



Annual Report 2012-13

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 2013. NOPSEMA's annual report is made available to the Commonwealth Minister for Industry, the relevant state and Northern Territory ministers, the offshore petroleum industry, its workforce and the public.

In compliance with the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, the *Public Service Act 1999*, and the *Financial Management and Accountability Act 1997*, this report will be submitted to be tabled in both Houses of Parliament of the Commonwealth of Australia.

Online

This annual report is available to download from the NOPSEMA website, along with further information and documents concerning the authority and its activities, at nopsema.gov.au.

Enquiries

Please direct enquiries to:

Communications and Stakeholder Relations Manager
NOPSEMA
GPO Box 2568
PERTH WA 6001

e: communications@nopsema.gov.au

w: nopsema.gov.au

Letter to the Hon Ian Macfarlane MP, Minister for Industry

In accordance with Section 690 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, I have pleasure in submitting the National Offshore Petroleum Safety and Environmental Management Authority's annual report for the year ending 30 June 2013.

I certify that this report complies with requirements for reporting referred to in section 70 of the *Public Service Act 1999* and the requirement for financial statements referred to in section 49 of the *Financial Management and Accountability Act 1997*.



Jane Cutler
Chief Executive Officer
NOPSEMA
18 October 2013

Glossary of abbreviations

ALARP	as low as reasonably practicable
AMSA	Australian Maritime Safety Authority
APPEA	Australian Petroleum Production and Exploration Association Ltd
APS	Australian Public Service
APSC	Australian Public Service Commission
ATBA	area to be avoided
AAUWA	application for approval to undertake well activity
DSMS	diving safety management system
EL	executive level
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMOs	Finance minister's orders
FOI Act	<i>Freedom of Information Act 1982</i>
GST	goods and services tax
HSC	Health and Safety Committee
ICT	information communication technology
IOPER	International Offshore Petroleum Environmental Regulators
IPS	Information Publication Scheme
IRF	International Regulators' Forum
MODU	mobile offshore drilling unit
National Plan	National Plan to Combat Pollution of the Sea by Oil and other Noxious and Hazardous Substances
NOPSA	National Offshore Petroleum Safety Authority
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority

NT	Northern Territory
OHS	occupational health and safety
OPGGS Act	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>
RET	Department of Resources, Energy and Tourism
SEWPaC	Department of Sustainability, Environment, Water, Population and Communities
SCER	Standing Council on Energy and Resources
WOMP	well operations management plan



Contents

NOPSEMA Annual Report 2012-2013

Letter of transmittal	1
Chief Executive review	8
1. Overview of NOPSEMA	11
1.1 Vision	12
1.2 Mission	12
1.3 Values	12
1.4 Role and legislated functions	13
1.5 Changes to the legislative regime	20
1.6 Organisational structure	21
1.7 Outcome and program structure	22
1.8 Jurisdiction	23
2. Report on performance	25
2.1 Legislated functions, strategic priorities and performance indicators	25
2.2 Assessments	28
2.3 Inspections	29
2.4 Incidents, investigations and enforcement	31
2.5 Achievement of budget targets	32
2.6 Stakeholder engagement	33
2.7 Media relations and communications	34
2.8 Inter-agency activities	35
3. Management and accountability	36
3.1 Corporate governance	36
3.2 Management framework	38
3.3 Business risk and fraud management	39
3.4 Asset management	40
3.5 External scrutiny	40
4. Management of human resources	41
4.1 Statistics on staffing and performance pay	41
4.2 Employee assistance program	43
4.3 Training and development	43
4.4 Code of conduct	43

5. Purchasing	44
5.1 Consultants	44
5.2 Australian National Audit Office access clauses	44
5.3 Contracts exempts from the AusTender	45
6. Other mandatory information	46
6.1 Work health and safety	46
6.2 Advertising and market research	47
6.3 Ecologically sustainable development and environmental performance	47
6.4 Disability reporting mechanisms	48
6.5 Grant programs	48
6.6 Freedom of information and the Information Publication Scheme statement	48
NOPSEMA financial statements 2012-13	49
Independent auditor's report	50
Statement by Chief Executive Officer and Chief Financial Officer	52
Statement of comprehensive income	53
Balance sheet	54
Statement of changes in equity	55
Cash flow statement	56
Schedule of commitments	57
Schedule of contingencies	58
Index to the notes of the financial statements	59
Note 1: Summary of significant accounting policies	60
1.1 Objectives of NOPSEMA	60
1.2 Basis of preparation of the financial report	60
1.3 Significant accounting judgements and estimates	61
1.4 New Australian accounting standards	61
1.5 Revenue	61
1.6 Gains	61
1.7 Transactions with the government as owner	61
1.8 Employee benefits	61
1.9 Leases	62
1.10 Cash	62
1.11 Financial assets	62



1.12 Financial liabilities	63
1.13 Contingent liabilities and contingent assets	63
1.14 Acquisition of assets	63
1.15 Property, plant and equipment	63
1.16 Intangibles	64
1.17 Taxation/competitive neutrality	64
Note 2: Events after the reporting period	65
Note 3: Expenses	65
Note 4: Income	65
Note 5: Financial assets	66
Note 6: Non-financial assets	67
Note 7: Payables	70
Note 8: Provisions	71
Note 9: Cash flow reconciliation	72
Note 10: Contingent liabilities and assets	72
Note 11: Senior executive remuneration	73
Note 12: Remuneration of auditors	76
Note 13: Financial instruments	76
Note 14: Appropriations	78
Note 15: Special accounts	79
Note 16: Compensation and debt relief	79
Note 17: Reporting of outcomes	80
 NOPSEMA Board report 2012-13	 82
 Appendices 2012-13	 92
Appendix 1: Alphabetical index	92
Appendix 2: List of requirements	93





Chief Executive review

This annual report covers the first full year in which the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) fulfilled its responsibilities as the national regulator of offshore petroleum safety, well integrity and environmental management.

Those responsibilities included the commencement of an independent investigation into an accident which claimed the lives of two offshore workers on the *Stena Clyde* mobile offshore facility in the Bass Strait. The fact that offshore petroleum activities continue to claim lives demonstrates the ongoing onus on industry to deliver better protection systems and the need for an independent, properly-resourced regulator to enforce compliance with the law.

NOPSEMA embodies the principles of performance-based regulation, which places the responsibility on the offshore petroleum industry to 'own the risk it creates'. Before operators can commence any petroleum activity in NOPSEMA's jurisdiction, they must first satisfy the authority that they have reduced the level of risk to workforce health and safety to as low as reasonably practicable (ALARP) and that the level of environmental impact is ALARP and acceptable. Operators must demonstrate comprehensive and effective control systems to deliver on their commitments. NOPSEMA then inspects against these commitments to verify that risk is indeed reduced to levels required under the law. The authority investigates occupational health and safety and environmental incidents in order to determine what went wrong, share lessons learned and, where necessary, hold responsible parties to account.



NOPSEMA embodies the principles of performance-based regulation, which places the responsibility on the offshore petroleum industry to 'own the risk it creates'.

This report documents how NOPSEMA has fulfilled its legislated functions and, importantly, demonstrated an approach that is professional, independent and with respect for due process. During the reporting period the investigation and prosecution into the Montara incident was brought to a successful conclusion. As part of its responsibility to promote improved offshore safety, well integrity and environmental management, NOPSEMA published the *Annual Offshore Performance Report*, a stocktake of risk management by the Australian offshore petroleum industry to December 2012. In the report, NOPSEMA noted a reduction in the rate of people being hurt while carrying out work offshore and the lowest rate of uncontrolled hydrocarbon releases recorded since 2005.

NOPSEMA's inspection findings continued to inform the authority's broader engagement with industry through safety alerts, workshops, presentations and regular publications. To supplement specialist regulatory advice, I emphasised to industry executives the consistency of incident root causes reported over time and the need to learn from their organisation's experiences and, furthermore, to share those experiences so that industry counterparts can also learn and continuously improve.

