testing activities on mobile offshore drilling units through hosting an industry workshop.



Continued to raise awareness in Australia and internationally on the susceptibility of dynamic positioning (DP) system controls to human error.



Published guidance, in close consultation with the National Offshore Petroleum Titles Administrator (NOPTA), to assist titleholders in complying with legislative requirements where operating assets and/or titles are being transferred.

KEY CHALLENGES



Addressing perceptions associated with decommissioning and understanding of the relevant regulatory requirements.



Managing increasing 'in-principle' opposition to offshore petroleum activities and the associated challenge of maintaining a social license to regulate.



Managing change as a proportion of NOPSEMA's regulatory staff approach retirement. This issue is also occurring in industry.



Meeting diverse stakeholder expectations around transparency in anticipation of proposed environmental regulatory amendments.

Assessment

When a company wishes to commence an offshore petroleum activity, it must first submit the relevant permissioning documents to NOPSEMA for assessment and approval. Key permissioning documents can include a safety case, well operations management plan (WOMP), diving safety management system (DSMS), diving project plan, offshore project proposal (OPP) or environment plan.

Dedicated assessment teams, comprising highly qualified and experienced technical experts, assess each permissioning document against strict criteria as set out in the OPGGS Act and its regulations.

To be approved, a permissioning document must clearly demonstrate to NOPSEMA how a company plans to undertake an offshore petroleum activity while protecting the health and safety of the workforce and reducing environmental risks and impacts.

In 2017–18, NOPSEMA completed 176 assessments of key permissioning documents with 95% notified within the legislated timeframe. NOPSEMA also completed a further 242 assessments of other regulatory submissions.

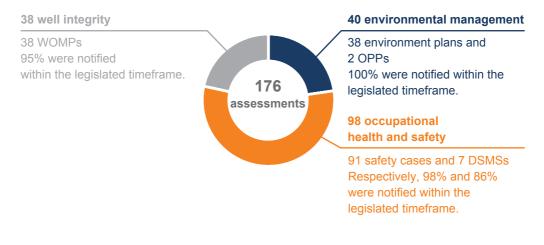
NOPSEMA completed 38 environment plan assessments comprising 21 new and 17 revisions to an environment plan. The range of activities assessed included seismic surveys (10), drilling (10), production operations (8), cessation of production (4), decommissioning (3), geo-physical and geo-technical surveys (2), and installation activities for development (1). NOPSEMA also completed two OPP assessments for a single OPP. This involved assessing its suitability to publish for a period of public comment and its suitability for approval. Of the 38 environment plan assessments, 37 were accepted and one rejected. Both OPP assessments were accepted. All environment plan and OPP assessments were notified within the legislated timeframe.

NOPSEMA completed 91 safety case assessments comprising 17 new and 74 revisions to a safety case. The range of facilities assessed included production platforms (28), vessels or structures (18), MODUs or drill ships (17), pipelines (12), floating production storage and offloading (11), floating liquid natural gas (4), and a floating storage unit linked to a production platform (1). Of the 91 safety case assessments, 79 were accepted and 12 rejected with 98% notified within the legislated timeframe.

NOPSEMA completed seven DSMS assessments comprising three new and four revisions to a DSMS. The safety management systems assessed were applicable to a wide range of diving work for air diving up to 50 metres and saturation diving up to 300 metres. Of the seven DSMS assessments, four were accepted and three rejected with 86% notified within the legislated timeframe.

NOPSEMA completed 38 WOMP assessments comprising 28 new and 10 revisions to a WOMP. The range of activities assessed covered all phases of a well's lifecycle from drilling and completion to abandonment. The number of new WOMPs reflects titleholder effort to meet the requirements of Part 5 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 before transitional arrangements ended on 31 December 2017. All WOMPs were accepted with 95% notified within the legislated timeframe.

Figure 4: Assessments 2017–18



+ 242 other assessments including scopes of validation; final abandonment reports; environment plan summaries; end of an environment plan; applications to access the area to be avoided, establish or access a petroleum safety zone; and requests for title-related information from the NOPTA.

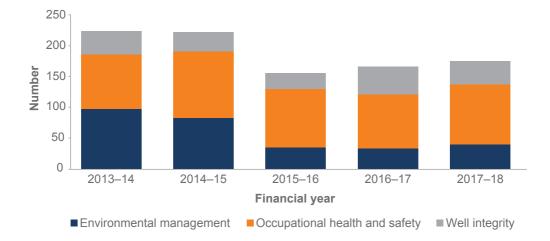


Figure 5: Assessments 2013–14 to 2017–18

Table 1: Assessments 2013–14 to 2017–18

Assessments by category	2013–14	2014–15	2015–16	2016–17	2017–18
Environmental management	98	83	35	34	40
Occupational health and safety	91	109	96	88	98
Well integrity	37	30	25	45	38
Total	226	222	156	167	176

Inspection

When a company commences an offshore petroleum activity, NOPSEMA will conduct regular inspections of the activity to ensure the company is complying with the OPGGS Act, its regulations and the accepted permissioning documents.

NOPSEMA plans inspections in consideration of the risks specific to the petroleum activity, the performance and compliance history of the company in waters regulated by NOPSEMA, and any applicable industry-wide incident trends. Where necessary, NOPSEMA conducts ad-hoc inspections with little to no notice; for example, to investigate reported incidents or workforce complaints.

When NOPSEMA completes an inspection, it provides the company with a detailed report of its findings, conclusions and recommendations. Recommendations generally detail a timeframe for matters to be addressed. In subsequent inspections, NOPSEMA will verify if the company has taken the necessary actions to address recommendations but may request such actions be provided to it before this time.

In 2017–18, NOPSEMA completed 155 inspections covering 108 facilities and 101 petroleum activities from which it issued 1325 recommendations.

NOPSEMA completed 51 environmental management inspections covering 52 petroleum activities from which it issued 266 recommendations. NOPSEMA planned its environmental management inspections in consideration of those activities that posed the highest risk; new titleholders with limited or no experience in the jurisdiction; exploration and development activities involving heavier crude oils; and seismic exploration activities overlapping areas or habitats critical to the survival of a threatened and migratory species or requiring specific controls to manage interactions with socio-economic values or sensitivities. Examples of common scope items for environmental management inspections included timely source control, arrangements for the use of dispersants, invasive marine species, planned waste discharges and capability to implement plans for oil spill monitoring.

NOPSEMA completed 96 OHS inspections covering 108 facilities (including pipelines) from which it issued 1001 recommendations. NOPSEMA planned its OHS inspections in consideration of a number of factors including the facility type. At minimum, NOPSEMA sought to inspect manned production platforms and MODUs every six months and new mobile facilities by the third week of drilling activity or the sixth week for other activities. NOPSEMA sought to inspect diving and multi-purpose vessels opportunistically as the vessels are only classed as 'facilities' for short period of time making them difficult to access. Examples of common scope items for OHS inspections included targeted elements of third party equipment and services, assets and aging facilities and safety assurance.

NOPSEMA completed eight well integrity inspections covering 49 activities from which it issued 58 recommendations. NOPSEMA planned its well integrity inspections in consideration of the titleholder's level of experience and resources; how many well activities were being undertaken; and the type, pressure, water depth and complexity of the well(s). Examples of common scope items for well integrity inspections included targeted elements of third party well testing equipment on MODUs, aligning with OHS inspections on the same topic.

Figure 6: Inspections 2017–18

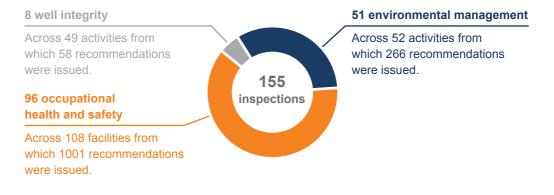




Figure 7: Inspections 2013–14 to 2017–18

Table 2: Inspections 2013-14 to 2017-18

Inspections by category	2013–14	2014–15	2015–16	2016–17	2017–18
Environmental management	15	54	56	44	51
Occupational health and safety	91	122	105	84	96
Well integrity	4	12	9	4	8
Total	110	188	170	132	155

PATHWAYS TO IMPROVEMENT

Offshore petroleum exploration and production are inherently high-risk activities that must be appropriately managed to protect the health and safety of people while reducing environmental risks and impacts.

Understanding the potential catastrophic consequences of a major accident, NOPSEMA identified four focus areas in 2017-18 to guide its regulatory activities. The focus areas included:

- preventing major accident events
- preventing and managing loss of well control
- improving incident response and spill source control
- improving oil spill preparedness arrangements.

Each of the identified focus areas are explored through three lenses: past (preventing old accidents), present (find one, fix many) and future (emerging trends). For example, by analysing past incidents and high potential events, learnings can applied to current assessments and inspections to prevent old accidents from happening again but in a slightly different form. Furthermore, with a 'find one, fix many' approach, any learnings from current incidents and examples of best practice can be shared to influence behavioural change within the industry in support of improved health, safety and environmental outcomes. Lastly, by engaging with our stakeholders NOPSEMA can respond to increasing expectations such as the need for greater transparency, identify and promote best practice and adapt our regulatory approach with changing risk profiles.



major accident events Preventing and managing loss of well control

Improving incident response and spill source control

Improving

oil spill preparedness arrangements





inspections. PRESENT Examine and share learings from current non-compliances,

Analyse previous incidents and high potential events to test for risk to as low as reasonably

practicable in assessments and

incidents and examples of best practice to prevent future occurences and enhance existing good practice.

FUTURE

PAST

Address transparency expectations. Remove unnecessary regulatory burden and improve efficiency. Look elsewhere for better practices and tools to apply.

Investigation

When there is a potential breach of the OPGGS Act, its regulations or an accepted permissioning document, NOPSEMA will investigate to determine what happened, how it happened and what course of corrective action is warranted.

Typically, an investigation is initiated based on the review of a notifiable incident, a workforce complaint or information provided by a third-party.

Initial investigative actions may include meeting with the responsible parties and/or undertaking a targeted inspection. If NOPSEMA verifies a breach has occurred, then it will seek to correct that breach by providing advice, issuing recommendations or taking the appropriate enforcement action.

When a potential breach results in death or serious injury, or demonstrates repeated non-compliance, then NOPSEMA's independent Investigation Team may commence a detailed investigation. The team will investigate matters with the objective of holding the responsible parties to account; up to and including referring the matter to the Commonwealth Director for Public Prosecutions (CDPP).

In 2017–18, NOPSEMA received 431 reports of notifiable incidents, 11 complaints, and 37 instances of information provided from which it referred 184 for investigation.

During the reporting period, NOPSEMA undertook 184 investigations. Compared to the 132 investigations undertaken in 2016– 17 this reflects an increase of 27%. The increase is attributed to an unprecedented level of construction and commissioning activities. These activities require extensive testing of equipment, systems and processes to ensure they are fit-for-purpose prior to the commencement of production. Such extensive testing typically leads to an increased number of OHS notifiable incidents, and given the high risk associated with the introduction of hydrocarbons at the commencement of production, NOPSEMA investigated many of these incidents to ensure all reasonably practicable steps were being taken to protect the health and safety of the workforce.

Some investigations attracted community, media, government and industry attention. For example, in November 2017, NOPSEMA commenced an investigation following notification of an alleged OHS dangerous occurrence during saturation diving operations. NOPSEMA was made aware of the occurrence through complaints submitted by a number of the saturation divers involved. During the investigation, NOPSEMA executed an investigation warrant and applied coercive powers to gather information. As of the 30 June 2018, the complainants had yet to be in a position to assist NOPSEMA. The investigation continues through other lines of inquiry including engagement with industry experts, medical specialists and relevant dutyholders. In January 2018, NOPSEMA undertook an investigation in relation to a notifiable environmental management incident which involved the deliberate harming and subsequent death of an Australian fur seal. NOPSEMA determined the death was not the result of the petroleum activity being undertaken at the time and confirmed that it appeared to be an act of deliberate harm by a worker on the facility. Australian fur seals are a listed marine species under the EPBC Act and deliberate harm to them is an offence under that Act. NOPSEMA referred the matter to the Department of the Environment and Energy (DEE) for further investigation and potential legal action.

Figure 8: Investigations 2017–18

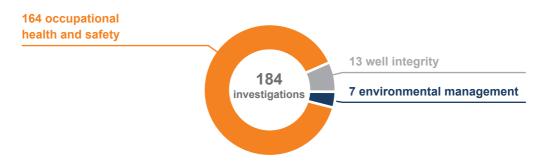


Figure 9: Notifiable incidents, complaints and information provided 2017–18

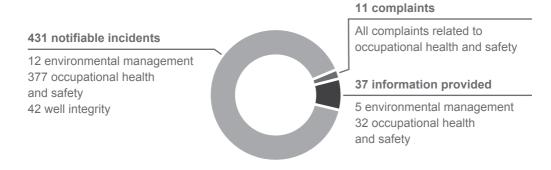


Table 3: Notifiable incidents, complaints, information provided and investigations 2013–14 to 2017–18

Category	2013–14	2014–15	2015–16	2016–17	2017–18
Notifiable incidents	417	374	376	296	431
Complaints	6	8	2	3	11
Information provided	30	45	32	32	37
Investigations	n/a1	141	179	132	184

¹ Up to 2013–14, investigations were classified as those only undertaken by NOPSEMA's independent Investigation Team. From 2014–15, the significant number of investigations undertaken by NOPSEMA's regulatory divisions have been included.

Enforcement

When a company breaches the OPGGS Act, its regulations, or one of its accepted permissioning documents then NOPSEMA may take enforcement action to rectify the breach, hold the responsible parties to account, and/or provide deterrence to the industry.

Typically, enforcement action is taken based on information discovered during an inspection or following an investigation into a reported notifiable incident, workforce complaint or information provided by a third-party.

There are a range of enforcement actions available to NOPSEMA enabling it to select an appropriately proportionate, targeted and effective measure to pursue. This includes issuing an improvement or prohibition notice, requesting a revision or withdrawing acceptance of a key permissioning document, issuing a direction or pursuing prosecution.

Where NOPSEMA takes enforcement action it does so in a transparent, efficient and consistent manner according to the principles of procedural fairness.

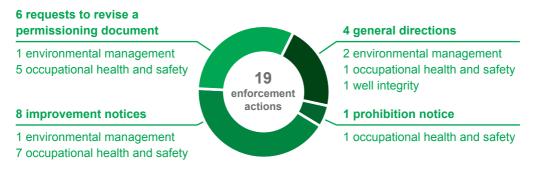
In 2017–18, NOPSEMA took 19 enforcement actions comprising 8 improvement notices, 6 requests to revise a key permissioning document, 4 general directions and 1 prohibition notice. NOPSEMA also took non-statutory compliance action comprising 8 written advice/warnings.

During the reporting period, NOPSEMA issued 19 enforcement actions. Compared to the 31 enforcement actions taken in 2016–17, this reflects a decrease of 39%. The decrease is attributed to a number of identical improvement notices issued in the precious reporting period to the same operator across multiple facilities (12) and to multiple responsible parties (3) for the same incident. Taking this into consideration, the number of enforcement actions has remained fairly consistent between financial years. In 2017–18, a number of enforcement actions attracted community, media, government and industry attention. This included action taken in December 2017 when NOPSEMA issued a general direction and two improvement notices to the titleholder, operator and service provider on the Ocean Monarch facility in relation to non-compliances associated with well abandonment activities. The actions required all responsible parties to take appropriate measures to prevent or reduce OHS risks. In March 2018. NOPSEMA also issued a general direction to the responsible titleholder of a proposed seismic survey off the coast of Newcastle. New South Wales. The direction followed NOPSEMA's determination that an ongoing interest existed within the community regarding the provision of information. The direction required the responsible titleholder to ensure relevant information would be made available to the community on an ongoing basis.

Prosecution update

In August 2016, NOPSEMA submitted a brief of evidence to the CDPP regarding alleged breaches of the Safety Regulations by Technip Oceania Pty Ltd. The breaches relate to an alleged failure to comply with a DSMS commitment to ensure a hyperbaric support vessel was on location during diving operations. In 2017–18, following a review of the brief of evidence, the CDPP decided to commence prosecution, with the trial set to commence on 3 December 2018 at the Magistrates Court of Western Australia. NOPSEMA will continue to liaise and support the CDPP in relation to this matter.

Figure 10: Enforcement actions 2017–18



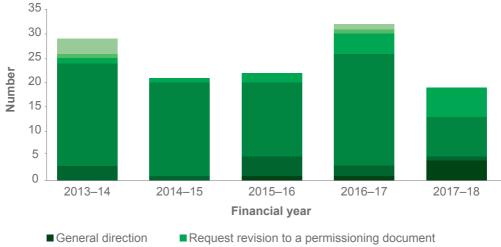


Figure 11: Enforcement actions 2013–14 to 2017–18

Prohibition notice Intent to withdraw acceptance of a permissioning document

Improvement notice
Prosecution brief

Table 4: Enforcement actions 2013–14 to 2017–18

Enforcement action	2013–14	2014–15	2015–16	2016–17	2017–18
Prosecution brief	3	0	0	1	0
Intent to withdraw acceptance of a permissioning document	1	0	0	1	0
Request revision to a permissioning document	1	1	2	4	6
General direction	0	0	1	1	4
Prohibition notice	3	1	4	2	1
Improvement notice	21	19	15	23	8
Total	29	21	22	31	19

Promotion and advice

NOPSEMA recognises effective regulation benefits from meaningful communication and engagement. As such, NOPSEMA proactively seeks to engage with its stakeholders to provide advice and promote continuous improvement.