The 2012-13 annual report covers a period of consolidation of the transition from the National Offshore Petroleum Safety Authority (NOPSA) to NOPSEMA. Under the transitional arrangements provided in legislation, the authority reviewed environment plans (including oil spill contingency plans) approved by previous state and Northern Territory regulators. NOPSEMA identified the need for improvements in the plans so that they meet regulatory requirements and issued formal requests for revision to affected operators.

To support the consolidation, there was much effort to reinforce to industry stakeholders the need for risk management plans that are specific to their particular activity. This underpins NOPSEMA's focus on prevention. The authority encountered challenges from some who believed their activities did not warrant detailed risk management plans. Our regulatory specialists have conducted intensive liaison with operators to provide advice on regulatory requirements and explain why the range of credible spill scenarios for any petroleum activity must be accounted for. As a result, NOPSEMA is able to report improvements in the quality of environmental management submissions, particularly on oil spill preparedness. Through its ongoing inspection program, NOPSEMA examined how these plans have been implemented.

NOPSEMA also pursued initiatives to improve industry understanding of performance standards as part of a broader inspection and engagement program focusing on technical controls and process safety.

NOPSEMA has taken care to prioritise the delivery of its legislated functions professionally and independently. Operational effectiveness depends on the resources and tools by which NOPSEMA can promote and secure industry compliance. NOPSEMA's annual review of cost effectiveness is an important process providing accountability and transparency. It also gives stakeholders the opportunity to provide input into the process to determine the appropriate levels of funding in order for the authority to continue to deliver its core functions. This, combined with a review of revenue and expenses commenced in 2013, is essential for meeting the increase in expenditure resulting from the expansion of the authority's remit to include environmental management. Cost effectiveness will remain a priority for NOPSEMA, along with working with the Department of Industry (previously the Department of Resources, Energy and Tourism) to develop regulatory arrangements that are efficient, effective and focused on the most significant risks to safety, well integrity and the environment.

Internationally, there has been continued cooperation and collaboration by both regulators and industry to build on the lessons from the recent past, particularly the fatal BP Macondo blowout and oil spill in the Gulf of Mexico in 2010.

The authority is resolved to continue to challenge industry to implement its commitments to manage risk effectively, for the benefit of offshore workers, the environment and the wider community. While we have come a long way, the process of continuous improvement demands sustained effort and cooperation. As recent events have reminded us, vigilance and unrelenting focus on continuous improvement in safety and environmental outcomes is required from all those involved.

A handwritten signature in black ink, appearing to read 'J. Cutler', with a stylized flourish at the end.

Jane Cutler
Chief Executive Officer



1. Overview of NOPSEMA

NOPSEMA is an independent Commonwealth Statutory Agency regulating the health and safety, well integrity and environmental management of offshore petroleum industry activities in Commonwealth waters, and in coastal waters where state and Northern Territory functions have been conferred.

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

By law, offshore petroleum activities cannot commence before NOPSEMA has assessed and accepted a detailed risk management plan documenting and demonstrating how an organisation will manage the risks to health and safety and the environmental impacts of an offshore petroleum activity to a level that is ALARP.

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

1.1 Vision

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

1.2 Mission

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

1.3 Values

Professional

We will at all times be objective, accountable and maintain a high degree of professionalism in our interaction with each other and with stakeholders.

Ethical

We will demonstrate leadership, respect and integrity in all we do.

Independent

We will make our decisions impartially, efficiently and in accordance with the law.



1.4 Role and legislated functions

Role of NOPSEMA

NOPSEMA was established to regulate safety, well integrity, environmental management and the day-to-day operations of offshore petroleum and greenhouse gas storage activities in Commonwealth waters.

Legislated functions

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

- to promote the OHS of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations
- to develop and implement effective monitoring and enforcement strategies to secure compliance under the OPGGS Act and Regulations
- to investigate accidents, 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/Northern Territory (NT) minister
- to cooperate with other Commonwealth and state/NT agencies or authorities having functions relating to regulated operations.

The 'Statement of Expectations' from the responsible Commonwealth minister and NOPSEMA's 'Statement of Intent' embody the guiding principles for performing these functions.



THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY

National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) - Statement of Expectations

The Statement of Expectations sets out my expectations, as the responsible Commonwealth Minister for matters relating to offshore petroleum and greenhouse gas storage activities under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act), in relation to the exercise by NOPSEMA of the functions and powers conferred on it under the Act, the Offshore Petroleum and Greenhouse Gas Storage (Safety) Regulations 2009, the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 and the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009.

NOPSEMA was established by the Commonwealth Parliament to regulate safety, integrity, environmental management and day-to-day operations of petroleum and greenhouse gas storage activities in Commonwealth waters.

This Statement accords with the principles of best practice regulatory administration¹.

Guiding principles

The following principles apply to the regulation, by NOPSEMA, of offshore petroleum and greenhouse gas storage activities, referred to below as offshore operations:

1. Promote and secure compliance by duty holders with the regulatory regime through monitoring, enforcement and proactive engagement with stakeholders to:
 - Reduce the risk to human health and safety of persons engaged in offshore activities to as low as reasonably practicable;
 - Maintain the structural integrity of facilities (including pipelines), wells and well-related equipment; and
 - Reduce environmental risks and impacts from offshore activities.
2. Continue to improve health and safety outcomes in the offshore petroleum and greenhouse gas storage industries, by encouraging an effective safety culture, workforce involvement, and securing compliance with OHS legislation.
3. Ensure offshore activities are carried out in accordance with dutyholder safety cases, well operations management plans and environment plans.
4. Pursue a commitment to best regulatory administrative practice by implementing effective risk based monitoring and enforcement strategies that are appropriate to the regulatory activity being undertaken.

¹ Australian National Audit Office: *Administering Regulation, Better Practice Guide, March 2007*

5. Utilising its regulatory tools as appropriate, take regulatory actions to promote the objectives of the Act, including responding effectively to issues arising from day-to-day petroleum activities, and the initiation of investigations and (if necessary) prosecutions, in response to non-compliance or suspected non-compliance with the requirements of the Act or associated regulations, and report to the responsible Commonwealth Minister on action taken or recommended action.
6. Keep the responsible Commonwealth Minister and members of the Standing Council on Energy and Resources informed of regulatory activities required under the Act including notifying relevant ministers of significant incidents in a timely manner, as appropriate.
7. Pursue a consistent national approach to regulation in both Commonwealth and State/Northern Territory (NT) waters in which NOPSEMA has jurisdiction.
8. Have in place a well-documented, systematic risk management framework, to assist the identification, evaluation and mitigation of regulatory risks². In accordance with this framework, ensure NOPSEMA resources are allocated to match identified priorities.
9. Work cooperatively with the Australian Government, including the National Offshore Petroleum Titles Administrator, to ensure regulatory processes are streamlined and coordinated in an efficient, timely manner, without compromise to best regulatory practice and provide an operational perspective in the development of regulatory policy.
10. Have in place sound information management systems that record key aspects of regulatory decisions, including the rationale and supporting evidence for the decision.
11. Have in place effective communication mechanisms to facilitate dialogue, provide advice and encourage information sharing between NOPSEMA, offshore petroleum and greenhouse gas storage industries and other relevant regulators and Commonwealth and State and NT government agencies.
12. Maintain appropriate staffing numbers with the necessary competency, technical proficiency and resources to fulfil regulatory responsibilities.
13. Have in place a structure and governance arrangement that provides for independence, transparency, and cost efficiency.
14. Work proactively with the NOPSEMA Board, and have regard to its advice on strategic matters relating to the performance of NOPSEMA's functions.

² Regulatory risk is an actual or potential event or circumstance that interferes with the achievement of a regulation policy objective or administrative outcome. It can be categorised into two broad groups:

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

Specifically, NOPSEMA's responsibilities and functions are to:

- Assess dutyholder management plans, including safety cases, well operations management plans and applications for well activities, and environment plans, including oil spill contingency plans.
- Conduct inspections to verify conformance with accepted dutyholder management plans and other regulatory requirements.
- Investigate accidents, dangerous occurrences and circumstances that relate to offshore petroleum and greenhouse gas storage activities in Commonwealth waters that:
 - affect, or have the potential to affect, the occupational health and safety of persons engaged in such activities;
 - relate to well integrity; or
 - affect, or have the potential to affect the environment.
- Where it considers it necessary, keep under review the possible need to give a direction.
- Report on investigations, including recommendations as appropriate, to the responsible Commonwealth Minister, and to State and Northern Territory Petroleum Ministers.
- Prepare a Corporate Plan every three years.
- Prepare an Annual Report on NOPSEMA operations including reporting on its achievements against key performance indicators established under its governance framework.
- Undertake an annual review of cost recovery arrangements with titleholders and operators.
- Prepare other specific reports or information relating to the performance of NOPSEMA's functions or exercise of powers as requested by the responsible Commonwealth Minister and/or State and Northern Territory Petroleum Ministers.



Martin Ferguson
March 2012



Statement of Intent

National Offshore Petroleum Safety and Environmental Management Authority

This *Statement of Intent* responds to the *Statement of Expectations* issued by the responsible Commonwealth Minister for matters relating to offshore petroleum and greenhouse gas storage activity under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act), in relation to the exercise by NOPSEMA of the functions and powers conferred on it under the Act and its Regulations.

NOPSEMA is committed to fulfilling its functions in accordance with the guiding principles and specific expectations set out by the Minister to regulate occupational health and safety, structural integrity for facilities and wells and environmental management in the Australian offshore petroleum and greenhouse gas storage industries. To give effect to these principles, specific expectations and the NOPSEMA vision and mission of a safe and environmentally responsible, independently and professionally regulated Australian offshore petroleum industry, NOPSEMA has set out strategic priorities and performance indicators in its Corporate Plan:

1. Develop and implement effective monitoring and enforcement strategies to secure compliance with the regulatory regime through: demonstrating leadership and best practice in assessment, inspection and enforcement and providing an independent challenge to industry, and appropriate proactive engagement.
2. Promote occupational health and safety, integrity and environmental management through: early engagement with industry regarding proposed facilities and activities; and utilising appropriate risk-based programmes, guidance and workshops to foster best practice.
3. Investigate incidents, accidents, dangerous occurrences and circumstances through: a robust investigation framework and providing communication and advice on causal factors and lessons learnt.

4. Advise on occupational health and safety, integrity and environmental management matters by providing independent and transparent advice to industry and other stakeholders.
5. Report to the Commonwealth Minister, and each responsible state or Northern Territory minister, through: active engagement with ministers and the NOPSEMA Advisory Board to provide strategic advice to enhance the efficiency and effectiveness of Australia's occupational health and safety, integrity and environmental management regulatory regime; and preliminary reports on major incidents including what, if any, additional precautions and technologies should be required to improve the safety of oil and gas exploration and production operations, as soon as practicable within 30 days of the event, to encourage rapid sharing of insights and potential preventive measures.
6. Cooperate with other agencies having functions relating to offshore petroleum operations through: support of the legislative framework and integration of new responsibilities and functions that deliver independent regulatory oversight.

With regard to its statutory functions, NOPSEMA will assess, inspect, investigate, advise and report as detailed by the Minister's expectations.

NOPSEMA will manage its regulatory risk by employing a structured and systematic risk management approach to strategic and operational planning, execution and managing non-compliance supported by accountable decision-making and the management of probity to ensure a high level of regulatory performance delivered by a critical mass of skilled regulators.

April 2012

1.5 Changes to the legislative regime

During the reporting period, there were substantial legislative changes relating to NOPSEMA. These included:

The Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures) Act 2013

This Act makes progress in implementing the recommendations of the *Final Government Response to the Report of the Montara Commission of Inquiry*. These changes aim to strengthen the operating practices of the offshore petroleum industry and provide additional enforcement powers to NOPSEMA. Relevant changes include:

- the introduction of a civil penalty regime
- increasing current penalty levels to bring them in line with other major hazard legislation
- harmonisation of OHS penalties with the *Work, Health and Safety Act 2011*
- streamlining of NOPSEMA's inspectorate powers and merging of categories of inspectors into a single 'NOPSEMA inspector'
- redrafting sections of the OPGGS Act relating to the standard monitoring and investigation powers in the proposed *Regulatory Powers (Standard Provisions) Bill 2012*
- insertion of a new Schedule which confers monitoring powers on NOPSEMA inspectors with respect to the obligations of petroleum titleholders under environmental management laws
- enabling the parties responsible for administering the OPGGS Act to share information in appropriate circumstances.

Schedules 1 and 2 to this Act are contingent on the passage of the *Regulatory Powers (Standard Provisions) Bill 2012*.



The Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures No.2) Act 2013

This Act provides for the further implementation of the *Final Government Response to the Report of the Montara Commission of Inquiry*. Relevant changes include:

- implementing a range of alternative enforcement mechanisms
- enabling NOPSEMA inspectors to issue environmental prohibition notices and environmental improvement notices to require petroleum titleholders to take action where required to remove significant threats to the environment
- implementing an explicit ‘polluter pays’ obligation in the OPGGS Act and a third party cost recovery mechanism
- clarifying requirements in the OPGGS Act to ensure that the maintenance of sufficient financial assurance is compulsory
- enabling matters relating to the service of documents under the OPGGS Act or legislative instruments to be provided for in the Regulations under the OPGGS Act
- enabling administrative arrangements for taking eligible voluntary actions when there is more than one registered holder of a title to be carried through into legislative instruments under the OPGGS Act.

The amendments in this Act relating to the ‘polluter pays’ provisions commenced the day after Royal Assent on 28 May 2013. The provisions relating to financial assurance, the service of documents and multiple titleholders will commence on 29 November 2013, six months after the Act commenced. Other amendments will not commence until the passage of the *Regulatory Powers (Standard Provisions) Bill 2012*.

1.6 Organisational structure

NOPSEMA’s organisational structure comprises three regulatory divisions and five corporate services teams, each reporting to the Chief Executive Officer (CEO). The structure is designed to provide clarity and focus and meet corporate and regulatory best practice in the delivery of NOPSEMA’s legislated functions.

The Safety and Integrity division’s core business is the regulation of the management of risk to the health and safety of people at facilities and to the structural integrity of facilities primarily by assessment and inspection activities. The Regulatory division was renamed Investigation and Strategic Services division in November 2012 in order to better reflect the division’s core business of investigating accidents, dangerous occurrences and reportable environmental incidents and administering the requirements for petroleum safety zone (PSZ) assessments. The Environment division’s core business is assessing and inspecting the environmental management of petroleum activities.