As part of NOPSEMA's commitment to maintain open, accountable and robust relationships with stakeholders, the authority hosted and/or participated in a variety of workshops, forums and conferences attended by industry, government, non-government organisations and the community both in Australia and internationally. In 2017–18, this included:

- conducting 771 liaison meetings with dutyholders; state, federal and international government agencies; and other stakeholders on a range of safety, well integrity and environmental management matters
- exhibiting alongside colleagues from the Department of Industry, Innovation and Science (DIIS), Geoscience Australia and the NOPTA at the 2018 Australian Petroleum Production & Exploration Association (APPEA) conference and exhibition in Adelaide

- delivering keynote presentations at the Bergen International Diving Seminar, the DP Asia Conference, the Australian Marine Science Association Annual Conference, Interspill Conference and DrillSafe Forum
- chairing a panel session on decommissioning at the Offshore Technology Conference Asia in Kuala Lumpur
- participating in the Spill Risk Cooperative Forum and the International Upstream Forum Conference
- participating in a bilateral meeting with the Australian Council of Trade Unions
- participating in an exercise to test control and coordination arrangements for a significant offshore oil spill
- hosting public workshops to discuss the progress of initiatives to improve transparency in the offshore petroleum industry.



Figure 12: Liaison meetings by stakeholder type 2017–18

WORKFORCE PARTICIPATION

NOPSEMA recognises the workforce as a central element of safety risk management on offshore facilities. Their participation during the development of a safety case assists to identify risks and control measures from a perspective honed by practical experience. Their participation can also facilitate greater ownership of the safety case and build confidence in the arrangements put in place to protect them.

NOPSEMA places considerable emphasis on workforce participation. While it is not a regulatory requirement, NOPSEMA inspectors typically only proceed with opening and closeout meetings with the participation of the facility's health and safety representatives (HSRs). NOPSEMA's inspectors also make every effort to hold separate meetings with HSRs and discussions with interested workers.

Outside of an inspection, HSRs can contact their focal point inspector, or another member of NOPSEMA's inspection team, to raise concerns, ask for advice or request an inspection. NOPSEMA finds that engaging with the workforce in this way assists in identifying issues warranting further attention and provides the regulator with greater insight into the prevailing culture and attitudes on-board that may be indicative of systemic issues. Beyond direct engagement with the workforce, NOPSEMA also seeks to engage more broadly with organisations that represent the interests of the workforce. This engagement includes regular meetings with relevant unions to understand concerns.

NOPSEMA remains committed to driving improved outcomes in health and safety and will continue to engage with the workforce, and those that represent them, to gather better information on how the industry is performing. This includes considering all credible sources of information in addition to what is mandated by the regulatory regime.



Transparency Initiative

In July 2017, NOPSEMA established a Transparency Initiative to align crossjurisdictional efforts to improve transparency and community confidence in the offshore petroleum regulatory regime.

The initiative is overseen by a Steering Committee comprising state and Northern Territory petroleum regulators, DIIS, the Law Council of Australia, APPEA, NERA, Seafood Industry Australia and NOPSEMA.

In 2017–18, the initiative delivered the following key outcomes:

- Developed the Reference Case Project which sought to identify and capture common environment plan content and typical environmental management practices. NERA became the interim coordinator of the project with the intention of working with industry to develop a sustainable model for the ongoing review, maintenance and development of reference cases. NOPSEMA continues to support the project by providing regulatory advice.
- Enhanced engagement with interested stakeholders on the progress of initiatives to improve transparency in the offshore petroleum industry through public workshops in Perth hosted by NOPSEMA, DIIS, NERA and APPEA. Video streamlining of the workshops was also made available to interstate participants.
- Established NOPSEMA's Community and Environment Reference Group.

Community and Environment Reference Group

In March 2018, NOPSEMA established a Community and Environment Reference Group, offering a new avenue for NOPSEMA to receive community views on its performance in regulating offshore petroleum environmental management.

The group comprises eight members and the NOPSEMA CEO as Chair. Members participate as individuals rather than as an affiliate or representative of any particular organisation or group. Members provide NOPSEMA with a range of different perspectives broadly reflective of the community, including: commercial and recreational fishing, conservation advocacy, public policy and government functioning, small business and tourism, cultural heritage and Indigenous communities; as well as regional perspectives from the north-west, south-east and northern regions of Australia.

In 2017–18, the group met twice to discuss topics of interest or concern. This included consultation on petroleum activities and management of longer-term cumulative environmental impacts. NOPSEMA published records of meeting discussions on its website and contact information for stakeholders wishing to engage with group members.

It is NOPSEMA's expectation that the group will assist in identifying actions and/or initiatives that will strengthen its effectiveness and social license as a regulator.

Government relations

In 2017–18, NOPSEMA continued to gather and analyse regulatory and operational intelligence to provide meaningful advice and feedback to DIIS, whom as the portfolio agency, are responsible for the offshore petroleum legislative regime NOPSEMA administers.

With the objective of improving the efficiency and effectiveness of regime, NOPSEMA made significant contributions to the DIISled OPGGS Amendment (Miscellaneous Amendments) Bill 2018 and the OPGGS (Regulatory Levies) Amendment Bill 2018. During the reporting period, the bills were finalised and introduced to the Parliament of Australia. The bills contained important amendments to NOPSEMA's functions including the transfer of regulatory responsibility for greenhouse gas activities from the responsible Commonwealth Minister to NOPSEMA, access to an expanded range of premises without a warrant and access to enforceable undertakings as an additional graduated enforcement action.

NOPSEMA consulted extensively with DIIS, and other stakeholders, on proposed regulatory reform to improve the transparency of offshore petroleum environmental management. This included proposed provisions to publish environment plans for exploration activities in full for a period of public comment prior to NOPSEMA commencing its assessment.

NOPSEMA continued to report to the Minister for the Environment and Energy in relation to its compliance with the endorsed environmental management authorisation process. The endorsed process requires that NOPSEMA does not accept an environment plan that would result in unacceptable impacts to matters protected under Part 3 of the EPBC Act. For more information on NOPSEMA's performance see Appendix 2: EPBC Act streamlining performance report 2017–18.

NOPSEMA worked closely with Parks Australia to ensure new marine park management plans, and any associated authorisations (including class approvals), were clear, reduced unnecessary regulatory burden and maintained appropriate standards of environmental protection. In close consultation with Parks Australia, NOPSEMA prepared and published on its website regulatory guidance explaining the implications of the new management plans to industry as they relate to offshore petroleum and greenhouse gas activities.

NOPSEMA continued to provide information and analysis to the relevant state and Northern Territory ministers on its assessments, inspections, investigations and enforcement actions. NOPSEMA also continued to engage with state and Northern Territory governments on a number of initiatives to reduce unnecessary regulatory burden including aligning processes and conferring regulatory powers and functions.

NOPSEMA maintained an active role in the Upstream Petroleum Resources Working Group (UPR) comprising Australian, state and Northern Territory government regulators and officials who collaborate to progress the upstream oil and gas reform agenda of the COAG Energy Council.

SMOOTHING THE TRANSITION TO INCREASED TRANSPARENCY



The offshore petroleum regulatory regime has not kept pace with the expectations of the community.

When NOPSEMA was established in 2012, the bar was raised for the environmental management of offshore petroleum activities.

them adjust to the regime. However, the regulatory approval process has not kept pace with ever-growing community expectations regarding transparency and accountability.

The purpose of this poster is to describe a new, cross-jurisdictional approach to simultaneously increase transparency whilst reducing unnecessary regulatory burden

COLLABORATION

ADAPTATION



International collaboration

In 2017–18, NOPSEMA continued to reinforce its international standing and access to leading regulatory practice through its active involvement in various international forums. Particular priority is given to two forums, notably the International Regulators' Forum (IRF) and the International Offshore Petroleum Environment Regulators (IOPER) group. These forums comprise the offshore petroleum regulatory bodies of the leading international jurisdictions for safety and environmental management.

IOPER

The IOPER is a group of offshore petroleum environmental regulators from around the world that formed in 2013 to drive improvements in environmental management in the offshore petroleum industry. Members include Australia (represented by NOPSEMA), Brazil, Canada, Mexico, New Zealand, Norway, the United Kingdom and the US.

Since its formation, the group has identified a range of common issues for collaboration and engagement with the petroleum industry and other stakeholders. Issues of interest to NOPSEMA include oil spill preparedness and response, environmental performance indicators and marine sound.

In 2017–18, NOPSEMA's Head of Division for Environment attended one IOPER annual general meeting (AGM) held in Houston. At the AGM, members agreed to continue compiling data on oil spills and produced water discharges to be able to generate a set of environmental performance indicators and benchmark industry performance. Members also recognised the need to progress the Marine Sound Working Group, agreeing to engage with the International Association of Oil & Gas Producers' joint industry program on sound and marine life to ensure the recognition of priority research needs, the promotion of best practice guidance, and identification of collaborative research initiatives. The AGM included a symposium on research outcomes on decommissioning, which was funded by the United States Bureau of Ocean Energy Management and shared with industry.

IRF

The IRF is a forum of offshore petroleum regulators from around the word that formed in 1993 to drive forward improvements in health and safety in the offshore petroleum industry. Members include Australia (represented by NOPSEMA), Brazil, Canada, Denmark, Mexico, the Netherlands, New Zealand, Norway, the United Kingdom and the US.

Since its formation, the IRF has identified a range of issues of common interest for collaboration in joint programs and information sharing. Issues of interest to NOPSEMA include performance measures, asset integrity, well integrity standards and safety culture.

In 2017–18, NOPSEMA continued to maintain its position as a member of the IRF Management Committee. NOPSEMA's CEO and Head of Division for Safety and Integrity also attended two IRF AGMs held in Copenhagen (October 2017) and Aberdeen (June 2018). At the AGMs, NOPSEMA led discussions on several issues including the tolerance of DP systems to human error, utilisation of data analytics and the importance of workforce engagement. NOPSEMA presented case studies of DP incidents to the IRF resulting in the forum endorsing the need to maintain focus on the issue and to continue to share information about risk areas. In addition, and despite differences in the legislation between member jurisdictions, the IRF reached a strong consensus that positive relationships with the workforce, characterised by trust and open communication, provides significant value to ensuring safe operations.

Annual performance statements



Annual performance statements

These annual performance statements incorporate performance results for the NOPSEMA corporate plan and the Regulator Performance Framework (RPF).

NOPSEMA has aligned the reporting requirements of its corporate plan and RPF into these statements in accordance with Resource Management Guide No. 134 annual performance statements for Commonwealth entities, to streamline reporting processes and requirements.

The appropriateness of NOPSEMA's performance reporting is reviewed each year by its Audit Committee as per section 17(2)(b) of the Public Governance, Performance and Accountability Rule 2014.

The annual performance statements also serve as NOPSEMA's self-assessment report under the RPF and were submitted to the organisation's Ministerial Advisory Council for endorsement.

Entity purpose

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

Outcome 1.1 (as per Portfolio budget statement (PBS))

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

Programme 1.1 (as per PBS)

Regulatory oversight of safety cases, well operations management plans and environment plans coupled with effective monitoring, investigation and enforcement.

Results summary

NOPSEMA has fully met the targets for all 23 key performance indicators (KPIs) identified in its corporate plan. These results support the fulfilment of NOPSEMA's purpose to be an independent and professional regulator. I, Mr Stuart Smith, CEO, as the accountable authority of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), present NOPSEMA's annual performance statements for 2017– 18, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGS Act), and the RPF.

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.

Stuart Smith 28 September 2018

Snapshot of key performance indicator (KPI) results

KPI 1	Assessments are undertaken in line with risk-based elements as per NOPSEMA policies			
KPI 2	Risk-based inspections are conducted to meet policy targets			
KPI 3	Enforcement actions are undertaken in accordance with the enforcement management model			
KPI 4	Regulatory assessment and enforcement decisions include reasons for decisions where appropriate			
KPI 5	Incidents are investigated in accordance with NOPSEMA policies			
KPI 6	Analyse and publish industry-wide performance data regularly			
KPI 7	Demonstrated feedback is sought from stakeholders on guidance, provided where relevant			
KPI 8	Action items in the stakeholder engagement implementation plan are completed as scheduled			
KPI 9	All relevant stakeholder events where NOPSEMA has actively participated are published			
KPI 10	Reports are sent to relevant ministers			
KPI 11	The NOPSEMA Advisory Board receives quarterly information reports			
KPI 12	An externally validated self-assessment of performance against the Regulator Performance Framework KPIs is performed			
KPI 13	Support and contribute to portfolio regulation reform initiatives			
KPI 14	There are established cooperative mechanisms in place with identified relevant agencies			
KPI 15	Legislative change liaison with portfolio department			
KPI 16	Participation at annual general meetings for the IRF and IOPER group			
KPI 17	Regulatory and corporate process audits and improvements are undertaken in line with the quality management system			
KPI 18	ICT projects are reviewed and evaluated to measure their performance in delivering objectives and value for money			
KPI 19	Resourcing levels and skills are maintained within establishment requirements			
KPI 20	Feedback and complaints are processed in compliance with the regulatory service charter			
KPI 21	An annual environment scan and risk review is completed			
KPI 22	Independent audit verifies compliance with the PGPA Act			
KPI 23	A cost-effectiveness review of operations is undertaken and presented to industry			

Target met | Target substantially met | Target not met

Data quality

NOPSEMA has made every endeavour to ensure the data included in the annual performance statements is accurate at the time of publication. However, data may subsequently vary as further information becomes available. Amendments and variations are noted accordingly within this report.

Details of key performance indicators

KPIs are monitored via team annual operating plans, reported internally to executive management every six months, and reviewed as part of the annual corporate planning process. The KPI results are sourced from the regulatory management system database and the electronic document records management system. This may include email transcripts, meetings minutes, reports and worksheets.

methodolo	ogy, resul	is and o	discussion	

Mathadalamy requite and discussion

KPI 1	Assessments are undertaken in line with risk-based elements as per NOPSEMA policies

Annual target	2015–16	2016–17	2017–18
92%	100%	100%	100%

NOPSEMA's assessment policy N-04000-PL0050 states that the detail of assessments will be proportionate to the level of risk. Resources are allocated to assessments according to the size and complexity of the facility, activity and documents. NOPSEMA makes this judgement based on its existing knowledge of the relevant environment, facility, well, pipeline, diving operation, offshore project or activity and the content of the submission.

NOPSEMA focuses on areas of the facility or activity that contribute the largest proportion of risk and on control measures and aspects of the safety management system or environmental implementation strategy that are the most critical to risk control.

Within the legislated timeframe, NOPSEMA may not necessarily assess every aspect of a submission when it is received, but will carry out such evaluations as necessary to gain sufficient assurance to make an assessment decision. The content of critical procedures and methodologies may not be assessed in total, but these procedures and methodologies may be assessed and verified by sampling which provides sufficient assurance that such procedures and methodologies are fit-for-purpose.

To confirm that assessments were undertaken in line with the risk-based elements, all assessment scope selections were outlined as an assessment brief and reviewed and approved by management prior to assessment completion.

The following are the key permissioning documents included in the results for this KPI which have legislated timeframes and require an assessment brief.²

Environment plans Offshore project proposals Safety cases

During 2017–18, NOPSEMA received 186 submissions of the documents listed above. Of these, 100% had risk-based assessment scopes and briefs reviewed and approved by management.

In 2017–18, NOPSEMA continued to publish assessment data in a number of formats, both quarterly and annually, on its website. Data is available on the NOPSEMA website.

KPI cross-references: PBS 1, RPF 1, RPF 2

² Assessment briefs are not required for the assessment of WOMPs and DSMSs as these submissions are always assessed in their entirety.

KPI 2 Risk-based inspections are conducted to meet policy targets

Annual target	2015–16	2016–17	2017–18
90%	95%	97%	99%

NOPSEMA's regulatory divisions plan inspections at the start of the year and adjust into the Regulatory Management System those plans accordingly as offshore activity varies. The inspection targets are determined using a risk-based model.

Inspections are used to monitor dutyholder compliance with the legislation and ongoing implementation and compliance with accepted permissioning documents e.g. environment plans, DSMSs, diving project plans, offshore project proposals, safety cases, and WOMPs.

In addition to planned inspections, inspections may occur with little to no notice in relation to incidents (incident investigations) and potential breaches of compliance.

NOPSEMA's inspection polices are published on its website.

A record of all inspections was entered database.