NOPSEMA organisational structure

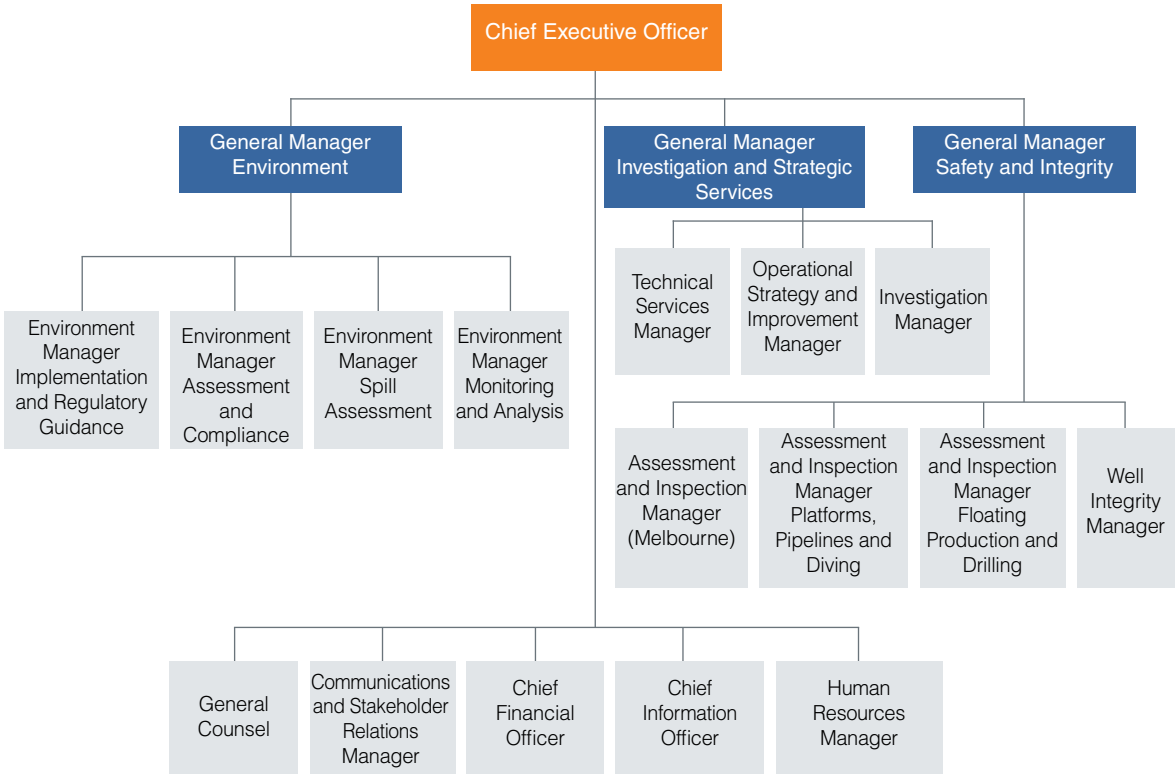


Figure 1.

1.7 Outcome and program structure

NOPSEMA's outcome and program structure is documented in 'Budget Related Paper no. 1.17' of the *Portfolio Budget Statements 2012-13*. Through regulatory oversight, NOPSEMA promotes and enforces the effective management of risks to the offshore workforce, the structural integrity of facilities, wells and well-related equipment and the environment by the Australian offshore petroleum and greenhouse gas storage industries.

The authority determines industry compliance through rigorous assessment of safety cases, well operations management plans (WOMP) and environment plans, coupled with effective monitoring, investigation and, where appropriate, enforcement action.

NOPSEMA routinely engages with operators, titleholders and other duty holders to promote and foster best practice, highlight lessons learned, and support the industries' safety and environment representatives.

NOPSEMA reports to government and other stakeholders regarding trends in industry performance.

1.8 Jurisdiction

NOPSEMA regulates health and safety, well integrity and environmental management for all offshore petroleum facilities and activities in Commonwealth waters, as well as designated coastal waters where regulatory functions have been conferred. Jurisdictions where powers to regulate are not conferred remain the responsibility of the relevant state or Northern Territory (NT).

On 1 January 2013, all existing conferrals for the regulation of health and safety by the states and Northern Territory lapsed. Changes made to the OPGGS Act require the conferral for OHS and well integrity regulation combined. As of 30 June 2013, Victoria had conferred its functions for OHS and well integrity regulation on NOPSEMA. No state or territory conferred functions for the regulation of environmental management during the reporting period.

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

Activity in NOPSEMA jurisdiction 2012-13		
Category	Type	Number
Occupational health and safety	Facility operators*	30
	Facilities	153
Well integrity	Titleholders†	27
	Titles	93
	Wells	140
Environmental management	Activity operators‡	38
	Activities	98

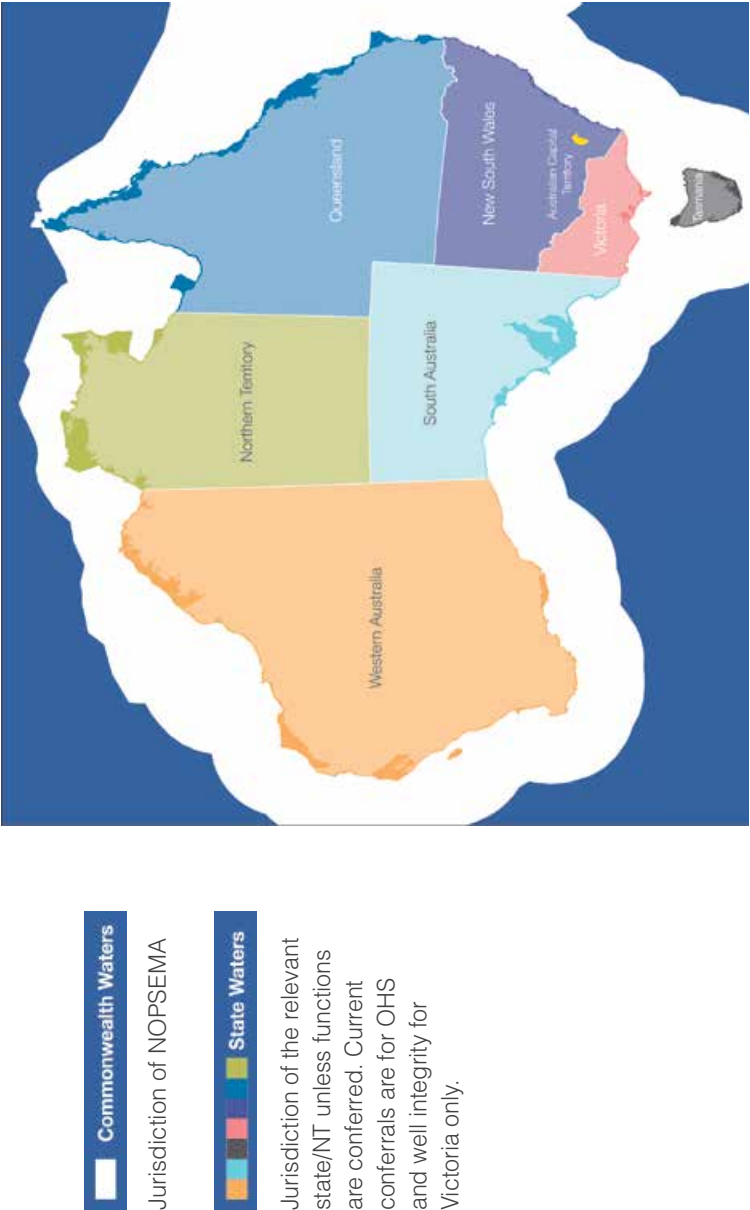
* based on monthly injury reports submissions

† based on the well integrity assessment submissions

‡ based on environment plan submissions

Table 1.

Jurisdiction for safety, well integrity and environmental management



Jurisdiction of the relevant state/NT unless functions are conferred. Current conferrals are for OHS and well integrity for Victoria only.

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

Figure 2.



2. Report on performance

NOPSEMA is required to develop and implement effective monitoring and enforcement strategies to secure compliance with OHS, structural integrity and environmental management obligations under the OPGGS Act and Regulations.