Planned inspections	Target	Undertaken
Excludes vessel inspections and incident investigations	171	170

In 2017–18, the number of planned inspections undertaken (170) compared to the target number of planned inspections (171) reflects an overall percentage of 99% completed.3

The total number of inspections (planned and with little to no notice) undertaken was 178 for the year. This is attributed to an increased frequency of inspections on large new complex facilities considered to be of higher risk, and an increase in the number of MODUs and floating production and storage offtake facilities in the regime.

KPI cross-references: PBS 2, RPF 3, RPF 4

Vessel inspections are not included in the results for this KPI as they are conducted on an 3 opportunistic basis when the facility may be in jurisdiction. During the reporting period, NOPSEMA undertook seven vessel inspections.

KPI 3	Enforcement actions are undertaken in accordance with the enforcement management model				
Annual target		2015–16	2016–17	2017–18	
100%		100%	100%	100%	

When warranted, NOPSEMA takes enforcement action to address breaches of the relevant legislation or accepted permissioning document and eliminate or reduce threats to health and safety, integrity or the environment.

NOPSEMA uses its enforcement powers in a transparent, efficient and consistent manner and according to the principles of procedural fairness.

NOPSEMA's inspectors are guided by the organisations enforcement policy (PL0067) when considering enforcement action(s). The enforcement management model (EMM) is an intrinsic element of the decision-making process.⁴

All proposed enforcement actions under the powers of the OPGGS Act are referred to an internal compliance committee for review, which comprises members at a senior management level.

KPI cross-references: PBS 3, RPF 3, RPF 4

The appropriate type and level of enforcement action pursued during the reporting period was initially recommended by NOPSEMA inspectors using the EMM, and subsequently reviewed and endorsed by the compliance committee. As part of the broader EMM framework, proposed enforcement actions were also subjected to peer, team and/or management review.

The results of all reviews of enforcement action were saved in NOPSEMA's electronic records management system. NOPSEMA ensures the approved enforcement action types are entered into RMS and align with the EMM outcomes and decisions where applicable.

Of the 27 enforcement and non-statutory compliance actions issued in 2017–18, all were issued in accordance with the EMM.

4 The EMM may not always be formally applied for general issues identified during a planned inspection. These issues may be better addressed in the form a recommendation within an inspection report and are overseen by senior management through the inspection process.

KPI 4		sessment and enf where appropriate	orcement decisions ir	nclude reasons
Annua	l target	2015–16	2016–17	2017–18
10	0%	100%	100%	100%
decisions a reject a sub issue enfor senior man assessmen decisions a authority's to ensure a are met. In published a drive contin		ecisions to ecisions to ⁵ NOPSEMA's the authority's enforcement on by the ince committee ponsibilities ne committee rategy (PL1696) to nent and facilitate	NOPSEMA revised its policy (PL1666) under <i>Decisions (Judicial Re</i> published the document In 2017–18, NOPSEM decisions. This include which were rejected ar actions taken. All of the assessment and enfort included a reason for t provided to the relevant No appeals against the received.	the Administration view) Act 1977 and nt on its website. A made 48 regulatory ed 21 assessments nd 27 enforcement ese regulatory cement decisions he decision that was nt dutyholder.
KPI cross-r	eferences: RPF	2, RPF 3, RPF 5		

5 Rejected submissions include all variations with a similar meaning such as 'not accepted', 'refused', 'not agreed' etc.

KPI 5	Incidents are investigated in accordance with NOPSEMA policies			
Annua	l target	2015–16	2016–17	2017–18
100	0%	100%6	100%	100%

NOPSEMA conducts investigations where it has obtained information that justifies seeking evidence of breaches of the legislation as a basis for enforcement action.

A decision to investigate is made for each notifiable incident and reviewed by senior managers. If the decision is to investigate then the level and priority of the investigation is determined and the investigation scope and relevant dates planned.

NOPSEMA conducts most investigations with the primary aim of issuing proportionate enforcement action and identifying and sharing lessons learned with the broader industry and stakeholders. Some of these investigations will look at individual events or a series of related events in conjunction with planned inspections and where it is viable to do so.

The decision for NOPSEMA's independent Investigation Team to conduct an investigation is based on suspected breaches of the legislation where established threshold(s) have been met which may warrant a range of enforcement action, up to and including prosecution.

KPI cross-references: RPF 2, RPF 3, RPF 5

In 2017–18, NOPSEMA received notification of 444 reportable incidents comprising accidents, dangerous occurrences, environmental incidents, well integrity incidents and complaints.

NOPSEMA also received 51 notifications of incidents and circumstances that were not reportable incidents under the legislation.

Of the 444 reportable incidents, 184 (43%) were identified as requiring investigation. All of these incident investigations were processed and included in inspection scopes.

One environmental (fauna) incident and five OHS complaints were identified as requiring investigation by NOPSEMA's independent Investigation Team.

Number reportable incidents identified for investigation	184
% investigations completed,	100%
actioned or in progress	

⁶ Following a comprehensive data review in 2017–18, the 2015–16 results have been adjusted slightly from 95% to 100%.

KPI 6	Analyse and p	ublish industry-w	ide performance data	regularly
Annua	l target	2015–16	2016–17	2017–18
Qua	rterly	100%	100%	100%
Datasets are published on NOPSEMA's website each quarter comprising a series of tables and charts on industry performance and NOPSEMA's core regulatory activities.			In 2017–18, NOPSEM undertake ongoing res analysis to inform regu promote improved indu	earch and data Ilatory decisions and
NOPSEMA's publishes a quarterly magazine, the Regulator, that includes articles of lessons learned provided from the each of the agency's regulatory divisions. The magazine also contains the quarterly datasets.		Datasets of quarterly and annual trends were published in July and October of 2017, and January and April of 2018.		
		Specific data analysis was used to inform and support articles of lessons learned published in the <i>Regulator and Annual</i>		
performant	NOPSEMA publishes an Annual offshore performance report that includes		offshore performance and promotional activi	<i>report</i> and other liaison ties.
comprehensive safety, well integrity and environmental management performance information and data trends. NOPSEMA offers an online subscription service on its website for news, publications and media announcements.		As at 30 June 2018, th was sent to over 2300 170 copies printed cop		
		dutyholders to distribu facilities.		
		<i>_</i>		

KPI cross-references: RPF 5

KPI 7 Demonstrated feedback is sought from stakeholders on guidance, provided where relevant				on guidance,
Annua	al target	2015–16	2016–17	2017–18
100%		100%	100%	100%

NOPSEMA seeks feedback from stakeholders on guidance via various methods, including:

- meetings with the NOPSEMA Advisory Board, dutyholders, industry CEOs and associations such as APPEA
- meetings with Health and Safety Representatives, on offshore facilities during an inspection
- meetings with special-interest groups such as unions, environmental nongovernment organisations and fishing groups
- direct requests published on the website and in the Regulator quarterly magazine
- requests published in guidance material
- industry workshops and public information sessions.

NOPSEMA also periodically reviews the adequacy of its guidance and communication mechanisms to ensure stakeholders maintain an understanding of the organisation's functions and practices, and assessment processes, particularly with respect to risk assessment.

As NOPSEMA offers numerous opportunities and mechanisms for stakeholders to provide feedback and/or complaints, the authority does not typically undertake additional formal surveys.

In April 2018, NOPSEMA conducted a workshop, in consultation with industry associations and representatives, to communicate lessons learned from recent inspections of contracted equipment on MODUs. The agency identified the workshop as an opportunity to engage industry in a collaborative forum to facilitate better planning and communication between all parties involved with respect to contracted equipment.

In June 2018, NOPSEMA sought public comment on all guidance documents relating to the assessment of environment plans. In the same month, NOPSEMA also published diving guidelines which included a request for feedback.

In 2017–18, NOPSEMA published/updated 52 guidance-related documents.

KPI cross-references: RPF 2

		ns in the stakeholder of the stake of the st	engagement impleme	ntation plan
Annual target		2015–16	2016–17	2017–18
10	0%	100%	100%	100%

NOPSEMA has implemented a stakeholder engagement and transparency initiative to build and maintain a social licence to regulate and improve community confidence in the offshore petroleum regime.

This is being achieved through:

- disclosure of more information to the public
- focussed regulatory effort on areas of poor consultation practice
- increased frequency of community input to better understand their views
- increased transparency of the regulator's decision-making processes.

NOPSEMA continues to progress initiatives to improve engagement and transparency through a newly established transparency taskforce.

Since January 2016, NOPSEMA has published enhanced information on its website regarding the status of petroleum activity environment plan submissions and assessment decisions.

The community information section on the website provides guidance to stakeholders affected by petroleum activities on participating in the environmental approval process, as well as the following information:

- · what's happening offshore
- how to get involved
- how to find more information
- frequently asked questions
- · how to submit feedback and complaints.

KPI cross-references: RPF 1, RPF 4, RPF 5

NOPSEMA published a suite of resources for stakeholders during 2017–18, including objective-based regulation and offshore petroleum well integrity approvals factsheets.

Key achievements 2017-18:

- Continued coordination of the transparency taskforce, which is progressing a suite of initiatives to improve consultation and transparency, and community confidence in the offshore petroleum regulatory regime, with the oversight of a multi-sector steering committee.
- Hosting two public information sessions on the achievements of the transparency taskforce, including successful webcasting to interstate audiences.
- Establishment of the NOPSEMA
 Community and Environmental Reference
 Group, which provides NOPSEMA with
 feedback on our regulatory performance.
- Transferring leadership of the Reference Case Project to NERA, enabling NOPSEMA to maintain its independent regulatory role for environment plans.

KPI 9	All relevant stakeholder events where NOPSEMA has actively participated are published					
Annual target		2015–16	2016–17	2017–18		
Qua	irterly	100%	100%	100%		

NOPSEMA maintains a stakeholder engagement register. The register contains information about NOPSEMA's advice and promotional activities with external stakeholders, including titleholder liaison meetings, industry workshops and forums and events where NOPSEMA has delivered a presentation.

NOPSEMA publishes information about stakeholder engagement activity in the *National Quarterly Performance Report* and *the Regulator* quarterly magazine. NOPSEMA's involvement in environmental management collaborative networks, delivered presentations and upcoming events in which the agency is hosting, participating or has an organisational role are also published on the NOPSEMA website.

NOPSEMA recorded 771 stakeholder engagement activities in 2017–18, a 12% increase from the previous year.

	Number of engagements
2015–16	801
2016–17	688
2017–18	771

The engagement activities included 479 interactions with dutyholders, 58 interactions with dutyholder applicants, 41 interactions with industry and trade associations and 129 interactions with government agencies.

KPI cross-references: RPF 2, RPF 3

KPI 10	Reports are sent to relevant ministers						
Annua	l target	2015–16	2016–17	2017–18			
Quarterly		100%	100%	100%			

A number of reporting channels and ministerial reporting requirements have been identified and are managed by NOPSEMA.

The regularly produced reports and transmittal letters are saved in the records management system. The team annual operating plans record the completion of these reporting tasks each quarter.

Manager oversight of these reporting tasks and performance indicators occurs regularly and a status report is delivered to the NOPSEMA leadership team (executive management) every six months. Quarterly performance reports (national and state statistical snapshots) were submitted to relevant Commonwealth, state and territory ministers in September 2017, November 2017, February 2018 and May 2018.

These reports included information about industry health and safety, well integrity and environmental management performance and, NOPSEMA's regulatory activity.

NOPSEMA also submitted reports to appropriate ministers and departments as per legislated or government requirements. The reports included, but were not limited to:

- APS Commission quarterly reports
- · finance and budget reports
- information, communications and technology (ICT) security reports
- · legal expenditure reports
- agency contracts reports.

KPI cross-references: RPF 5, RPF 6

KPI 11 The NOPS	The NOPSEMA Advisory Board receives quarterly information reports						
Annual target	2015–16	2016–17	2017–18				
Quarterly	100%	100%	100%				

NOPSEMA submits quarterly reports to the NOPSEMA Advisory Board (the Board) comprising information, data and trends related to industry and NOPSEMA performance.

In additional to the quarterly data reports, operational reports detailing activities undertaken by NOPSEMA are submitted to the Board each quarter.

The Board may request additional ad hoc data and information prior to or during for any of its quarterly meetings. Relevant information is then collated and provided to the Board accordingly. In 2017–18, NOPSEMA provided the Board with:

- copies of the national quarterly performance reports
- NOPSEMA operational reports
- various ad hoc presentations, updates and reports on topical and emerging issues including environmental performance data, increased transparency and stakeholder engagement.

The reports were submitted for the meetings in August 2017, November 2017, February 2018 and May 2018.

KPI cross-references: RPF 1, RPF 6

KPI 12			essment of performan vork KPIs is performed			
Annua	l target	2015–16	2016–17	2017–18		
Ann	ually	100%	100%	100%		
The initial selection of measures for the RPF was validated by the Growth Centres Advisory Committee (GCAC) ⁷ in 2015–16. As NOPSEMA has aligned performance reporting requirements for the RPF with PGPA Act requirements, these annual performance statements also comprise			The GCAC identified two opportunities for improvement and inclusion in the RPF self- assessment for 2017–18. The opportunities related to strategic training needs analyses and improving understanding of the potential risks associated with annual environment scan findings.			
The GCAC	unconditional Ns 2016–17 RF Then was pu	PF self-assessment	NOPSEMA has address the annual performance 19 and KPI 21 in this a The 2017–18 RPF self performance has been validation to the GCAC	ce statements for KPI annual report. f-assessment of n submitted for		
KPI cross-i	KPI cross-references: RPF 4, RPF 6					

7 NOPSEMA's identified Ministerial Advisory Council

KPI 13 Support and contribute to portfolio regulation reform initiatives

Annual target	2015–16	2016–17	2017–18
100%	100%	100%	100%

As per the Australian Government's reform agenda, NOPSEMA developed flexible work programme documents.

The work programme commitments included the following actions:

Action 1: Streamlining occupational safety, environmental approvals and planning in offshore areas.

Action 2: Progressing the conferral of environmental approvals to NOPSEMA for South Australia and the Northern Territory.

Action 3: Online reporting and incident notification.

NOPSEMA continued to review and update work program commitments on a regular basis according to operational requirements.

KPI cross-references: RPF 4, RPF 6

Action 1 continued to be progressed. Achievements during 2017–18 include:

- implementation of the EPBC Act streamlining review recommendations
- class approvals for petroleum activities in multiple use zones of marine parks.
- publication of additional guidance for Australian marine parks
- cooperation with DEE and the Western Australian Environment Protection Authority on cross jurisdictional projects (in the pre-assessment phase).

Action 2 continued to be progressed as opportunities arose.

Action 3 was deferred due to budgetary and resource constraints.

KPI 14	There are established cooperative mechanisms in place with identified relevant agencies						
Annua	al target	2015–16	2016–17	2017–18			
10	0%	100%	100%	100%			
NOPSEMAs has established cooperative mechanisms to interact with relevant		During the year, NOPSEMA continued to utilise co-operative mechanisms with relevant					

mechanisms to interact with relevant government agencies. Cooperative mechanisms include working groups and forums, information sharing and attendance at regular or ad hoc meetings.

Records of established cooperative mechanisms, related documents, correspondence and meeting minutes are saved, and where relevant, recorded on appropriate internal registers. During the year, NOPSEMA continued to utilise co-operative mechanisms with relevant Commonwealth and state departments with portfolio responsibilities across resources, fisheries, transport, safety and environmental protection. Examples include:

- DIIS quarterly heads of agency meetings
- Upstream Petroleum Resources (UPR) Working Group - bi-annual meetings with state and commonwealth representatives
- NOPTA data management group meetings
- Australian Antarctic Division contract of service agreement.

KPI 15	Legislative change liaison with portfolio department						
Annua	l target	2015–16	2016–17	2017–18			
Quar	rterly	100%	100%	100%			

NOPSEMA has a legislative change management framework in place. Within this framework, NOPSEMA proposes key priorities and contributes to legislative change, collaborating frequently with DIIS.

NOPSEMA participates in regular meetings with the portfolio department and all documentation, including minutes and any actions, are recorded and saved in the electronic records management system.

Over the course of the year NOPSEMA continued to contribute significantly to legislative change processes lead by DIIS.

A key achievement has been the finalisation and introduction to parliament of the Offshore Petroleum and Greenhouse Gas Storage Amendment (Miscellaneous Amendments) Bill 2018 and the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Amendment Bill 2018.

These bills contain significant amendments relevant to NOPSEMA's functions including the transfer of regulatory responsibility for greenhouse gas activities from the responsible Commonwealth minister to NOPSEMA and improvements and additions to the suite of NOPSEMA inspection and enforcement powers.

NOPSEMA has also contributed to regulatory reform processes including close consultation with DIIS and other stakeholders on progress toward full transparency of environment plans.

KPI cross-references: RPF 6

KPI 16	Participation at annual general meetings for the IRF and IOPER group
	······································

Annual target	2015–16	2016–17	2017–18
100%	100%	100%	100%

NOPSEMA is a member of the IRF which comprises 10 member countries. The IRF focuses on offshore safety for the international petroleum industry and exists to drive improvements in health and safety performance through collaboration on joint programmes and information sharing.