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

2.1 Legislated functions, strategic priorities and performance indicators

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

Performance of legislated functions 2012-13				
Functions	Strategies	Performance indicators	Progress 2012-13	
COMPLIANCE	Develop and implement effective monitoring and enforcement strategies to secure compliance	Maintain and improve internal systems, processes and capabilities to ensure expert, consistent, and independent regulatory decisions in accordance with the OPGGSA and Regulations	Agency resourced adequately with skilled professionals	🟡
		Monitor and inspect for compliance with accepted regulatory plans and safety cases and, where necessary, take enforcement action	Assessment decisions within required timeframes	🟢
		Maintain capability for appropriate regulatory crisis response	Compliance inspections meet annual targets	🟢
			Actions arising from inspections completed by duty holders within specified timeframes	🟡
			Duty holder activities conducted as per accepted regulatory submissions	🟡
	Investigate accidents, dangerous occurrences and circumstances	Maintain internal capabilities and processes to ensure expert, consistent, and independent investigations are completed in accordance with the OPGGSA, Regulations and NOPSEMA systems Communicate lessons learnt from incidents to industry	Industry and NOPSEMA performance statistics published regularly	🟢
			Improvement in industry performance measures	🟡
			National reporting system for environment plans developed	🟢
			Increased resources for incident investigations.	🟢
			Recommended incident reoccurrence prevention measures implemented by duty holders within agreed timeframe	🟡
IMPROVEMENT	Develop risk-based promotional programs Maintain robust, open and accountable relationships with industry stakeholders in relation to submission and assessment of regulatory plans and safety cases and broader regulatory functions Further develop early engagement with industry on facility/activity proposals	Increased transparency of enforcement activities	🟢	
		Lessons learnt communicated directly to duty holders and published	🟢	
		Increased themed information sessions, as part of strategic stakeholder liaison	🟢	
		Guidelines and regulatory information published as a priority	🟢	
		Increased workforce engagement obtained via health and safety representatives	🟢	
	Production facility design notification scheme developed and implemented	🟡		

Functions	Strategies	Performance indicators	Progress 2012-13
IMPROVEMENT	Advise on safety, well integrity and environmental management matters	Develop and publish guidance notes to assist stakeholders with preparation of regulatory plans and safety cases	
		Actively engage with industry and other stakeholders to provide guidance on interpretation of the Regulations.	
		Develop policy on advice to stakeholders	
	Report to the Commonwealth minister and each responsible state/NT minister	Provide strategic advice to ministers, departments, agencies and NOPSEMA Board	
	Cooperate with other agencies performing functions relating to offshore petroleum operations and activities	Work with government stakeholders to streamline regulatory processes	
		Promote standardisation of offshore legislation	
GOVERNANCE		Provide basis for ongoing conferral of functions in state/NT waters	
		Further develop international regulatory relationships	
	Provide efficient, effective, economical and ethical Corporate Support to facilitate delivery of legislated functions	Develop people, processes and systems that support our vision	
		Human resource strategy to attract and retain high calibre staff	
		Foster a strong risk management culture	
		Continuous business productivity improvement	
		Emphasis maintained on guidelines and regulatory information publications	
		Targeted stakeholder feedback sought on draft guidance notes	
		Industry information sessions and presentations published on the NOPSEMA website	
		Responded to enquiries or complaints promptly	
		Consistent and independent advice provided to duty holders	
		Reports and information briefs provided to relevant Commonwealth, state/NT minister(s) regularly	
		Strategic advice and activity updates shared in NOPSEMA management meetings	
		Agency accreditation or conferral under relevant legislation	
		Cooperation and preparedness for oil spill response management	
		Negotiations progressed with states /NT on cross-jurisdiction regulation/duty holder consultation	
		Co-operative approach to proposed legislative amendments	
		Participation in/contribution to international regulatory forums and publications	
		Long term plans implemented for training, development and systems upgrades.	
		Continued employment of high calibre, high performing staff	
		Risk management integrated into corporate decision-making processes	
		Exemplary service delivery commensurate with responsible corporate overheads	

Table 2.

 Completed
  On track
  On watch
  Remedial plans being developed

2.2 Assessments

During the reporting period, NOPSEMA received a total of 468 submissions of the following assessment types:

- 'area to be avoided' (ATBA) access application
- application for approval to undertake well activity
- diving safety management system (DSMS)
- environment plan
- petroleum safety zone access application
- petroleum safety zone application
- safety case
- scope of validation
- well operations management plan

NOPSEMA notified 98% of all assessment decisions within the legislated or policy time frames.

Safety

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

NOPSEMA received 24 submissions for new safety cases and 89 for revised safety cases during the reporting period. The authority notified 95% of new safety case assessments and 100% of revised safety case assessments within the legislated time frames.

Well integrity

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

NOPSEMA received 22 submissions for well operations management plans and 128 applications for approval to undertake well activity for assessment during the reporting period. The authority notified 100% of well integrity assessments within the legislated time frames.

Environmental management

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

NOPSEMA received 108 environment plan submissions during the reporting period. NOPSEMA notified 100% of environment plan assessments within the legislated time frames.

Assessment notifications 2012-13					
Assessment type	Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Occupational health and safety	Safety case new	24	22	21	95%
	Safety case revised	89	85	85	100%
	Scope of validation	50	57	49	86%
	Diving SMS new	4	4	4	100%
	Diving SMS revised	4	4	4	100%
	Diving start-up notice	23	22	20	91%
Well integrity	WOMP - new	22	21	21	100%
	WOMP - variation	3	3	3	100%
	AAUWA - application	128	133	133	100%
Environmental management	Environment plan new	79	77	77	100%
	Environment plan revised	29	25	25	100%
Petroleum safety zones	PSZ application new	5	5	5	100%
	PSZ application renewal	3	3	3	100%
	PSZ access application	1	1	1	100%
	ATBA access application	4	4	4	100%
Total		468	466	455	98%

Note: In the absence of any legislated time frames for notification of a decision, NOPSEMA established appropriate time frames in documented policies.

Some notifications relate to submissions made prior to 2012-13.

Table 3.

2.3 Inspections

Safety

The authority conducted 44 topic-based inspections from a total of 163 inspections carried out across a range of facility types and operators. The program of topic-based safety inspections for 2012-13 focused on:

- maintenance management
- vessel and aircraft control - helicopter operation
- emergency preparedness - emergency power generation
- control of ignition sources - hazardous area equipment

NOPSEMA's planned inspections carried out in the reporting period involved the following activities:

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

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

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

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

Well integrity

NOPSEMA conducted four risk-based inspections of titleholders' regulatory compliance, with respect to their management of well operations, during the reporting period. The inspections focused on primary cementation, titleholder communications (internal and third party) and management of change.

Environmental management

During the reporting period, NOPSEMA refined its environment compliance inspection systems and processes. The authority also increased the number of environmental inspections it conducted to 16 against an annual target of 18. In 2012-13, the inspections conducted by NOPSEMA covered a range of drilling, seismic and construction activities by petroleum activity operators.

Activity operators are required to submit environmental performance reports in accordance with Regulation 15 of the OPGGS (Environment) Regulations 2009. During the reporting period, NOPSEMA received 63 report submissions that assisted the authority to develop scope for its inspections of operators' environmental performance.

2.4 Incidents, investigations and enforcement

NOPSEMA received a total of 603 notifications during the reporting period, including accidents, dangerous occurrences, environmental management incidents and complaints, as detailed below.

Safety

NOPSEMA received 404 notifications relating to reportable OHS matters. This comprised 19 accidents, 379 dangerous occurrences and six complaints. The authority undertook 14 new investigations. Its most significant new investigation was into the accident that claimed the lives of two members of the workforce on the *Stena Clyde* MODU facility in August 2012. NOPSEMA also continued its investigation into the accident involving subsea high pressure water jetting equipment which resulted in serious injuries to a diver in March 2011.

During the reporting period, NOPSEMA published and distributed five safety alerts to stakeholders. Alert topics related to outcomes of planned inspections, and accident and dangerous occurrence investigations.

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

Environmental management

There were 199 environmental management incidents reported to NOPSEMA in 2012-13, comprising 30 reportable incidents and 169 recordable incidents. The authority carried out 43 enforcement activities (in relation to environmental management) within the reporting period; 10 written warnings and 33 requests for revision of an environment plan.

The authority initiated a project to review environment plans that had been assessed and accepted (approved) by the states and Northern Territory designated authorities (regulators) prior to the formation of NOPSEMA. This resulted in an increase in enforcement action associated with requests for proposed revisions of environment plans under Regulation 18 of the OPGGS (Environment) Regulations 2009.

Enforcement activities 2012-13	
Type of enforcement activity	Number
Written warning	16
Improvement notice	47
Prohibition notice	3
Request for a revised safety case	3
Intent to withdraw WOMP acceptance	1
Request for revision of environment plan	33
Total	103

Table 4.

2.5 Achievement of budget targets

NOPSEMA aims to deliver within 10% of its budget forecast for each reporting period. In 2012-13 the results were:

- revenue of \$28.6 million was 7% lower than budget
- operating expenditure of \$28.7 million was lower than budget by 6.8%.