NOPSEMA is also Australia's representative on the IRF management committee along with Canada and Norway

NOPSEMA's environmental credentials have been recognised through its membership and role within the IOPER group.

The IOPER group comprises eight member countries and exists to drive improvements in environmental management performance in the global offshore petroleum industry.

KPI cross-references: RPF 1, RPF 4, RPF 6

During 2017–18, eleven international engagements with the IRF and IOPER were undertaken. These focused on:

- IOPER's progress on oil spill preparedness and response
- IOPER's AGM and aquatic noise working group
- IRF management committee meetings and the IRF AGM.

accordance with the established procedures.

KPI 17		and corporate proce in line with the qual			
Annua	l target	2015–16		2016–17	2017–18
10	0%	100%		100%	100%
NOPSEMA's quality management system (QMS) comprises over 50 individual series of policies and procedures, including a series regarding management of the QMS.			During 2017–18, NOPSEMA's internal audit team progressed audits and system improvements on a range of series. The work resulted in:		
Each series has an identified audit schedule (typically two to four years) which is used to manage and plan auditing processes.			 recommendations and opportunities for improvement being raised and closed out 		
In addition to audits, improvement projects are undertaken as opportunities are identified.			 stakeholders being consulted QMS documents being created, correcte or withdrawn. 		0
			re	port provided detail	nal QMS 2017–18 audit s on the above and dits were conducted in

The project delivered the primary benefit,

being the upgrade of NOPSEMA's critical

records management system, on time and

within budget, however additional identified

benefits were not delivered due to technical

KPI 18		are reviewed and e objectives and value	valuated to measure t ue for money	heir performance	
Annua	l target	2015–16	2016–17	2017–18	
10	0%	n/a ⁸	100%	100%	
The target has been met for the last three years.					
saving mea	asures that co	ongoing cost- ntinued to reduce	In 2017–18, three rele business cases were o		
the number of ICT projects established in 2017–18.			One project met the criteria as being completed and requiring a review of its		
Criteria for	inclusion in th	is measure includes:		-	

issues.

- significant project costing over \$20 000 • qualifies as a project under NOPSEMA's project management system (as compared to a simple procurement)
- business case created in report period .
- project completed.

•

KPI cross-references: RPF 6

The 2016–17 result is not available as this KPI was a new addition to the corporate plan in 2016–17. 8

		g levels and skills are nent requirements	maintained within	
Annua	l target	2015–16	2016–17	2017–18
90)%	100%	100%	100%

NOPSEMA monitors and maintains staff skill levels through its employee performance management process that includes the consideration and review of demonstrated core competencies. NOPSEMA has built a critical mass of regulatory specialists with the necessary skill sets and expertise.

NOPSEMA maintains an establishment register and vacancies are filled according to approved operational requirements and are reviewed on an ongoing basis. Resources are allocated proportionate to risk.

NOPSEMA's human resources team provides regular reports to the relevant minister, the NOPSEMA Advisory Board and the APS Commission. These reports include information about staffing levels, vacancies and recruitment. In 2017–18, NOPSEMA finalised the human resources strategy and implementation plan for 2018 - 2022. This included establishing a learning and development framework.

NOPSEMA recruited staff for critical positions indicative of industry activity. Of the 136 established positions, as of 30 June 2018:

- 126 positions were approved
- 100% of approved positions were filled (comprising ongoing, non-ongoing, seconded and temporary staff).

Skill levels were maintained with all staff completing the required training and having met performance management expectations.

KPI cross-references: RPF 1

KPI 20	Feedback and complaints are processed in compliance with the regulatory service charter							
Annua	al target	2015–16	2016–17	2017–18				
10	0%	100%	83%	100%				

The target has been met or substantially met for the last three years.

NOPSEMA's regulatory services charter is published on the NOPSEMA corporate website.

The charter states that NOPSEMA will provide a formal process to receive, consider and act on stakeholder feedback and complaints.

NOPSEMA maintains a feedback and complaints register that includes references to relevant documents and completion/ finalisation dates to ensure the agency acknowledges all complaints received and responds in a timely manner. The target is to acknowledge all complaints within three working days.

Complaints from stakeholders regarding possible breaches of OHS, well integrity and environmental management requirements under the legislation are managed separately and in accordance with NOPSEMA's incident notifications policy.

KPI cross-references: RPF 2, RPF 5, RPF 6

	Feedback	Complaints
2015–16	20	1
2016–17	1	6
2017–18	3	1

In 2017–18, three instances of feedback were received and processed. One complaint regarding the functionality of the financial assurance form was received and acknowledged within the three day target.

KPI 21 An annual environment scan and risk review is completed	
Annual target 2015–16 2016–17 2017–18	
Annually 100% 100% 100%	

NOPSEMA undertakes an annual environmental scan as part of its annual risk review process. The scan includes a PESTLE (a tool to identify factors affecting the agency) and SWOT (the analysis of the factors) analysis.⁹

The scan assists NOPSEMA to identify new and emerging issues that should be considered during its annual risk review process. Subsequently, this may result in a change to how NOPSEMA assesses and controls an identified risk.

The environment scan results also informs NOPSEMA's corporate planning and annual operating planning processes.

KPI cross-references: RPF 1, RPF 3

Findings from the 2017–18 environment scan include:

Strengths

- improved stakeholder and government agency engagement
- · professional and highly skilled staff
- sound financial position

Opportunities

- further investment in training and development
- identification of knowledge gaps for research organisations
- conferrals from states and territories.

KPI 22	Independer	nt audit verifies comp	pliance with the PGP	A Act
Annua	l target	2015–16	2016–17	2017–18
Ann	ually	100%	100%	100%
The Australian National Audit Office undertake an audit on financial statements to verify financial systems, records, and results of the agency each financial year. The audit outcome (independent auditor's report) is included in NOPSEMA's annual report each year.				
KPI cross-r	eferences: R	RPF 5	NOPSEMA as at	30 June 2018.

⁹ PESTLE: political, economic, social, technological, legal and environmental, SWOT: strengths, weakness, opportunities and threats

KPI 23	A cost-effectiveness review of operations is undertaken and presented to industry					
Annua	l target	2015–16	2016–17	2017–18		
Ann	ually	100%	100%	100%		
NOPSEMA operates on a full cost-recovery basis, funded by the offshore petroleum industry.			NOPSEMA's 2016–17 cost-effectiveness review report was published on NOPSEMA's website in February 2018.			
NOPSEMA's financial report on cost- effectiveness is provided in accordance with Regulation 62 of the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004.			NOPSEMA delivered report to industry and 4 April 2018.	a presentation of the other stakeholders on		
KPI cross-	references: F	RPF 5, RPF 6				

Analysis of performance against entity purpose

The table below identifies any changes that may have impacted NOPSEMA's performance.

		Purpose	Nil		
		Activities	Nil		
	(a)	Organisational capabilities	Resource management: some specialist vacancies (both regulatory and corporate) positions remained unfilled.		
s to:		Operating environment	There was an increase in industry activity in general, including:		
Change			 increase in number of active operators and facilities 		
ΰ	(b)		increase in total hours worked offshore		
	(0)		increase in assessment submissions		
			 increase in the number of inspections undertaken 		
			 increase in the number of incidents reported. 		

Portfolio Budget Statements performance

A subset of four regulatory activity-based KPIs (1, 2, 3 and 5) were selected as appropriate performance measures for (ongoing) inclusion in the annual Portfolio Budget Statements. These performance measures are used to indicate NOPSEMA's achievement of the program.

Summary of results

КРІ	Results discussion	2015– 16	2016– 17	2017– 18
Legislated assessment timeframes are published and meet policy targets ¹⁰	NOPSEMA assessed safety cases, WOMPs and environment plans within regulated timeframes and published this data quarterly.	~ ~	√ √	√ √
Inspections are conducted to meet policy targets	NOPSEMA effectively monitored industry via planned inspections based on risk-based models.	√ √	~ ~	~ ~
Enforcement actions are undertaken in accordance with the enforcement management model	Effective enforcement activity was maintained through adherence to the enforcement management model, which is subject to audit, management oversight and peer review.	√ √	√ √	√ √
Incidents are investigated in accordance with investigation policies	Effective investigation practices were maintained through adherence to the investigation policy, which is subject to both audit, management oversight and peer review.	 ✓ 	~	√ √

Target met Target substantially met Target not met

10 This KPI was updated in 2017–18 to improve the performance measure by including the risk-based elements of NOPSEMA's assessment policy. The results listed above reflect measure published in the PBS for 2017–18 (tabled in the Parliament of Australia in May 2017).

Regulator Performance Framework

NOPSEMA administers, monitors and enforces regulation and, as a Commonwealth regulator, is required to implement the Regulator Performance Framework (RPF). The framework consists of six outcomes-based KPIs covering reducing regulatory burden, communications, risk-based and proportionate approaches, efficient and coordinated monitoring, transparency, and continuous improvement. All Commonwealth regulators must assess their performance under the RPF. Further information on the RPF is available at: jobs.gov.au/deregulation-agenda.

NOPSEMA's approach

NOPSEMA has aligned the requirements of the RPF with the PGPA Act and the Enhanced Commonwealth Performance Framework. This approach gives the agency the flexibility to streamline performance assessment and reporting while still ensuring accountability and transparency are maintained.

The requirements of the RPF state that Commonwealth regulators must self-assess their performance against the RPF annually. The results of the self-assessment report must:

- be validated by the approved Ministerial Advisory Council, as external stakeholders, for NOPSEMA this is the GCAC
- be certified by the agency's accountable authority (the CEO)
- · be provided to the agency's portfolio minister
- be published no later than 31 December each year.

Summary of results

Details and performance results against NOPSEMA's primary KPIs are included in the annual performance statements. Additional and notable points specific to the RPF, including identified focus areas for each KPI, are discussed in the following tables.

Performance statement

Of the six RPF KPIs, NOPSEMA fully met all six KPIs. NOPSEMA's self-assessment results indicate that it fulfils its purpose to 'independently and professionally regulate offshore health and safety, integrity and environmental management' and does so within a continuous improvement setting.

Methodology, results and discussion

RPF 1Regulators do not unnecessarily impede the efficient operation
of regulated entities

Focus areas include assessments,	2015–16	2016–17	2017–18
stakeholder engagement, risk awareness,	All targets	All targets	All targets
process improvement and maintaining skills.	met	met	met

NOPSEMA continued to ensure regulatory burden and impact was minimised for regulated entities, while still maintaining regulatory objectives. This was demonstrated by engaging and understanding our regulated entities and other stakeholders and by undertaking regulatory activities in a timely manner. Examples include:

- · assessments and inspection reports were promptly completed
- the NOPSEMA Advisory Board received regular reports on NOPSEMA and industry performance
- · active participation in international regulatory groups and forums
- improved consultation practices for advice (guidance) were implemented
- · compliance costs were minimised, where appropriate
- · continued to maintain and improve ongoing professional development of staff
- continued to control, review and audit regulatory processes
- continued to illustrate operational performance thorough the timely publication of various performance metrics and reports on thewebsite
- continued to allocate resources proportionate to identified risks
- · completed an annual risk review including an environment scan that identified risks.

KPI cross-references: RPF 5



RPF 2 Commu	Communication with regulated entities is clear, targeted and effective						
Focus areas include put		2015–16	2016–17	2017–18			
and results, transparence feedback.	0	All targets met	Targets substantially met	All targets met			

NOPSEMA continued to prioritise stakeholder engagement. This was demonstrated through the establishment and coordination of the Transparency Initiative, which progressed a suite of projects to improve the transparency and community confidence in the offshore petroleum regulatory regime. The initiative was overseen by a multi-sector steering committee. In addition, NOPSEMA:

- continued to communicate regulatory decisions to dutyholders in a timely manner and, where appropriate, with reasons
- continued to review the adequacy of guidance and communication mechanisms to ensure stakeholders maintain an understanding of assessment processes, particularly with respect to risk assessment
- conducted workshops and consultation with relevant stakeholders where appropriate e.g. taskforce public information sessions and webcasting
- established the NOPSEMA Community and Environmental Reference Group
- provided electronic and printed copies of *the Regulator* quarterly magazine to dutyholders.



RPF 3	Actions undertaken by regulators are proportionate to the regulatory risk being managed						
Ecous cross in	voludo riak based regulatory	2015–16	2016–17	2017–18			
	clude risk-based regulatory hops and promotion and edback.	Targets substantially met	Targets substantially met	All targets met			

NOPSEMA's overarching compliance strategy incorporates the following principle:

Decisions and actions taken by NOPSEMA are targeted, proportionate, accountable, fair, informed, flexible, systematic, consistent, transparent and consultative.

Examples of proportionate compliance actions included:

- continued use of a risk-based approach for regulatory activities that considers the relevant risk factors and performance and compliance history
- continued liaison with dutyholders to inform them of the risk-based approach to regulatory actions
- continued availability of risk management and regulatory risk-based policies and procedures to staff and stakeholders
- continued training in risk management policies, processes and procedures
- the NOPSEMA enforcement policy includes options for graduated compliance actions consistent with the regulator's powers and legislation
- NOPSEMA's internal compliance committee implemented the organsiation's compliance strategy, including oversight of regulatory compliance risk and enforcement decisions.

The relevant minister's Statement of Expectations and NOPSEMA's Statement of Intent are updated as appropriate and published on NOPSEMA's website.



	Compliance and monitoring and coordinated	e streamlined		
Focus areas in	clude reducing regulatory	2015–16	2016–17	2017–18
burden, working collaboratively and		All targets	All targets	All targets
stakeholder engagement.		met	met	met

NOPSEMA's compliance strategy outlines approaches and principles relevant to the agency's compliance and monitoring activates (see RPF 3). In addition, examples of streamlining and coordination approaches in 2017–18 include:

- communicating NOPSEMA's expectations to dutyholders to assist in effective and efficient inspections
- continued assurance through annual planning processes that regulatory activity is coordinated and efficient, in consideration of reducing regulatory burden
- the provision for cross-divisional coordination in policies and procedures for planning regulatory activities
- regular interaction with international regulators and industry bodies with regard to best practice in compliance approaches
- requests for information from dutyholders were specific and necessary, and minimised impact
- compliance activities were based on risk and considered the operational requirements of dutyholders
- NOPSEMA's internal compliance committee implemented the organisation's compliance strategy, including overseeing regulatory compliance risk and enforcement decisions.



	Regulators are open and transparent in their dealings with regulated entities							
Foolio orogo in	olude reporting and	2015–16	2016–17	2017–18				
Focus areas include reporting and publishing information, transparency, stakeholder presentations and feedback.		All targets met	Targets substantially met	All targets met				

NOPSEMA continued to improve its openness and transparency through implementing a range of initiatives to better inform the community of its role and responsibilities. This included a number of initiatives to demonstrate the rigorous nature of NOPSEMA's regulatory activities. For example, NOPSEMA has:

- a regulatory service charter published on the NOPSEMAwebsite that describes the organisation's approach to stakeholder interactions
- a number of initiatives in place designed to systematically and comprehensively improve consultation processes between relevant persons and titleholders and build community confidence in offshore petroleum regulatory regime
- · published guidance readily available to stakeholders on the website
- regularly engaged with dutyholders to inform them of NOPSEMA's expectations with numerous feedback opportunities
- promptly responded to stakeholder requests for information
- regularly published performance measurement results on the website.

1 2 3	4 5	6 7	8	9 10	11 1	2 13	14	15	16	17	18	19	20	21	22 23	5
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	Regulators actively contribute to the continuous improvement of regulatory frameworks							
Ecous aroos in	oludo reporting auditing and	2015–16	2016–17	2017–18				
Focus areas include reporting, auditing and evaluation, legislative change, liaison and strategic planning.		All targets met	Targets substantially met	All targets met				

NOPSEMA encourages a high performance culture and identifies improvements through its internal audit, review, evaluation, collaboration and analysis processes. Examples of the organisation's active contributions to continuous improvement in 2017–18 include:

- publishing expansive datasets and reports of NOPSEMA and industry performance to identify opportunities for improvement.
- sought advice from the NOPSEMA Advisory Board through regular meetings and referrals, noting the continued quality and experience provided by members
- appointment to the Australian Maritime Safety Authority Industry Advisory Board
- collaborating with the DIIS on legislative change
- representing Australia as a member of the IRF and IOPER, in addition to holding a position as a member of the IRF management committee.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 2	1 2 3 4 5 6	7 8 9	10 11 12 13	14 15 16 17 18	19 20 21 22 2
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Financial summary



Financial summary

In 2017–18, NOPSEMA returned a surplus of \$0.2 million reflecting consistent underlying revenue and effective cost control strategies.

The forecast for the reporting period was for NOPSEMA to be in deficit by more than \$2 million. The actual result shows revenue was on budget whereas expenditure, specifically employee expense, was significantly under budget.