NOPSEMA received \$3.8 million (included in the above figures) in 2012-13 from the Department of Resources, Energy and Tourism (RET) to fund further capital and operating costs associated with the establishment of NOPSEMA.

The authority commenced collecting well levies and environment plan levies during 2011-12. The 2012-13 reporting period was the first full twelve month period of collecting these levies.

Many of the environment plans assessed by NOPSEMA during the reporting period were previously assessed and accepted by state and Northern Territory regulators and transitioned to NOPSEMA. The environment plan levies collected, and reported revenue and operating expenditure for 2012-13, are not representative of the expected levels of environment plan assessments in the long term.

NOPSEMA identified that forecast revenue from levies will not meet the increase in expenditure resulting from the expansion of the authority's remit to include environmental management.

This contributed to NOPSEMA's decision to review and recalculate revenue and expenses for 2013-14 and beyond. The review formed part of the revision of NOPSEMA's Cost Recovery Impact Statement (CRIS), which commenced in 2013.

Information about NOPSEMA's cost recovery arrangements is published at nopsema.gov.au.

2.6 Stakeholder engagement

NOPSEMA continued to interact with stakeholders through mechanisms designed to provide clear information about the authority's role and approach, promote industry compliance and share lessons learned. The authority's engagement with stakeholders included liaison with operators to communicate advice on the requirements of the OPGGS (Environment) Regulations 2009.

NOPSEMA provided briefings to government and non-government agencies on the regulatory regime and hosted information sessions for industry to receive feedback on regulatory processes and policies. NOPSEMA assumed the role of Chair and convener of the re-badged Offshore Petroleum Safety Tripartite Forum following a request from the Minister for Resources and Energy to formalise arrangements for dialogue between representatives of NOPSEMA, RET and offshore petroleum industry and union organisations.

Presentations, workshops and exhibitions

During 2012-13, NOPSEMA hosted or participated in eight workshops, and 30 forums and conferences attended by industry and regulatory audiences in Australia and internationally. In April, NOPSEMA convened the Oil Spill Preparedness and Response Forum in Cairns. The event brought together industry, state and Commonwealth government regulatory and response agencies to identify and prioritise areas within national arrangements that need to be clarified and strengthened.

Contact with stakeholders was facilitated through exhibitions at the Society of Petroleum Engineers and Australian Petroleum Production and Exploration Association Limited (APPEA) Health, Safety and Environment Conference (Perth, September 2012), the Asia-Pacific Oil Spill Prevention and Preparedness Conference, Spillcon (Cairns, April 2013) and the APPEA National Conference and Exhibition (Brisbane, May 2013). The CEO or senior management delivered key presentations at most of these events.

NOPSEMA's CEO delivered a keynote address at the UK Oil and Gas Piper 25 conference in Aberdeen, marking the 25th anniversary of the *Piper Alpha* incident in the North Sea. The presentation focused on safety progress in the Australian offshore industry since the incident. NOPSEMA presentations and events were published on the NOPSEMA website.

2.7 Media relations and communications

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

- published six issues of its online newsletter, *the Regulator*, increasing the number of subscribers by 156% to 2839 subscribers
- published the *Annual Offshore Performance Report* and five safety alerts
- published an announcement on preliminary considerations following the fatalities on the *Stena Clyde* offshore mobile facility
- provided interviews and comments for 152 articles in mainstream media and industry publications
- published guidance on safety regulation topics including hazard identification, noise exposure standards and the context of a safety case
- published guidance on environmental regulation topics including oil spill contingency planning, interpretation of a petroleum activity and requirements of an environment plan.

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

- produced and delivered quarterly national, state and territory reports on industry and regulatory activity and performance
- prepared a total of 58 information and action briefs for the Commonwealth minister.

2.8 Inter-agency activities

Commonwealth and state agencies

NOPSEMA provided extensive operational support to RET in relation to the health and safety, well integrity and environmental management regulatory regime for the offshore petroleum sector.

NOPSEMA maintained and provided extensive input into cooperative arrangements with the Australian Maritime Safety Authority (AMSA) regarding a review of the 'National Plan to Combat Pollution of the Sea by Oil and other Noxious and Hazardous Substances' (National Plan).

Similarly NOPSEMA worked in conjunction with the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC) to identify ways to reduce regulatory burden.

International regulators

NOPSEMA is Australia's representative on the International Regulators' Forum (IRF), a group of 11 offshore petroleum safety regulatory organisations. The IRF exists to drive improvements in health and safety through shared knowledge and collaboration on joint program initiatives. NOPSEMA attended the annual general meeting in Brazil to participate in information sharing and lessons learned from recent major accidents and report on research into the development of a model determining 'fitness to operate'.

In Brazil, NOPSEMA also attended the annual meeting of the International Offshore Petroleum Environmental Regulators (IOPER) to promote global collaboration on best practice environmental management regulation and build alignment with the IRF. IOPER members discussed common challenges and opportunities, as well as respective differences between the members' regulatory regimes.

In September, NOPSEMA hosted the Australasian Petroleum Safety and Environmental Regulators Forum to discuss regulatory issues and establish a consistent approach to mutual challenges. The forum was attended by representatives from Malaysia, Timor-Leste and New Zealand.





3. Management and accountability

3.1 Corporate governance

Overall responsibility for the management of NOPSEMA is vested in the CEO.

The OPGGS Act provides that the CEO responsible for managing NOPSEMA has all the legal powers and functions that the law assigns to NOPSEMA, although authority for day-to-day operations may be delegated to managers.

Under the OPGGS Act, the CEO of NOPSEMA is required to 'have regard' to the advice of the NOPSEMA Board and is responsible for keeping the board informed.

The OPGGS Act requires NOPSEMA to report, as appropriate, to the responsible Commonwealth minister and each responsible state or Northern Territory minister on investigations.

It also provides for states and territories to confer their powers on NOPSEMA, in relation to:

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

The Commonwealth minister, after consultation with relevant state or territory ministers, may issue policy principles to NOPSEMA, with which the authority must comply. These policy principles direct the manner in which NOPSEMA fulfils its responsibilities. NOPSEMA's planning process links the authority's vision, mission, objectives and legislated functions to the outputs that NOPSEMA delivers on behalf of the Australian Government. The process is shown diagrammatically in Figure 3. Key reference documents are the NOPSEMA Corporate Plan 2012-15 and the Annual Operating Plan 2012-2013.

NOPSEMA corporate governance

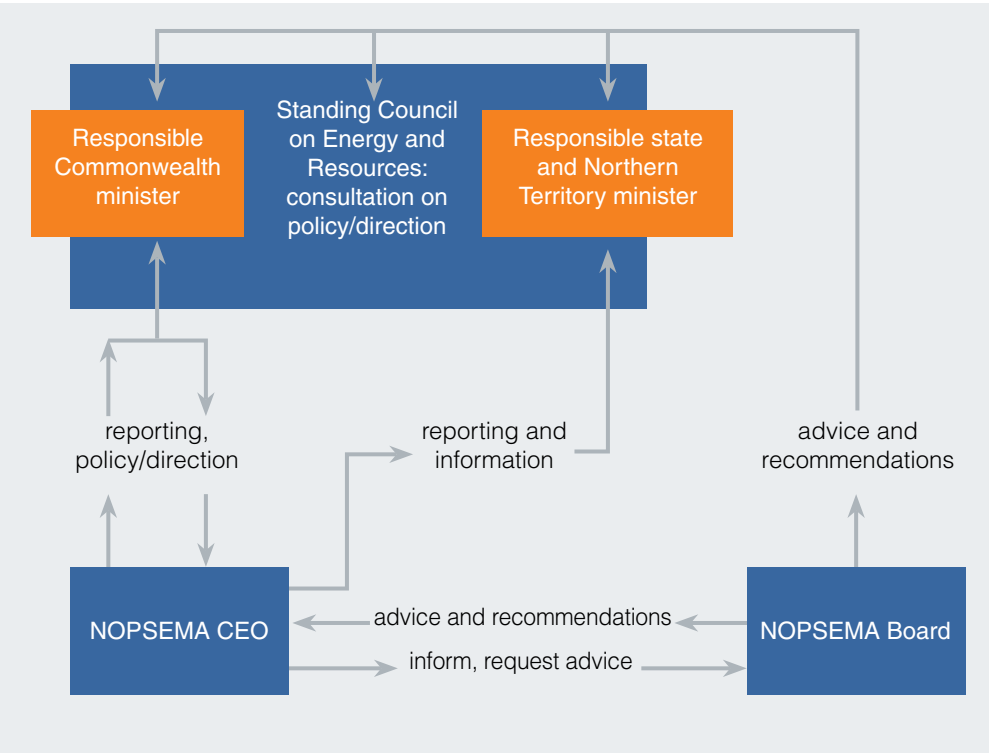


Figure 3.