OHS, well integrity and environmental management comprise NOPSEMA's three primary revenue streams. OHS revenue reflects the number of facilities operating in NOPSEMA's jurisdiction. OHS revenue was consistent with NOPSEMA's forecast which took into consideration the likelihood of a number of facilities undertaking longterm production activities over short-term exploration activities. Well integrity revenue is almost entirely reflected by the number of wells in NOPSEMA's jurisdiction which has slightly increased each year as new wells are drilled. Well integrity revenue was consistent with NOPSEMA's forecast for the reporting period. Environmental management revenue is the most variable of all NOPSEMA's revenue streams as it reflects the number of petroleum activities undertaken in the jurisdiction. The number of activities undertaken is directly affected by the international commodity price for petroleum and despite the upward trend in the price for petroleum during 2017-18 the environmental management revenue was 11% lower than forecast.

In relation to expenditure, 77% of NOPSEMA's total expenses are related to employees, including their associated recruitment and training. Anticipating fluctuations in environmental management revenue, NOPSEMA implemented costcontrol strategies with the most effective being maintaining vacancies within the organisation. While employee costs increased in comparison to the previous year, these costs were below NOPSEMA's forecast. The implementation maintaining vacancies was carefully managed to ensure NOPSEMA continued to deliver its regulatory obligations.

NOPSEMA is forecasting a budget deficit for 2018–19 in accordance with the Australian Government Cost Recovery Guidelines which requires entities to manage cumulative surplus and develop mechanisms to avoid systematic over-recovery.

Notwithstanding an increase in employee costs and the expectation of stable revenue during the reporting period, NOPSEMA remains financially viable with sufficient cash balances to meet future commitments.

Operating result

An operating surplus of \$0.2 million was recorded for 2017–18, compared to a \$5.1 million surplus in 2016–17. The decrease in operating surplus is attributed to non-recurring revenue of \$7.7 million recorded in 2016–17, and expenditure savings of \$2.3 million.

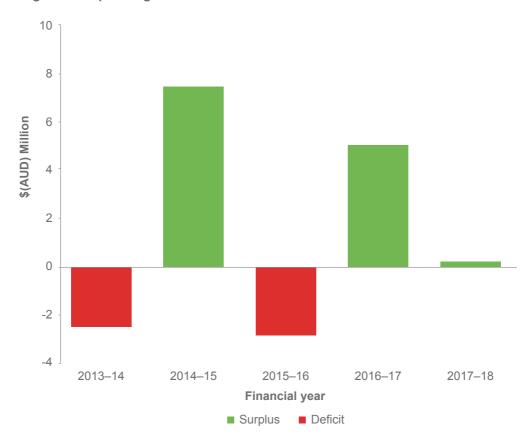


Figure 13: Operating result 2013–14 to 2017–18

Revenue

A total revenue of \$31.9 million was recorded for 2017–18, compared to \$36.2 million in 2016–17. The decrease in total revenue is attributed to non-recurring revenue of \$7.7 million recorded in 2016–17. NOPSEMA anticipated the decrease and reflected that in its budget estimate of \$32.4 million total revenue for 2017–18. As of 30 June 2018, NOPSEMA had \$0.6 million in deferred environmental management revenue, compared to \$0.5 million in 2016–17. The deferred revenue relates to levies for environment plans that were submitted during the reporting period but remained under assessment at the end of the financial year. That revenue will be recognised when the assessment is completed.

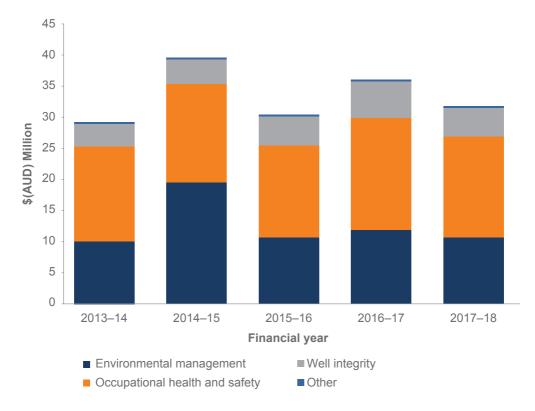


Figure 14: Revenue by type 2013–14 to 2017–18

NOPSEMA's revenue is sourced from levies collected from stakeholders that are planning or undertaking offshore petroleum activities in Commonwealth waters. Levy revenue has contributed to more than 99% of total revenue since NOPSEMA's inception in 2012, after the cost of transitioning from NOPSA to NOPSEMA was removed.

Expenditure

A total expenditure of \$31.7 million was recorded for 2017–18, compared \$31.2 million in 2016–17. Total expenditure, however, was 8% lower than the budget estimate of \$34.4 million due to reduced employee expenses.

Significant cost-control strategies implemented in 2016–17 were eased slightly in 2017–18 with employee expenses increasing by \$1 million, supplier expenses increasing by \$0.5 million, and depreciation and amortisation decreasing by \$1 million. Employee expenses made up 77% of total expenditure, supplier costs made up 20% and depreciation and amortisation made up 3%. Compared to the recorded expenditure breakdown of 75%, 19% and 6% for 2016–17, this reflects a stable cost structure between financial years.

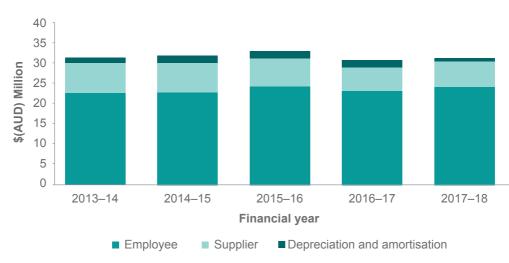


Figure 15: Breakdown of expenditure 2013–14 to 2017–18

Assets

NOPSEMA undertook asset management in accordance with the Commonwealth procedure guidelines and the requirements of the accountable authority instructions, authorisations 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 non-financial assets have a net value of \$3 million including \$1.7 million for the organisation's offices in Perth and Melbourne and \$0.3 million for property, plant and computer equipment. NOPSEMA's Regulatory Management System (RMS) software is an intangible asset valued at \$0.6 million. Development of the RMS software was paused in 2016–17 but recommenced in 2017–18 which increased the value of NOSEMA's intangible assets by \$0.59 million compared to the previous year. No other major projects were undertaken in 2017–18.

As of 30 June 2018, NOPSEMA's cash-onhand was \$11.9 million, compared to \$12.2 million recorded in 2016–17.

Purchasing

NOPSEMA signed a lease agreement for a new office for its Melbourne staff. Moving Melbourne staff to a new office, located in the city centre, was necessary as NOPSEMA's previous landlord gave notice of the redevelopment of the previous office along St Kilda road. As of 30 June 2018, the new office was undergoing fit-out.

NOPSEMA continued its contract with the Australian Antarctic Division (AAD) with a total spend of \$11,691 against a contract value of \$70,000.

Consulting

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 the organisation'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 rules, including the Commonwealth procurement rules and relevant internal policies.

NOPSEMA spent \$255,330 on consultancy contracts. This consisted of engagements for regulatory activities (\$94,000), human resources (\$58,000), information technology (\$52,000) and corporate advice (\$51,000).

Australian National Audit Office access clauses

NOPSEMA contracting templates include standard clauses providing for Auditor-General access to contractor and major subcontractor premises, records and accounts.

Management and accountability



Management and accountability

Corporate governance

Overall responsibility for the management of NOPSEMA is vested in its CEO. The OPGGS Act provides the CEO with all the legal powers and functions that the law assigns to NOPSEMA. The CEO must have regard to the advice of the NOPSEMA Advisory Board and keep it informed. The CEO may delegate his/her authority for the day-to-day operations of NOPSEMA to the Head of Division for Safety and Integrity, Environment or Regulatory Support.

The OPGGS Act requires NOPSEMA to report on its investigations, as appropriate, to the responsible Commonwealth, state and Northern Territory ministers. Under streamlined environmental authorisation arrangements, endorsed under the EPBC Act, NOPSEMA is also required to report to the Minister for the Environment and Energy on its compliance with streamlining commitments (See Appendix 2: EPBC Act streamlining performance report 2017–18). The responsible Commonwealth minister, after consulting with the relevant state or Northern Territory minister, may issue policy principles to NOPSEMA to direct the manner in which it fulfils its responsibilities. These policy principles do not extend to NOPSEMA's regulatory decision-making.

As a Commonwealth statutory authority and corporate entity, NOPSEMA has statutory obligations under the *Public Service Act 1999* and the PGPA Act. NOPSEMA ensures compliance with these obligations through its performance management framework and corporate governance structure.

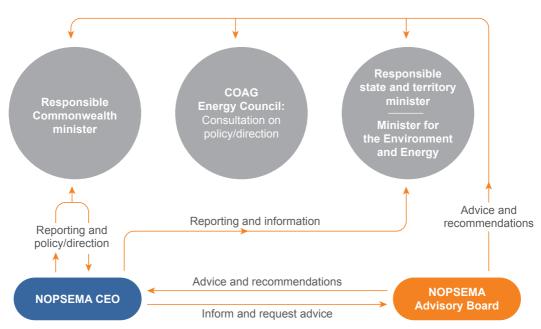


Figure 16: Corporate governance structure

Business risk and fraud control

NOPSEMA is strongly committed to an environment of corporate governance involving effective and robust internal controls and a highly ethical culture. It is the responsibility of all NOPSEMA staff to safeguard the organisation's property against loss through fraud, corruption or negligence and to support fraud and corruption control efforts.

In 2017–18, NOPSEMA maintained a risk management framework that conforms to AS/NZS ISO 31 000:200 *Risk management* - *Principles and guidelines* and aligns with the *Commonwealth Risk Management Policy*. The framework facilitates the management of all reasonably foreseeable organisational risks (so far as reasonably practicable) so that NOPSEMA can continue to carry out its statutory functions and meet the expectations of the responsible Commonwealth minister and stakeholders.

NOPSEMA's results in the 2018 Comcover risk management benchmarking survey were very positive and NOPSEMA achieved an overall advanced rating on its risk maturity model. The survey aligns with the nine elements of the Commonwealth risk management policy and all general government sector entities take part.

NOPSEMA's fraud and corruption control plan reflects the organisation's commitment to promoting ethical and honest behaviour in the workplace. The implementation of the plan seeks to reduce the overall risk of fraud and corruption and support the investigation of all suspected instances of fraud and corruption by NOPSEMA staff. NOPSEMA's risk committee has four members including the Risk, Planning and Improvement Manager; Chief Financial Officer (CFO); General Counsel, and the Technical Lead – Systems and Audit. The committee assists NOPSEMA in carrying out its duties and meeting its statutory obligations in relation to risk management and control systems as outlined under the PGPA Act.

NOPSEMA's audit committee has three members including the Head of Division for Safety and Integrity and two independent committee members from an unrelated chartered accountancy practice and a company secretary. These independent members are appointed to act as Chair and Alternate Chair respectively. Advisers to the committee include NOPSEMA's internal auditor, PricewaterhouseCoopers, and the external auditor, Ernst and Young (on behalf of the Australian National Audit Office). NOPSEMA's General Counsel; CFO and Risk, Planning and Improvement Manager also act as advisers to the committee. The committee provides independent assurance and advice to the NOPSEMA CEO about NOPSEMA's internal control mechanisms, financial and business risks, and compliance with its statutory obligations under the PGPA Act, and rules and orders of the Minister for Finance. The committee provides an avenue for communication between NOPSEMA management and the organisation's internal and external auditors.

Internal and external audits of NOPSEMA's financial controls reported no significant weaknesses. No indemnity was applied during the reporting period.

Performance management framework

NOPSEMA's performance management framework provides it with a structure for planning, budgeting, service delivery, performance monitoring, reporting and accountability. The framework assists NOPSEMA to focus on its objectives and ensures the continuous and rigorous assessment and provision of information on NOPSEMA's performance. The framework is supported by an integrated planning and performance management model (see Table 6) that incorporates NOPSEMA's corporate plan and is supported by team-based annual operating plans.

Table 5: Performance management framework



Develop and implement effective monitoring and enforcement strategies to secure compliance.

Investigate accidents and dangerous occurrences 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 and Northern Territory minister.



Cooperate with other agencies performing functions relating to offshore petroleum operations and activities.



Maintain corporate support and governance to facilitate delivery of regulatory functions in accordance with statutory requirements.

Strategic management	Resource management	Regulatory operations management	Information management	Compliance management
Stakeholder input	Human resources	Operator registration	Document and data control	Internal audit and review
Commitment and responsibilities Strategic planning and objective setting Executive management leadership and involvement	Financial resources Physical resources Procurement and contract management Work health and safety	Assessment Inspection Investigation Enforcement Advice and promotion Project management	Records management Information, communications and technology systems	Management system and external audit Measurement, monitoring, improvement and consultation
Risk management Business continuity Process improvement Data management		Interagency activities Consultation and communication		

Table 6: Planning and performance management model

People management

In 2017–18, NOPSEMA continued to build a high performance and values-based culture; attract, recruit and retain a highly skilled workforce; proactively plan for future workforce needs and provide high quality and timely learning and development opportunities to staff.

Staffing

As of 30 June 2018, NOPSEMA had a headcount of 126 staff and a full-time equivalent of 115.8 comprising ongoing, non-ongoing, seconded and temporary staff.

Workplace diversity

NOPSEMA is committed to a fair, flexible, safe and rewarding workplace which allows for diversity among its employees. Our people management policies and practices seek to ensure a workplace free from discrimination and harassment. NOPSEMA actively promotes a work environment that recognises and values individual differences of staff and fosters the contributions of people with different backgrounds, experience and perspectives.

Code of conduct

In 2017–18, NOPSEMA continued to actively support and uphold the APS Values and Code of Conduct. NOPSEMA informs and educates staff on the APS Values and Code of Conduct through an induction process and access to APS policy and guidance material. Any potential breaches of the Code of Conduct are investigated and any findings are dealt with appropriately. As a condition of employment, all staff are required to declare potential conflicts of interest.

Employee benefits

NOPSEMA offers its staff highly competitive remuneration packages and exceptional working conditions. This includes:

- competitive employer superannuation contributions at 15.4%
- 25 days of annual leave and 15 days of personal leave per annum
- ability to purchase additional leave subject to operational need
- professional and career development opportunities
- flexible working arrangements
- free counselling service available to staff and their immediate family members
- annual flu vaccinations
- \$300 subsidy for employees requiring prescription glasses to perform their duties
- \$500 per calendar year for appropriate professional memberships/subscriptions.

Figure 17: NOPSEMA headcount by role 2017–18



The five building blocks of NOPSEMA human resource strategy

A values-based organisational culture	NOPSEMA continued to progress initiatives to build and maintain a collegiate organisational culture. Many of these initiatives were led by NOPSEMA's Organisational Culture Group comprising 11 members at various levels across NOPSEMA divisions of which four members comprise the group's leadership team. During the reporting period, the group updated NOPSEMA's corporate values and continued to promote and facilitate a celebrating success and recognition program. Further, the APS Values and Code of Conduct are reflected in the organisations corporate induction programme and employee performance management framework.
A focus on high performance	NOPSEMA continued to develop and implement policies and procedures to support high performance. To support this ongoing focus, NOPSEMA continued to measure staff performance through its employee performance management process. NOPSEMA embarked on a program of reviewing its suite of human resource policies and processes. This review is designed to ensure people management practices remain aligned and compliant with business requirements and relevant legislation and practices.
Effective attraction, recruitment and retention strategies	NOPSEMA successfully attracted and recruited experienced professionals into a number of critical ongoing and non- ongoing vacancies. NOPSEMA launched its inaugural 12 week Vacation Undergraduate Programme with the recruitment of five undergraduates in their penultimate or final year of study. The participants successfully completed a number of projects of high relevance to NOPSEMA business under the supervision of experienced staff. NOPSEMA continued to encourage and facilitate career and professional development opportunities for ongoing staff.
A proactive approach to workforce planning	NOPSEMA undertook a comprehensive workforce planning process that involved four key activities: workforce analysis; forecasting future workforce needs; analysing gaps; and developing strategies. Workforce planning discussions took place with members of the NOPSEMA Leadership Team and all NOPSEMA managers, identifying current and future workforce requirements including organisational design and workforce development.
A targeted, evidenced-based approach to learning and development	NOPSEMA continued to encourage and support its staff to actively pursue opportunities for professional development. Regulatory employees continued to attend mandatory training to maintain relevant certifications required to inspect offshore petroleum activities. This included, but is not limited to, basic offshore safety induction and emergency training, further offshore emergency training and compressed air emergency breathing system training as well as continued professional development activities.

Work health and safety

NOPSEMA recognises that good OHS performance contributes to the overall success of an organisation and is committed to providing a safe workplace for all staff, contractors and visitors

In 2017–18, NOPSEMA continued to implement its work health and safety management system, managed and reviewed hazards and risks on an annual basis, and monitored and reported on the organisation's work health and safety performance.

NOPSEMA is committed to being recognised as a leader in workplace health and safety performance. We strive to achieve a culture which empowers our people to be accountable for their OHS. Our objective is to achieve or exceed the standard of OHS performance we expect from the industry we regulate.

All new staff undergo an OHS induction and this includes permanent, ongoing, nonongoing, secondment and temporary staff. NOPSEMA has the required resources in place to comply with the *Work Health and Safety Act 2011* (WHS Act). This includes the development and implementation of relevant policies, the management of hazards and incident reports.

Health and safety committee

The NOPSEMA Health and Safety Committee provides an avenue for effective communication between senior management and staff on workplace OHS matters. The committee has ten members comprising at least one staff representative from each division. The committee met quarterly and published its meeting minutes on NOPSEMA's internal website. A representative of NOPSEMA's safety officer function attends each meeting as an observer and to provide information if required.

Governance

Comcare did not conduct an audit of NOPSEMA during the reporting period. Comcare is the national regulator of workplace OHS. It conducts a program of management system audits (on all federal employers) to assess OHS policies and practices to ensure employers are meeting and maintaining their responsibilities under the WHS Act. NOPSEMA's was last audited in March 2017.

Incidents

Under the WHS Act, NOPSEMA is required to notify Comcare of any notifiable accidents or dangerous incidents arising from the organisations conduct of business or undertakings.

In 2017–18, there were no notifiable workplace accidents or dangerous incidents reported to NOPSEMA.

NOPSEMA met all three targets of the Australian Work Health and Safety Strategy 2012–22.

Since 2013–14, NOSEMA has only had two incidents requiring notification to Comcare.

Investigations and other matters

Under the WHS Act, NOPSEMA is required to report any OHS investigations conducted during the year relating to businesses or undertakings conducted. This includes details of all notices given to the entity during the year under Part 10 of the WHS Act. In 2017–18, no investigations were conducted and no notices were issued to NOPSEMA.

Table 7: WHS national target results for 2017–18

National target	NOPSEMA result
A reduction of at least 20% in the number of worker fatalities due to injury.	Nil fatalities
A reduction of at least 30% in the incidence of claims resulting in one or more weeks off work.	Nil claims
A reduction of at least 30% in the incidence of claims for musculoskeletal disorders resulting in one or more weeks off work.	Nil claims

Table 8: NOPSEMA workplace OHS programs and initiatives



All staff and their immediate family members are provided counselling services through an employee assistance program.



Regular workplace hazard inspections are undertaken.



Ergonomic assessments are provided for:

- all new staff (includes permanent and temporary staff)
- any staff suffering injuries or discomfort
- any staff returning from extended absences or leave
- as requested by any staff member.



A mental health initiative is in place. Regular information sessions and seminars are provided.



Regular medical assessments are undertaken for all inspectorate staff. All employees undergo a pre-employment medical assessment.



A free vaccination program against influenza is offered to staff at the beginning of each winter.



NOPSEMA encourages staff participation in seminars, information sessions and workshops on various health-related matters.

External scrutiny

NOPSEMA is subject to external scrutiny through parliamentary committees, the Australian National Audit Office, the courts, administrative tribunals, the Commonwealth Ombudsman, and the Office of the Australian Information Commissioner.

Inquiry into the effect of red tape on environmental assessment and approvals

From 9 June 2017 to 18 October 2017 the Commonwealth Select Committee on Red Tape held an inquiry into the effect of red tape on environmental assessment and approvals.

On 22 August 2017, NOPSEMA appeared at the inquiry's public hearing in Perth to provide information on the benefits of streamlining regulation and advice on its role in promoting national consistency in the administration of regulatory requirements governing the offshore petroleum regime. The inquiry report identified the committee's acceptance that the state and Northern Territory governments could reduce red tape for offshore petroleum projects with a conferral of power and functions on NOPSEMA. The committee also noted that the COAG previously agreed to examine the benefits of consolidating regulatory functions, including through the amalgamation of regulators. The inquiry report is published at aph.gov.au.

Inquiry into the work health and safety of workers in the offshore petroleum industry

On 8 February 2018 the Senate Education and Employment Legislation Committee commenced an inquiry into the work health and safety of workers in the offshore petroleum industry. NOPSEMA provided the inquiry with a submission on 16 March 2018 which is published at <u>aph.gov.au</u>. As of 30 June 2018, NOPSEMA was scheduled to appear at the inquiry's public hearing in Melbourne on 11 July 2018.

Inquiry into the prevention, investigation and prosecution of industrial deaths in Australia

On 26 March 2018, the Senate Education and Employment Legislation Committee commenced an inquiry into the prevention, investigation and prosecution of industrial deaths in Australia. NOPSEMA provided the inquiry with a submission on 1 June 2018 which is published at <u>aph.gov.au</u>. NOPSEMA was not asked to appear at the inquiry's public hearings.

Inquiry into impediments to business investment in Australia

On 27 March 2018, the Senate Standing Committee on Economics commenced an inquiry into impediments to business investment in Australia. NOPSEMA provided the inquiry with a submission on 10 May 2018 which is published at aph.gov.au. As of 30 June 2018, NOPSEMA was scheduled to appear at the inquiry's public hearing in Melbourne on 1 August 2018.

Senate estimates

On 5 June 2018, NOPSEMA appeared before the Economics Legislation Committee for Senate Estimates. The transcript for this appearance is published at <u>aph.gov.au</u>. NOPSEMA was not called to appear before the committee at any other time during the reporting period.

Freedom of information

NOPSEMA continued to be subject to the *Freedom of Information Act 1982*. As required, NOPSEMA considered its objectives in performing functions and exercising powers under the act to encourage proactive disclosure and transparency of its decisions and contribute to promoting public participation and scrutiny of its operations. NOPSEMA continued to publish information, as required under the act, on its corporate website.



Financial statements







INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards Reduced Disclosure Requirements 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 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the National Offshore Petroleum Safety and Environmental Management Authority, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- 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; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the National Offshore Petroleum Safety and Environmental Management Authority in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) to the extent that they are not in conflict with the Auditor-General Act 1997. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the National Offshore Petroleum Safety and Environmental Management Authority the Chief Executive Officer 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 – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the National Offshore Petroleum Safety and Environmental Management Authority's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an

GPO Box 707 CANBERRA ACT 2601 19 National Circuit BARTON ACT Phone (02) 6203 7300 Fax (02) 6203 7777 administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting
 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may
 involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal
 control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of
 accounting and, based on the audit evidence obtained, whether a material uncertainty exists related
 to events or conditions that may cast significant doubt on the entity's ability to continue as a going
 concern. If I conclude that a material uncertainty exists, I am required to draw attention in my
 auditor's report to the related disclosures in the financial statements or, if such disclosures are
 inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to
 the date of my auditor's report. However, future events or conditions may cause the entity to cease
 to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Laka

Garry Sutherland Audit Principal Delegate of the Auditor-General Canberra 28 September 2018

Statement by Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the corporate Commonwealth entity will be able to pay its debts as and when they fall due.

Stuart Smith Chief Executive Officer

27 September 2018

Denis Shaw Chief Financial Officer

27 September 2018

Statement of comprehensive income

for the period ended 30 June 2018

				Original
		2018	2017	budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	3A	24,500	23,491	25,342
Suppliers	3B	6,489	5,907	6,257
Depreciation and amortisation	3C	749	1,771	774
Total expenses		31,738	31,169	32,373
Own-source revenue				
Levies	4A	31,576	35,968	32,273
Interest		247	148	100
Other revenue	4B	137	116	_
Total own-source revenue		31,960	36,232	32,373
Net cost of services		222	5,063	
Revenue from government		_	_	_
Surplus / (deficit) on				
continuing operations		222	5,063	-
Total comprehensive				
income / (loss)		222	5,063	-

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

Statement of financial position

as at 30 June 2018

	Natas	2018	2017	Original budget
ASSETS	Notes	\$'000	\$'000	\$'000
Financial assets	_			
Cash and cash equivalents	5A	11,864	12,225	8,520
Trade and other receivables	5A 5B	9,780	8,870	6,610
Total financial assets	JD	21,644	21,095	15,130
		21,044	21,095	15,130
Non-financial assets				
Land and buildings	6A,C	1,670	2,064	2,660
Infrastructure, plant and equipment	6B,C	327	389	_
Intangibles	6D,E	622	29	298
Other non-financial assets		411	385	88
Total non-financial assets		3,030	2,867	3,046
Total assets		24,674	23,962	18,176
LIABILITIES				
Payables				
Suppliers	7A	(578)	(177)	(457)
Other payables	7B	(793)	(678)	(1,008)
Total payables		(1,371)	(855)	(1,465)
Provisions	_			
Employee provisions	8A	(5,099)	(4,893)	(4,951)
Other provisions	8B	(2,308)	(2,540)	(2,717)
Total provisions		(7,407)	(7,433)	(7,668)
Total liabilities		(8,778)	(8,288)	(9,133)
Net assets		15,896	15,674	9,043
EQUITY				
Contributed equity	_	896	896	896
Retained surplus	_	15,000	14,778	8,147
Total equity		15,896	15,674	9,043

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

Statement of changes in equity

for the period ended 30 June 2018

	2018	2017	Original budget
Notes	\$'000	\$'000	\$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	896	896	896
Adjusted opening balance	896	896	896
Comprehensive income			
Other comprehensive income	-		
Total comprehensive income	-		
Attributable to the Australian Government	_		
Transactions with owners	-	_	_
Total transactions with owners	_	-	_
Closing balance as at 30 June	896	896	896
RETAINED SURPLUS			
Opening balance			
Balance carried forward from previous period	14,778	9,715	8,126
Adjusted opening balance	14,778	9,715	8,126
Comprehensive income			
Surplus / (deficit) for the period	222	5,063	_
Other comprehensive income	_		
Total comprehensive income	222	5,063	
Attributable to the Australian Government	222	5,063	
Transactions with owners	_	_	21
Total transactions with owners	_	-	21
Closing balance as at 30 June	15,000	14,778	8,147
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	15,674	10,611	9,022
Adjusted opening balance	15,674	10,611	9,022
Comprehensive income			
Surplus / (deficit) for the period	222	5,063	_
Other comprehensive income	_		
Total comprehensive income	222	5,063	_
Attributable to the Australian Government	222	5,063	
Transactions with owners	_		21
Total transactions with owners	_	_	21
Closing balance as at 30 June	15,896	15,674	9,043

The above statement should be read in conjunction

with the accompanying notes.

Cash flow statement

for the period ended 30 June 2018

Notes	2018 \$'000	2017 \$'000	Original budget \$'000
OPERATING ACTIVITIES			,
Cash received			
Receipts from levies	31,165	36,469	32,273
Less refund of levies through Department of			
Industry, Innovation and Science (DIIS)	(1,461)	(425)	_
Interest	247	148	100
GST received	673	631	_
Other	137	110	267
Total cash received	30,761	36,933	32,640
Cash used			
Employees	(24,294)	(23,459)	(25,342)
Suppliers	(2,802)	(6,845)	(6,258)
GST paid	(674)	(604)	_
Accommodation	(2,579)	(2,484)	_
Total cash used	(30,349)	(33,392)	(31,600)
Net cash from / (used by) operating activities	412	3,541	1,040
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property,		0	
plant and equipment	_	6	_
Total cash received	_	6	_
Cash used			
Purchase of non-current assets	(886)	(414)	(1,000)
Total cash used	(886)	(414)	(1,000)
Net cash from / (used by) investing activities	(886)	(408)	(1,000)
Net increase (decrease) in cash held	(474)	3,133	40
Cash and cash equivalents at the beginning of the reporting period	12,338	9,205	8,480
Cash and cash equivalents at the end of the reporting period 5A	11,864	12,338	8,520

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

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Note 1. Summary of significant accounting policies

1.1 Objectives of NOPSEMA

NOPSEMA's primary role is promoting and securing compliance and improvement by dutyholders 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 OPGGS Act.

1.2 Basis of preparation of the financial report

These financial statements are general purpose financial statements and are required by section 42 of the PGPA Act.

The financial statements have been prepared in accordance with:

- a. Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR), for reporting periods ending on or after 1 July 2015
- b. Australian Accounting Standards and Interpretations Reduced Disclosure Requirements 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 in accordance with the historical cost convention, except for certain assets and liabilities at fair value. 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 *Statement of financial position* 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.

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 of the constitution under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. During 2017–18, NOPSEMA reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. NOPSEMA determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the entity. NOPSEMA is not aware of any specific breaches of Section 83 in respect of these items.

1.4 Significant accounting judgements and estimates

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

1.5 New accounting standards

Adoption of new accounting standard requirements

All new standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on these financial statements. NOPSEMA has not adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Future accounting standard requirements

No new or revised pronouncements that were issued by the Australian Accounting Standards Board prior to the finalisation of these financial statements are expected to have a material financial impact on NOPSEMA in future reporting periods. The new standard AASB16 Leases will be effective for reporting periods beginning on or after 1 January 2019, whereby implementation will require assessment of all operating leases.

1.6 Own-source 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 in accordance with AASB15 Revenue from contracts with customers. 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 the reporting period. Allowances are made when collectability of the debt is no longer probable.

NOPSEMA will apply AASB 15 in 2018–19. The standard requires revenue from such contracts to be recognised as the entity transfers goods and services to the customer. The standard is not expected to have a material impact on the transactions and balances recognised in these financial statements. NOPSEMA will adopt the modified retrospective approach for implementing the new revenue standard.

AASB 9 Financial instruments applies from 2018–19. Financial assets and liabilities are currently carried at the present value of expected future cash flows based upon the incurred loss model. There is minimal exposure to credit risk and an initial assessment indicates that the effect of the standard and move to the expected loss model will not have a material impact on the financial statements.

1.7 Gains

Resources received free of charge

Resources received free of charge are recognised as revenue 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 entity as a consequence of a restructuring of administrative arrangements.

Sale of assets

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

1.8 Transactions with the government as owner

Revenue from government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from government when NOPSEMA gains control of the appropriation; except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment to this entity) is recognised as Revenue from government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

Distributions to dutyholders

On 21 December 2018, an amendment to the OPGGS Act was passed under Section 59E - Remittal or refund of compliance amount. This gave NOPSEMA the ability to issue refunds and credit notes for environmental levies. During the financial year, NOPSEMA paid \$1,460,360 to the Department of Industry, Innovation and Science in order to refund customers.

1.9 Employee benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee benefits) and termination benefits within twelve months of the end of 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 was made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by NOPSEMA employees 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 be applied at the time the leave is taken, including the entity'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.

Superannuation

The entity's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

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

The liability for defined benefit is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The entity makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as of 30 June represents outstanding contributions.

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.

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 include:

- a. cash on hand or on deposit
- b. cash in special accounts.

1.12 Financial assets

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

- a. cash and cash equivalents
- b. trade and other receivables.

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 any allowance for uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis and allowances are made when collectability of the debt is no longer probable. All trade and other receivables are expected to be recovered in no more than 12 months.

Impairment of financial assets

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

1.13 Liabilities

Suppliers and other payables

Suppliers represent a liability for goods and services provided to the entity. The amounts are unsecured and settlement is usually made within 30 days.

Provisions

NOPSEMA has recognised a provision for restoration to three current office leasing agreements. The reporting disclosures required for this provision are included under note 8B.

1.14 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the Statement of financial position. They may arise from uncertainty as to the existence of a liability or asset, or represent a liability or asset 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 Statement of financial position, 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 the entity where there exists an obligation to restore the property to its original condition. These costs are included in the value of the entity'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 subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as of 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 are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset 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 the entity 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:

	2018	2017
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2018. 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 of disposal 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 the entity 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

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

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

All software assets were assessed for indications of impairment as of 30 June 2018.

1.18 Taxation

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

At the time of completion of these financial statements, the entity was not aware of any significant events occuring after the reporting date.

Note 3. Expenses

	2018 \$'000	2017 \$'000
Note 3A: Employee benefits		
Wages and salaries	17,409	16,944
Superannuation:		
Defined benefit plans	645	653
Defined contribution plans	2,744	2,561
Leave and other entitlements	3,623	3,271
Other employee benefits	79	62
Total employee benefits	24,500	23,491
Note 3B: Suppliers		
Consultants	351	304
Contractors	106	37
Communication	183	181
Consumables	165	145
Travel and accommodation	681	492
IT services	1,027	954
Insurance	59	60
Utility	111	101
Temporary staff	729	538
Training and conferences	221	149
Registration and licenses	345	421
Others	109	93
Total goods and services	4,087	3,475
Provision of goods – external parties	165	145
Rendering of services – external parties	3,922	3,330
Total goods and services	4,087	3,475
Other supplier expenses		
Operating lease rentals	2,346	2,307
Workers compensation premiums	56	125
Total other supplier expenses	2,402	2,432
Total supplier expenses	6,489	5,907

Leasing commitments

NOPSEMA in its capacity as lessee to the following lease arrangements at 30 June 2018:

1. Perth officePart level 8, Alluvion building, 58 Mounts Bay road, Perth WAFull level 11, Alluvion building, 58 Mounts Bay road, Perth WA

Lease commenced 1 June 2012 for a period of 10 years. Lease payments are subject to annual increases of 4.5% plus market reviews.

2. Melbourne office Part ground floor, 493 St Kilda Road, Melbourne VIC

Lease commenced 1 March 2008. Lease payments are subject to annual increases of 4% plus market reviews. NOPSEMA will surrender this lease on 31 August 2018.