3.2 Management framework

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

NOPSEMA management framework



Figure 4.

3.3 Business risk and fraud management

In 2012-13, NOPSEMA revised and updated the Chief Executive Instructions and Chief Executive Financial Delegations in accordance with the *Financial Management and Accountability Act 1997* (FMA Act) and the Financial Management and Accountability Regulations 1997.

The Chief Executive Instructions are aimed at promoting the efficient, effective, economical and ethical use of Commonwealth resources. The Chief Executive Financial Delegations provide a formal line of legal authority to carry out certain actions and clarify who can make particular decisions of a financial impact on behalf of NOPSEMA. Delegates are personally liable for their actions.

Internal and external audits of NOPSEMA's financial internal controls reported no control weaknesses. No incident of fraud was reported during the reporting period.

The authority continued to review its Audit Committee Charter to align with the better practice guide issued by the Australian National Audit Office for Public Sector Audit Committees. The authority commenced a review of the membership of the Audit Committee and recruitment of additional independent committee members. NOPSEMA's internal auditors PricewaterhouseCoopers are represented on the Audit Committee.



3.4 Asset management

During 2012-13, NOPSEMA undertook asset management in accordance with the *Commonwealth Procedure Guidelines*, and the requirements of the Chief Executive Instructions and procedural rules.

NOPSEMA assessed all assets for impairment, in accordance with the Australian Accounting Standard, AASB 136 *Impairment of Assets*, to ensure appropriate book values. No indicators of impairment were found. NOPSEMA also undertook a stocktake of all assets to maintain the accuracy of the asset register.

NOPSEMA continued to develop its regulatory management system software to integrate the well integrity and environmental management functions.

NOPSEMA's assets under management include non-financial assets with the net value of \$5.5 million, made up of:

- Fit-out, valued at \$3.6 million
- Property, plant and equipment, valued at \$0.2 million
- Intangible assets, valued at \$1.7 million.

3.5 External scrutiny

During the reporting period, NOPSEMA was involved in one application for review of decision before the Administrative Appeals Tribunal which commenced in 2011-12. The application was lodged by an affected third party from NOPSEMA's decision to disclose two documents under the *Freedom of Information Act 1982* (FOI Act). The original applicant who requested the documents was joined to the proceedings and a hearing was scheduled, however, the proceedings were withdrawn in September 2012 prior to the hearing taking place. The documents were released to the original applicant shortly afterwards.





4. Management of human resources

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

During 2012-13, NOPSEMA continued to revise its human resources framework, policy and conditions and recruited widely to attract candidates from domestic and international markets. The authority was challenged to recruit experienced professionals in a competitive market and to maintain a focus on employee development to uphold core competencies.

During the reporting period, 19 staff commenced with NOPSEMA, 11 of those in the regulatory specialist teams. Of the 16 employees who left the authority during the reporting period, five were OHS regulatory specialists.

4.1 Statistics on staffing and performance pay

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

Note: Information relating to the NOPSEMA CEO is included in notes to the financial statements 2012-2013.
Table 5.

4.2 Employee assistance program

NOPSEMA provides access to an employee assistance program that delivers free counselling services to employees and their families.

4.3 Training and development

NOPSEMA is committed to the development and training of its workforce. In addition to any technical training related to their roles, NOPSEMA employees received training in performance management process, first aid and freedom of information. The NOPSEMA leadership team and team managers received training in leadership development. Employees also attended courses such as the Australian Public Service Commission (APSC) Code of Conduct, Certificate IV in Investigations and Statutory Compliance, APSC Recruitment and Selection and Writing for Government.

4.4 Code of conduct

NOPSEMA continued to actively support and uphold the Australian Public Service (APS) Code of Conduct. During the reporting period, the authority provided new employees APS publications supporting the code of conduct in their induction packs, comprising 'Respect: Promoting a culture free from harassment and bullying in the APS', the APS code of conduct and values and relationships bookmark, and the 'Enhancing Ethical Awareness in the APS' bookmark. All NOPSEMA staff receive APSC Code of Conduct training and any potential breaches are investigated fully and any findings dealt with appropriately. As a condition of employment, all staff are required to declare potential conflicts of interest.

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





5. Purchasing

5.1 Consultants

NOPSEMA engages consultants where it requires supplementary specialist expertise or where independent research, review or assessment may be required. Consultants are typically engaged to investigate or diagnose a defined issue or problem, carry out defined reviews or evaluations, or provide independent advice, information or creative solutions to assist in the authority'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 FMA Act and Regulations, including the Commonwealth Procurement Rules and relevant internal policies.

During 2012-13, NOPSEMA spent \$464,626 on consultancy contracts.

5.2 Australian National Audit Office access clauses

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

5.3 Contracts exempt from the AusTender

NOPSEMA did not initiate any competitive tenders or contracts that were exempt from AusTender reporting requirements.

NOPSEMA publishes its Annual Procurement Plan on the AusTender website tenders.gov.au before the start of each financial year to give advance notice to potential providers and private sector businesses of the scope and timing of work NOPSEMA anticipates will be available to be undertaken.





6. Other mandatory information

6.1 Work health and safety

Health and safety committee

NOPSEMA's Health and Safety Committee (HSC) continued its work during the reporting period, with a new team and new chairperson. The HSC revised its constitution to align with the *Work Health and Safety Act 2011*.

The HSC continued to make a positive contribution to workplace health and safety at NOPSEMA. The HSC has been instrumental in amendments to policies and procedures for inspection activities and offsite work. Committee members coordinated evacuation drills and office inspections during the reporting period and were active participants in an offshore industry safety awareness campaign.

NOPSEMA's OHS commitments include providing ergonomic assessments to all new staff upon commencement, with reassessment as required. During the reporting period, employees were offered complimentary flu vaccinations.

There were no OHS incidents notified, reported or investigated.

Workers' compensation

One workers' compensation claim was closed during the reporting period.

One worker's compensation claim was initiated, which did not involve a serious injury or dangerous incident.

6.2 Advertising and market research (Section 311A of the *Commonwealth Electoral Act 1918*) and statement on advertising campaigns

During 2012-13, NOPSEMA conducted national and international recruitment campaigns. These were conducted through AdCorp. The total sum paid during the period was \$38,816.

NOPSEMA also had non-campaign advertising in the White Pages. This was conducted through Telstra and the total sum paid in the period was \$22,456.

NOPSEMA did not conduct any other advertising campaigns or engage any market research organisations during 2012-13.

6.3 Ecologically sustainable development and environmental performance (Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*)

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

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

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

6.4 Disability reporting mechanisms

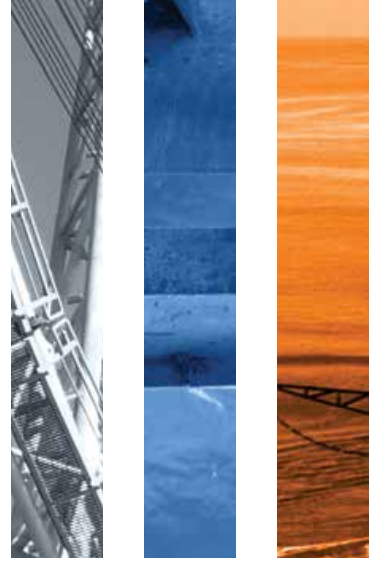
NOPSEMA reports on disability through contribution to the APSC State of the Service Report and the APS Statistical Bulletin. These are available at apsc.gov.au

6.5 Grant programs

NOPSEMA does not administer grants.