3. Melbourne office Part level 25, 140 William street, Melbourne VIC

Lease commenced 1 June 2018 for a period of 6 years. Lease payments are subject to annual increases of 3.75%. NOPSEMA will be relocating to this office in September 2018.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Commitments are reported inclusive of GST.

	2018 \$'000	2017 \$'000
Within 1 year	4,046	3,476
Between 1 to 5 years	13,896	15,029
More than 5 years	_	_
Total operating lease commitments	17,942	18,505

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

Note 3C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	218	356
Buildings	417	442
Total depreciation	635	798
Amortisation:		
Intangibles:		
Computer software	114	973
Total amortisation	114	973
Total depreciation and amortisation	749	1,771

Note 4. Income

	2018	2017
Own source revenue	\$'000	\$'000
Note 4A: Levies		
Well levy	3,820	4,259
Safety levy	16,260	18,074
Environmental levy	11,496	13,635
Total revenue from levies	31,576	35,968
Note 4B: Other revenue		
Other revenue	137	115
Freedom of information applications	-	1
Total other revenue	137	116

Note 5. Financial assets

	2018 \$'000	2017 \$'000
Note 5A: Cash and cash equivalents		
Cash at bank	2,864	_
Cash on deposit	9,000	12,225
Total cash and cash equivalents	11,864	12,225
Note 5B: Trade and other receivables		
Goods and services:		
Goods and services – external parties	3,874	6,258
Provision for doubtful debts	(43)	(697)
Total receivables for goods and services	3,831	5,561
Other receivables:		
Levy receipts to be appropriated by DIIS	4,370	113
Accrued interest receivable	53	16
Safety case levy / accrued revenue	1,444	3,097
Travel advances	4	5
GST receivable from the Australian Taxation Office	78	77
Other	-	1
Total other receivables	5,949	3,309
Less impairment allowances	_	_
Total trade and other receivables (net)	9,780	8,870

	2018 \$'000	2017 \$'000
Receivables are expected to be recovered in:		
No more than 12 months	9,780	8,870
More than 12 months	-	_
Total trade and other receivables (net)	9,780	8,870
Receivables are aged as follows:		
Not overdue	5,969	3,309
Overdue by:		
0 to 30 days	3,654	4,190
31 to 60 days	_	894
61 to 90 days	81	409
More than 90 days *	76	68
Total receivables (gross)	9,780	8,870

* Receivables overdue by more than 90 days are in the provision for doubtful debts balance.

Note 6. Non-financial assets

	2018	2017
	\$'000	\$'000
Note 6A: Buildings		
Leasehold improvements:		
At cost	4,694	4,671
Accumulated depreciation	(3,024)	(2,607)
Total leasehold improvements	1,670	2,064
Total buildings	1,670	2,064

No indicators of impairment were found for buildings.

No buildings are expected to be sold or disposed of within the next 12 months.

Note 6B: Infrastructure, plant and equipment		
Infrastructure, plant and equipment:		
At cost	1,907	1,996
Accumulated depreciation	(1,580)	(1,607)
Total infrastructure, plant and equipment	327	389

The historical cost of leasehold improvements and infrastructure, plant and equipment was deemed to represent fair value at 30 June 2018.

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.

Capital commitments for the acquisition of infrastructure, plant and equipment

Capital commitments comprise outstanding payments for the purchase of plant and equipment. Commitments are reported inclusive of GST.

	2018 \$'000	2017 \$'000
Within 1 year	132	_
Between 1 to 5 years	_	-
More than 5 years	_	_
Total capital commitments	132	-

Note 6C: Reconciliation of the opening and closing balances of buildings, infrastructure, plant and equipment 2017–18

	Buildings	Infrastructure plant & equipment	Total
	\$'000	\$'000	\$'000
As at 1 July 2017			
Gross book value	4,671	1,996	6,667
Accumulated depreciation and impairment	(2,607)	(1,607)	(4,214)
Net book value as of 1 July 2017	2,064	389	2,453
Additions:			
By purchase	23	156	179
Revaluations and impairments recognised			
in other comprehensive income	_	-	-
Impairments recognised in the operating result	_	-	_
Reversal of impairments recognised in the			
operating result	_	-	_
Depreciation expense	(417)	(218)	(635)
Disposals: Cost	_	-	_
Disposals: Accumulated depreciation	_	-	_
Net book value as of 30 June 2018	1,670	327	1,997
Net book value as of 30 June 2018 represented by:			
Gross book value	4,694	1,907	6,601
Accumulated depreciation	(3,024)	(1,580)	(4,604)
	1,670	327	1,997

	2018	2017
	\$'000	\$'000
Note 6D: Intangibles		
Computer software:		
Internally developed – in progress	-	_
Internally developed – in use	7,112	6,405
Total computer software (gross)	7,112	6,405
Accumulated amortisation	(6,490)	(6,376)
Total computer software (net)	622	29
Total intangibles	622	29

No indicators of impairment were found for intangible assets.

No intangible asset is expected to be sold or disposed of within the next 12 months.

Note 6E: Reconciliation of the opening and closing balances of intangibles 2017–18

	Computer software internally developed
	\$'000
As at 1 July 2017	
Gross book value	6,405
Accumulated amortisation	(6,376)
Net book value as of 1 July 2017	29
Additions:	
By purchase	707
Revaluations and impairments recognised in other comprehensive incom	e –
Impairments recognised in the operating result	_
Reversal of impairments recognised in the operating result	_
Amortisation expense	(114)
Net book value as of 30 June 2018	622
Net book value as of 30 June 2018 represented by:	
Gross book value	7,112
Accumulated amortisation	(6,490)
	622

Note 7. Payables

	2018 \$'000	2017 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	(578)	(177)
Total supplier payables	(578)	(177)

Note 7B: Other payables		
Wages and salaries	(192)	(171)
Deposits held	(601)	(507)
Total other payables	(793)	(678)

Commitments to suppliers

Represented by outstanding purchase orders which have not been completed.

Commitments are reported inclusive of GST.

Within 1 year	1,638	1,172
Between 1 to 5 years	32	-
More than 5 years	_	-
Total supplier commitments	1,670	1,172

Note 8. Provisions

	2018 \$'000	2017 \$'000
Note 8A: Employee provisions		
Leave	(4,414)	(4,238)
Other	(685)	(655)
Total employee provisions	(5,099)	(4,893)
Employee provisions are expected to be settled in:		
No more than 12 months	(3,261)	(3,139)
More than 12 months	(1,838)	(1,754)
Total employee provisions	(5,099)	(4,893)
Note 8B: Other provisions		
Provision for restoration obligations	(487)	(487)
Lease incentive	(1,821)	(2,053)
Total other provisions	(2,308)	(2,540)
Other provisions are expected to be settled in:		
More than 12 months	(2,308)	(2,540)
Total other provisions	(2,308)	(2,540)

Provision for restoration

NOPSEMA has two office lease agreements in Perth and Melbourne with a provision in place to restore the premises to it's original condition at the end of the lease. A new third office lease commenced in Melbourne on 1 June 2018, with a view to transferring the staff and terminating the old lease in 2018–19, no addition to the provision has been made.

	2018	
	\$'000	
As of 1 July 2017	(487)	
Additional provisions made	-	
Amounts used	_	
Unwinding of discount or change in discount rate	_	
Total as of 30 June 2018	(487)	

Note 9. Key management personnel remuneration

	2018 \$'000	2017 \$'000
Key management personnel remuneration for the reporting period		
Short-term employee benefits:		
Salary	1,147	1,060
Annual leave accrued	116	106
Total short-term employee benefits	1,263	1,165
Post-employment benefits:		
Superannuation	204	192
Total post-employment benefits	204	192
Other long-term benefits		
Long-service leave	32	29
Total other long-term benefits	32	29
Termination benefits:		
Termination benefits	-	388
Total termination benefits	-	388
Total senior executive remuneration expenses	1,499	1,775

This note has been prepared on an accrual basis.

The total number of senior management personnel that are included in the above table are four individuals.

Note 10. Related party disclosures

Related party relationships:

NOPSEMA is an independent statutory authority established under the OPGGS Act. Related parties to NOPSEMA are key management personnel, the portfolio minister, and other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

- the payments of grants or loans;
- purchases of goods and services;
- · asset purchases, sales, transfers or leases;
- · debts forgiven; and
- guarantees.

At the end of the reporting period, there was a receivable of \$4,369,546 owed by the DIIS relating to levy revenue received on behalf of the Commonwealth [2017: \$112,658]. This amount was unsecured and interest-free.

Note 11. Remuneration of auditors

	2018 \$'000	2017 \$'000
Remuneration of auditors		
Fair value of the services provided		
Financial statement audit services	44	44
Total	44	44

Financial statement audit services were provided free of charge to the entity by the ANAO.

No other services were provided by the auditors of these financial statements.

Note 12. Financial instruments

	2018	2017
	\$'000	\$'000
Note 12A: Categories of financial instruments		
Financial assets		
Loans and receivables:		
Cash and cash equivalents	11,864	12,338
Trade and other receivables	9,780	8,757
Total	21,644	21,095
Carrying amount of financial assets	21,644	21,095
Financial liabilities		
At amortised cost:		
Trade creditors	(578)	(177)
Other	(793)	(678)
Total	-1,371	-855
Carrying amount of financial liabilities	-1,371	-855
Note 12B: Net income and expense from financial assets		
Loans and receivables		
Interest revenue	247	148
Net gain from loans and receivables	247	148
Net gain from financial assets	247	148

Note 12C: Net income and expense from financial liabilities		
Financial liabilities – at amortised cost		
Interest expense	_	_
Net loss from financial liabilities – at amortised cost	-	_
Net loss from financial liabilities	-	_

There was no interest expense from financial liabilities not at fair value through profit or loss in the year ending 2018.

Note 12D: Fair value of financial instruments

The fair value of NOPSEMA's financial instruments is equal to the book value as stated at note 12A.

Note 12E: 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 receivables (2018: \$8,757,429 and 2017: \$5,388,748).

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.

Note 12F: Liquidity risk

NOPSEMA's financial liabilities were payables. The exposure to liquidity risk was based on the notion that NOPSEMA would 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	
Maturities for non-derivatives financial liabilities 2017–18	\$'000	
Other liabilities		
Trade creditors	578	
Deferred revenue	557	
Other liabilities	236	
Total	1,371	
	Within	
	1 year	
Maturities for non-derivatives financial liabilities 2016–17	\$'000	
Other liabilities		
Trade creditors	177	
Deferred revenue	482	
Other liabilities	196	
Total	855	

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

Note 12G: 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 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 13. Contingencies

NOPSEMA has no identified contingencies to report.

Accounting policy

Contingent liabilities and contingent assets are not recognised in the Statement of financial position but are reported in the 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.

Note 14. Appropriations

NOPSEMA is a corporate Commonwealth entity that is financially separate from the Commonwealth. The entity is fully funded through cost recovery charges imposed under the OPGGS Act, *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act* and Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations.

Note 15. Special accounts

NOPSEMA's special account was ceased on 1 July 2014, and NOPSEMA has been responsible since then for its own banking arrangements. In regards to the receipt of revenue, the legal authority is Section 682 of the OPGGS Act. The legal authority for appropriations from this account is Section 22 of the PGPA Act.

Note 16. 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.

In accordance with the PGPA Act, these financial statements contain budgetary information from the Portfolio Budget Statements 2017–18. These budgets all relate to the single outcome noted above.

Note 17. Budget variances commentary

The following provides a comparison of the original budget as presented in the 2017–18 Portfolio Budget Statements to the actual outcome reported for 2017–18. The budget is not audited.

Statement of comprehensive income

for the period ended 30 June 2018

	Actual	Original budget	Variance
	\$'000	\$'000	\$'000
NET COST OF SERVICE			
Expenses			
Employee benefits	24,500	25,342	842
Suppliers	6,489	6,257	(232)
Depreciation and amortisation	749	774	25
Total expenses	31,738	32,373	635
Own-source revenue			
Levies	31,576	32,273	697
Interest	247	100	(147)
Other revenue	137	_	(137)
Total own-source revenue	31,960	32,373	413
Net cost of services	222	-	(222)
Revenue from government	_	_	_
Surplus / (deficit) on continuing	222		(000)
operations	222	-	(222)
Total comprehensive income / (loss)	222	-	(222)

Statement of financial position

as at 30 June 2018

	Actual \$'000	Original budget \$'000	Variance \$'000
ASSETS			
Financial assets			
Cash and cash equivalents	11,864	8,520	(3,344)
Trade and other receivables	9,780	6,610	(3,170)
Total financial assets	21,644	15,130	(6,514)
Non-financial assets			
Land and buildings	1,670	2,660	990
Infrastructure, plant and equipment	327	_	(327)
Intangibles	622	298	(324)
Other non-financial assets	411	88	(323)
Total non-financial assets	3,030	3,046	16
Total assets	24,674	18,176	(6,498)
LIABILITIES			
Payables			
Suppliers	(578)	(457)	121
Other payables	(793)	(1,008)	(215)
Total payables	(1,371)	(1,465)	(94)
Provisions			
Employee provisions	(5,099)	(4,951)	148
Other provisions	(2,308)	(2,717)	(409)
Total provisions	(7,407)	(7,668)	(261)
Total liabilities	(8,778)	(9,133)	(355)
Net assets	15,896	9,043	(6,853)
EQUITY			
Contributed equity	896	896	_
Retained surplus	15,000	8,147	(6,853)
Total equity	15,896	9,043	(6,853)

Statement of changes in equity

for the period ended 30 June 2018

	Actual \$'000	Original budget \$'000	Variance \$'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	896	896	_
Adjusted opening balance	896	896	-
Comprehensive income			
Other comprehensive income	—	_	_
Total comprehensive income	-	_	-
Attributable to the Australian Government	-	-	-
Transactions with owners	-	-	-
Total transactions with owners	-	_	-
Closing balance as of 30 June	896	896	-
RETAINED SURPLUS			
Opening balance			
Balance carried forward from previous period	14,778	8,126	(6,652)
Adjusted opening balance	14,778	8,126	(6,652)
Comprehensive income			
Surplus / (deficit) for the period	222	_	(222)
Other comprehensive income	_	_	_
Total comprehensive income	222	-	(222)
Attributable to the Australian Government	222	-	(222)
Transactions with owners	-	21	21
Total transactions with owners	_	21	21
Closing balance as of 30 June	15,000	8,147	(6,853)

	Actual	Original budget	Variance
	\$'000	\$'000	\$'000
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	15,674	9,022	(6,652)
Adjusted opening balance	15,674	9,022	(6,652)
Comprehensive income			
Surplus / (deficit) for the period	222	_	(222)
Other comprehensive income	_	_	_
Total comprehensive income	222	-	(222)
Attributable to the Australian Government	222	-	(222)
Transactions with owners	-	21	21
Total transactions with owners	-	21	21
Closing balance as of 30 June	15,896	9,043	(6,853)

Cash flow statement

for the period ended 30 June 2018

	Actual \$'000	Original budget \$'000	Variance \$'000
OPERATING ACTIVITIES		• • • • •	,
Cash received			
Receipts from levies	31,165	32,273	1,108
Less refund of levies through DIIS	(1,461)	_	1,461
Interest	247	100	(147)
GST received	673	_	(673)
Other	137	267	130
Total cash received	30,761	32,640	1,879
Cash used			
Employees	(24,294)	(25,342)	(1,048)
Suppliers	(2,802)	(6,258)	(3,456)
GST paid	(674)	_	674
Accommodation	(2,579)	_	2,579
Total cash used	(30,349)	(31,600)	(1,251)
Net cash from / (used by)			
operating activities	412	1,040	628
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property,			
plant and equipment	_	_	-
Total cash received	-	-	-
Cash used			
Purchase of non-current assets	(886)	(1,000)	(114)
Total cash used	(886)	(1,000)	(114)
Net cash from / (used by)		(4.000)	
investing activities	(886)	(1,000)	(114)
Net increase (decrease) in cash held	(474)	40	514
Cash and cash equivalents at the beginning of the reporting period	12,338	8,480	(3,858)
Cash and cash equivalents at the end of			

Explanations of major variances	Affected line items
Operating expenses remain substantially constrained by NOPSEMA in anticipation of	Statement of comprehensive income: Employee benefits
budgetary pressures in future periods.	Statement of financial position: Cash
	Statement of changes in equity: Surplus
	Cash flow statement: Cash used - employees
In 2017–18, despite an upward trend in the international commodity price for petroleum,	Statement of comprehensive income: Revenue
levy revenue was below budget due to lower than expected submissions.	Statement of financial position: Cash
	Statement of changes in equity: Surplus
	Cash flow statement: Cash received - receipts from levies
Revenue from the Government was no longer receivable by NOPSEMA due to legislative change.	Statement of comprehensive income: Revenue from government
Trade and other receivables were higher against budget. This is due to NOPSEMA exceeding their 'Authorised' levy revenue amount which meant the DIIS would not remit anymore funds received into the RBA account until the Portfolio Budget Statements come into force on 1 July 2018.	Statement of financial position: Trade and other receivables
Other non-financial assets were higher due to a prepayment of rent.	Statement of comprehensive income: Suppliers
	Statement of financial position: Other non-financial assets
	Cash flow statement: Cash used - accommodation

Explanations of major variances	Affected line items
Accrued expenditure was higher against budget due to costs associated with the relocation of the Melbourne office.	Statement of financial position: Suppliers
	Cash flow statement: Cash used - suppliers
Lower than expected environment plan submissions resulted in a decrease to	Statement of comprehensive income: Levies
deferred revenue.	Statement of financial position: Other payables
Other provisions relate to Lease incentives and Makegood provisions which were in line	Statement of comprehensive income: Suppliers
with budget.	Statement of financial position: Other provisions
Lift on recruitment freeze allowed NOPSEMA to hire permanent staff members which resulted in higher employee leave provisions against budget.	Statement of financial position: Employee provisions

Advisory Board report



Advisory Board report

Functions

The NOPSEMA Advisory Board was established under Part 6.9, Division 3 of the OPGGS Act and is a separate entity to NOPSEMA. It does not have a role in decision-making matters, nor may it direct the operations or individual decisions of NOPSEMA. Section 654 of the OPGGS Act sets out the functions of the Board in full.

The Board may provide advice and recommendations to the NOPSEMA CEO about operational policies and strategies to which the CEO must have regard. The Board also provides advice to the responsible Commonwealth, state and Northern Territory petroleum and greenhouse gas ministers, and the 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.

Stakeholder engagement

Minister

The Board is constituted separately to NOPSEMA in order to provide independent advice to the NOPSEMA CEO, relevant state and Northern Territory ministers and the responsible Commonwealth minister.

The Chair and NOPSEMA CEO met with Senator the Hon Matthew Canavan MP, Minister for Resources and Northern Australia, in May 2018 to discuss concerns regarding trends in offshore safety and in particular process safety, and planning progress for improving transparency and decommissioning.

NOPSEMA CEO (Stuart Smith)

Mr Smith attended and participated in three Board meetings during the reporting period, with the Acting CEO attending the November meeting. At each of its meetings, an update on corporate governance and risk issues arising during the preceding quarter, data on industry and NOPSEMA's performance, and recent and forthcoming changes to the legislation and regulations administered by NOPSEMA was provided.

Focus areas

Based on its deliberations, the Board provided general advice to the Minister for Resources and Northern Australia following each meeting. This included information on the changing industry risk profile, transitioning to increased transparency, environmental performance data, legislative change priorities, effective engagement by NOPSEMA, and liaison with APPEA and the Australian Council of Trade Unions (ACTU).

Changing industry risk profile

The Board has recognised there are increasing risks associated with the transition of the industry from construction and commissioning to operating, with significantly more hours worked and a deterioration in safety performance in 2017– 18. As result, NOPSEMA has improved its strategic approach to enforcement by:

- changing the operation of its internal compliance committee
- using its enforcement tools more strategically
- joining other parties (e.g. equipment suppliers and manufacturers) to dutyholders in notices.

The Board fully endorses NOPSEMA's focus on making sure operators ensure quality control inspections are undertaken during the installation and commissioning of equipment, and that these are sufficient to verify that equipment and components meet approved specifications.

In light of the deterioration in safety performance in the last 12 months the NOPSEMA CEO has opened discussions with the CEO of SafeWork Australia to determine if safety trends in both the onshore and offshore oil and gas industries can be compared.

Transition to increased transparency

NOPSEMA is continuing its work to build community confidence in the offshore petroleum regime through improving consultation and transparency on offshore petroleum activities. A Transparency Initiative started by NOPSEMA involving all offshore jurisdictions aims to improve the consistency and transparency of environment plans, smooth the transition to increased transparency anticipated through regulatory change and deliver significant efficiencies to industry, government and stakeholders.

The Board was pleased to see the Minister's announcement of 28 November 2017 regarding improving the transparency of the offshore petroleum regime, however, it was noted that industry appears to be still divided on this matter.

The Board supports NOPSEMA's efforts to improve transparency and consultation, such as the establishment of a NOPSEMA Community and Environment Reference Group. The Board also noted that the requirement to publish environment plans and mechanisms to formalise public comment will require changes to the regulations.

Environmental performance data

Current environmental management regulations provide for only two sources of performance data — reportable incidents and recordable incidents. While both provide interesting information they are objectivebased and do not readily allow for statistical analysis. In comparison, OHS incidents have a more prescriptive threshold for reporting.

The limitations with environmental data make it difficult for NOPSEMA to perform multi-functional and multidimensional analysis for matters such as loss of containment, process safety and environment reporting, as well as difficulty benchmarking with other jurisdictions

The Board considered that changes could be made to the regulations to:

- provide a consistent way to describe 'reportable' incidents and other performance data (similar to the OHS approach)
- clarify the intent of recording and publishing data on 'recordable' incidents
- provide updates to enable collation of non-incident performance data for international benchmarking via the IOPER forum
- address any overlap or duplication of NOPSEMA OHS reporting with any such changes would done in consultation with relevant stakeholders.

The Board also discussed how NOPSEMA can better demonstrate its social license to regulate and how it is adding value to the offshore oil and gas environmental arena through consistency in reporting, which may require greater use of qualitative 'success stories' rather than relying solely on incident data.

Legislative change priorities

NOPSEMA has been working closely with the DIIS regarding a substantial suite of legislative amendments to be included in a bill for introduction to Parliament in Autumn 2018. In May 2018, a policy workshop was held with the Board and representatives from the DIIS that provided an opportunity for the Board to better understand and have input into departmental policy issues to support the Board's role in providing advice.

Effective engagement by NOPSEMA

Board members, Professor Hodkeiwicz and Ms Kerin, reported they had received positive feedback from international counterparts on NOPSEMA's engagement and efforts to raise issues of common industry significance. An example being NOPSEMA's concern about dynamic positioning (DP) systems whereby DP systems' auto-position modes are susceptible to inadvertent deactivation. NOPSEMA presented the latest information on the risks posed by design-induced human error at several international forums and with the IRF. The IRF endorsed the need to maintain focus on this issue and agreed to a NOPSEMA proposal for a global coordinated compliance action.

Liaison with the APPEA

The Board met with senior representatives from APPEA and SaferTogether in May 2018 to exchange views on upcoming safety and environmental issues including the actions being taken and the transition of some parts of the offshore industry toward engaging with SaferTogether. The Board has been concerned there is little policy coherence to industry's approach to safety, environment and decommissioning and as a result, little is being progressed from lessons learned (and often published by NOPSEMA). The Board notes that the Stand Together for Safety initiative from Queensland does not yet have universal support within industry however it appears some acceptance in Western Australia and the Northern Territory has occurred.

Liaison with the ACTU

Board representatives engaged in a video conference meeting on 20 December 2017 arranged with the ACTU, to hear the concerns expressed by various unions representing the offshore workforce. The views expressed by the workforce representatives were consistent with those given in submissions to the Education and Employment Reference Committee inquiry into work, health and safety of workers in the offshore petroleum industry.

The year ahead

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

- appearing at the Education and Employment Reference Committee inquiry into work, health and safety of workers in the offshore petroleum industry
- monitoring how industry is working together to embed lessons learned, refresh the safety culture of the whole offshore workforce and prepare for the growing need to decommission offshore infrastructure
- supporting NOPSEMA's drive for greater transparency in the regulatory regime, particularly for environmental approvals
- promoting improvements in industry performance, including via the analysis of available data to encourage better leading indicators and increased transparency in relation to process safety, safety culture, environmental management and hydrocarbon releases

- clarifying NOPSEMA's expectations of industry during the stakeholder engagement process for environmental approvals
- working with all stakeholders to streamline environmental approvals processes and assessing the use of reference cases
- ongoing advice to the NOPSEMA CEO at Advisory Board meetings and out of session.

Membership and attendance

There were four meetings during the reporting period, attendance is noted in Table 9: NOPSEMA Advisory Board membership and attendance 2017–18.

During the reporting period the term of Ms Trish Kerin was extended until 10 March 2021. It is the Board's practice that a senior representative of the DIIS attends meetings as an observer to ensure there are effective communications between the Board and the department and that policy issues and their priority are well understood.

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 2017–18 in comparison to NOPSEMA's budget allocation and expenditure in 2016–17 is set out in Table 10: NOPSEMA Advisory Board Financial Statement 2017–18.

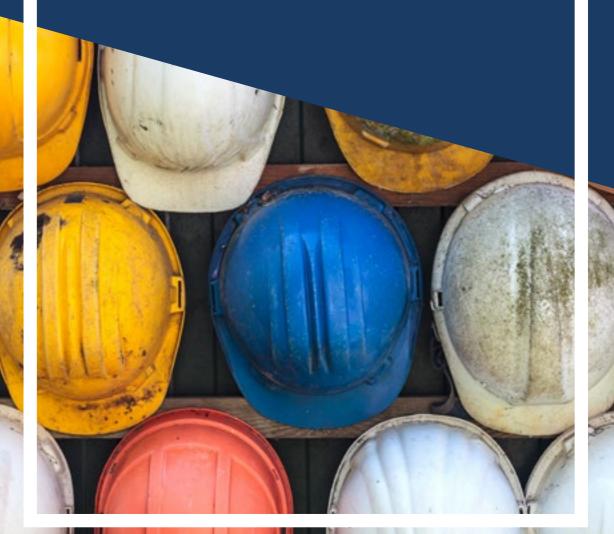
Board member	Meeting 23 (23/08/17)	Meeting 24 (29/11/17)	Meeting 25 (28/02/18)	2017–18 (23/05/18)
Ms Erica Smyth	٠	٠	٠	•
Dr James Limerick	٠	٠	٠	٠
Ms Trish Kerin	٠	۲	٠	٠
Mr Ken Fitzpatrick	٠	۲	٠	٠
Mr Anthony Evans	۲	۲	۲	٠
Prof Melinda Hodkiewicz	٠	۲	٠	•

Table 9: NOPSEMA Advisory Board membership and attendance 2017–18

Table 10: NOPSEMA Advisory Board Financial Statement 2017–18

Expenditure items	Annual budget 2017–18 \$'000	Actuals 2017–18 \$'000	Variance favourable/ (Unfavourable) \$'000	Actuals 2016–17 \$'000
Members remuneration	255	254	1	249
Travel and accommodation	14	10	4	13
Other expenses	1	1	0	1
Total	270	265	5	263

Appendices



NOPSEMA classification	APS3	APS4	APS5	APS6	EL1	EL1 Regulatory	EL1 Well Integrity	EL2	EL2 Lead	EL2 Regulatory Managers	EL2 Well Integrity	SES
Full-time salary range (\$)	64,089 _ 70,135	71,343 - 83,436	84,644 - 96,737	97,946 _ 110,037	133,013 _ 164,937	196,804 - 221,404	270,605 _ 289,056	169,289 	223,865 _ 244,773	246,005 _ 270,605	295,205 _ 313,656	298,720
Staff total	2	12	7	13	4	49	œ	Ð	e	6	~	e
Perth	2	11	7	13	4	45	7	5	e	œ	~	ю
Melbourne	0	-	0	0	0	4	-	0	0	~	0	0
Part-time	~	0	0	~	0	4	-	0	0	~	0	0
Full-time	~	12	7	12	4	45	7	5	c	00	~	S
Male	-	0	-	5	-	36	7	с	с	7	~	с
Female	-	12	9	00	ç	13	-	2	0	2	0	0
Indigenous	0	0	0	0	0	0	0	0	0	0	0	0
NOTE All staff are employed on common law contracts.	oyed on co	ommon la	w contract	S.								

Appendix 1: Staffing and remuneration 2017–18

Appendices

Appendix 2: EPBC Act streamlining performance report 2017–18

On 28 February 2014, NOPSEMA was endorsed as the sole regulator for petroleum activities in Commonwealth waters. This report provides a summary of NOPSEMA's performance under the streamlined arrangements for the period 1 July 2017 to 30 June 2018. Further information about the endorsed Program is available at <u>nopsema.gov.au</u>.

Regulatory activity	1 July 2017 to 30 June 2018	
Submission type	Category	Number
Offshore project	Accepted for public comment	1
proposal	Accepted	1
	Assessments in progress	0
Environment plan	Accepted	37
	Assessments in progress	10
	Decisions—Refuse to accept	1
	Assessments stopped/cancelled	0
	Acceptances that pose unacceptable impacts to matters protected under Part 3 of Environment Protection and Biodiversity Conservation Act 1999	0

During the reporting period, NOPSEMA continued to implement the Program Administrative Arrangements. This implementation included sharing information with the Department of Environment and Energy (DEE) about NOPSEMA's regulatory activity (environment plan assessments, inspections and enforcement actions), and providing advice to DEE on post-approval matters relating to prior Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) approval conditions. In March 2018, NOPSEMA assessed and accepted an offshore project proposal (OPP) for the development of the Barossa Area following eight weeks of public consideration and comment. This was the first OPP to be accepted under the endorsed program. NOPSEMA is aware that a number of proponents are considering OPPs for future offshore developments. Under the current arrangements some of these OPPs may also require referral under the EPBC Act due to jurisdictional issues and the complexity of the project.

NOPSEMA will continue to engage with the DEE on this matter and provide support as appropriate. During the reporting period, NOPSEMA worked closely with Parks Australia to ensure the new management plans for marine parks and associated authorisations including class approvals are clear, limit unnecessary regulatory burden and are able to be implemented by NOPSEMA while ensuring the appropriate standards of environmental protection are maintained. In addition, NOPSEMA worked with Parks Australia on preparing regulatory guidance that explains the implications of the new management plans for offshore petroleum and greenhouse gas activities. NOPSEMA continued to maintain contractual arrangements with Australian Antarctic Division for the provision of specialist marine mammal advice and utilised this provision on a number of occasions.

PGPA rule reference	Description of the requirement	Page of this report
17BE (a)	Details of the legislation establishing the body.	13
17BE (b)	A summary of the objects and functions of the entity as set out in the legislation. The purposes of the entity as included in the entity's corporate plan for the period.	15
17BE (c)	The names of the persons holding the position of responsible minister or responsible ministers during the period, and the titles of those responsible ministers.	3
17BE (d)	Any directions given to the entity by a minister under an act or instrument during the period.	n/a
17BE (e)	Any government policy orders that applied in relation to the entity during the period under section 22 of the PGPA Act.	n/a
17BE (f)	If, during the period, the entity has not complied with a direction or order referred to in paragraph (d) or (e)— particulars of the non compliance.	n/a
17BE (g)	The annual performance statements for the entity for the period in accordance with paragraph 39(1)(b) of the act and section 16F of the PGPA rule.	39
17BE (h)	A statement of any significant issue reported to the responsible minister under paragraph 19(1)(e) of the act that relates to non compliance with the finance law in relation to the entity.	n/a
17BE (i)	If a statement is included under paragraph (h) of this section—an outline of the action that has been taken to remedy the non compliance.	n/a
	Information on the accountable authority, or each member of the accountable authority, of the entity during the period, including:	
17BE (j)	the name of the accountable authority or member	19
	the qualifications of the accountable authority or member	
	• the experience of the accountable authority or member.	
17BE (k)	An outline of the organisational structure of the entity (including any subsidiaries of the entity).	18
17BE (I)	An outline of the location (whether or not in Australia) of major activities or facilities of the entity.	2
17BE (m)	Information in relation to the main corporate governance practices used by the entity during the period.	78

Appendix 3: List of requirements

PGPA rule reference	Description of the requirement	Page of this report
	The decision making process undertaken by the accountable authority for making a decision if:	
17BE (n)	 the decision is to approve the entity paying for a good or service from another Commonwealth entity or a company, or providing a grant to another Commonwealth entity or a company 	75–76
	 the entity, and the other Commonwealth entity or the company, are related entities 	
	 the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than \$10 000 (inclusive of GST). 	
	If the annual report includes information under paragraph (n):	
17BE (o)	 if there is only one transaction—the value of the transaction 	75–76
	 if there is more than one transaction—the number of transactions and the aggregate of value of the transactions. 	
17BE (p)	Any significant activities and changes that affected the operations or structure of the entity during the period.	n/a
17BE (q)	Particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the entity.	n/a
	Particulars of any report on the entity given during the period by:	
17BE (r)	 the Auditor General, other than a report under section 43 of the act (which deals with the Auditor General's audit of the annual financial statements for Commonwealth entities) 	86–87
	a Committee of either House, or of both Houses, of the Parliament	
	the Commonwealth Ombudsmanthe Office of the Australian Information Commissioner.	

PGPA rule reference	Description of the requirement	Page of this report
17BE (s)	If the accountable authority has been unable to obtain information from a subsidiary of the entity that is required to be included in the annual report—an explanation of the information that was not obtained and the effect of not having the information on the annual report.	n/a
17BE (t)	Details of any indemnity that applied during the period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	79
17BE (u)	An index identifying where the requirements of section 17BE and section 17BF (if applicable) are to be found.	133

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