6.6 Freedom of information and the Information Publication Scheme statement

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Consistent with IPS requirements, NOPSEMA displayed on its website a plan showing what information it published under these arrangements.



Financial Statements 2012-13





INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry

I have audited the accompanying financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2013, which comprise: a Statement by Chief Executive Officer and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

The Chief Executive of the National Offshore Petroleum Safety and Environmental Management Authority is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the National Offshore Petroleum Safety and Environmental Management Authority's preparation of the financial statements that give a true and fair view 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 National Offshore Petroleum Safety and Environmental Management Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive National Offshore Petroleum Safety

and Environmental Management Authority, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Offshore Petroleum Safety and Environmental Management Authority's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

S. Buchanan

Serena Buchanan
Audit Principal

Delegate of the Auditor-General

Canberra
10 October 2013

Statement by Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minsiter's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Jane Cutler
Chief Executive Officer

Date: 9th October 2013



Geoff Garside CPA
Chief Financial Officer

Date: 9th October 2013

Statement of comprehensive income
for the period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
EXPENSES			
Employee benefits	3A	20,748	14,086
Supplier	3B	6,959	8,369
Depreciation and amortisation	3C	957	1,222
Total expenses		28,664	23,677
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Levies	4A	24,499	19,684
Interest	4B	161	186
Other revenue	4C	166	8,517
Total own-source revenue		24,826	28,387
Net cost of services		(3,838)	4,710
Revenue from Government		3,794	-
Surplus (Deficit) on continuing operations		(44)	4,710
Surplus (Deficit) attributable to the Australian Government		(44)	4,710

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

Balance sheet
as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	2,798	3,506
Trade and other receivables	5B	9,036	4,940
Total financial assets		11,834	8,446
Non-Financial Assets			
Land and buildings	6A,C	3,618	4,030
Property, plant and equipment	6B,C	175	290
Intangibles	6D,E	1,680	1,396
Other non-financial assets	6F	38	93
Total non-financial assets		5,511	5,809
Total assets		17,345	14,255
LIABILITIES			
Payables			
Suppliers	7A	(417)	(360)
Other payables	7B	(2,495)	(756)
Total payables		(2,912)	(1,116)
Provisions			
Employee provisions	8A	(3,309)	(2,527)
Other provisions	8B	(2,722)	(2,166)
Total provisions		(6,031)	(4,693)
Total liabilities		(8,943)	(5,809)
Net assets		8,402	8,446
EQUITY			
Parent Entity Interest			
Contributed equity		896	896
Retained surplus		7,506	7,550
Total parent entity interest		8,402	8,446
Total equity		8,402	8,446

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

Statement of changes in equity
for the period ended 30 June 2013

	Retained earnings		Contributed equity/capital		Total equity	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	7,550	2,840	896	896	8,446	3,736
Adjusted opening balance	7,550	2,840	896	896	8,446	3,736
Comprehensive income						
Surplus (Deficit) for the period	(44)	4,710	-	-	(44)	4,710
Total comprehensive income	(44)	4,710	-	-	(44)	4,710
of which:						
Attributable to the Australian Government	(44)	4,710	-	-	(44)	4,710
Transactions with owners						
Sub-total transactions with owners	-	-	-	-	-	-
Closing balance as at 30 June	7,506	7,550	896	896	8,402	8,446

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

Cash flow statement
for the period ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		3,794	-
Receipts from levies		19,913	18,972
NOPSEMA Implementation funding		-	8,477
Interest		200	123
GST received		785	144
Other		165	9
Total cash received		24,857	27,725
Cash used			
Employees		(20,318)	(13,287)
Suppliers		(2,240)	(5,718)
GST paid		(696)	(418)
Accommodation		(1,597)	(733)
Total cash used		(24,851)	(20,156)
Net cash from (used by) operating activities	9	6	7,569
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	-
Proceeds from sales of non-capital fitouts		-	-
Total cash received		-	-
Cash used			
Purchase of non-current assets		(714)	(5,543)
Total cash used		(714)	(5,543)
Net cash from (used by) investing activities		(714)	(5,543)
Net increase (decrease) in cash held		(708)	2,026
Cash and cash equivalents at the beginning of the reporting period		3,506	1,480
Cash and cash equivalents at the end of the reporting period	5A	2,798	3,506

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

Schedule of commitments
as at 30 June 2013

BY TYPE	2013 \$'000	2012 \$'000
Commitments receivable		
Net GST recoverable on commitments ¹	<u>2,897</u>	<u>2,593</u>
Total commitments receivable	<u>2,897</u>	<u>2,593</u>
Commitments payable		
Other Commitments		
Operating leases ²	(30,276)	(25,223)
Commitments to Suppliers	<u>(1,589)</u>	<u>(3,295)</u>
Total other commitments	<u>(31,865)</u>	<u>(28,518)</u>
Net commitments by type	<u>(28,968)</u>	<u>(25,925)</u>
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	256	157
From one to five years	1,139	844
Over five years	<u>1,358</u>	<u>1,292</u>
Total operating lease income	<u>2,753</u>	<u>2,293</u>
Commitments to Suppliers		
One year or less	144	279
From one to five years	<u>-</u>	<u>21</u>
Total commitments to suppliers	<u>144</u>	<u>300</u>
Total commitments receivable	<u>2,897</u>	<u>2,593</u>
Commitments payable		
Other Commitments		
Operating lease commitments		
One year or less	(2,815)	(1,734)
From one to five years	(12,525)	(9,280)
Over five years	<u>(14,936)</u>	<u>(14,209)</u>
Total operating lease commitments	<u>(30,276)</u>	<u>(25,223)</u>
Commitments to Suppliers		
Represented by outstanding purchase orders which have not been completed		
One year or less	(1,589)	(3,066)
From one to five years	<u>-</u>	<u>(229)</u>
Total commitments to suppliers	<u>(1,589)</u>	<u>(3,295)</u>
Total other commitments		
One year or less	(4,404)	(4,800)
From one to five years	(12,525)	(9,509)
Over five years	<u>(14,936)</u>	<u>(14,209)</u>
Total other commitments by maturity	<u>(31,865)</u>	<u>(28,518)</u>
Net commitments by maturity	<u>(28,968)</u>	<u>(25,925)</u>

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

1. Commitments were GST inclusive where relevant.

2. Operating leases included were effectively non-cancellable and comprise:

Office accommodation:

Lease payments are subject to annual increases of 4.5% and to market reviews. At 30 June 2013 NOPSEMA held the following accommodation leases:

Part Level 8 Alluvion Building 58 Mounts Bay Road Perth WA - 778 sqm leased to 1 June 2022;

Level 11 Alluvion Building 58 Mounts Bay Road Perth WA - 1570 sqm leased to 1 June 2022;

Part Ground Floor 493 St Kilda Road Melbourne VIC - 181 sqm leased to 1 September 2013.

Schedule of contingencies
as at 30 June 2013

BY TYPE	2013 \$'000	2012 \$'000
Contingent assets		
Guarantees	-	-
Claims for damages or costs	-	-
Total contingent assets	-	-
Contingent liabilities		
Claims for damages or costs	-	-
Total contingent liabilities	-	-
Net contingent assets	-	-

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

Index to the notes of the financial statements

Note 1: Summary of significant accounting policies	60
Note 2: Events after the reporting period	65
Note 3: Expenses	65
Note 4: Income	65
Note 5: Financial assets	66
Note 6: Non-financial assets	67
Note 7: Payables	70
Note 8: Provisions	71
Note 9: Cash flow reconciliation	72
Note 10: Contingent liabilities and assets	72
Note 11: Senior executive remuneration	73
Note 12: Remuneration of auditors	76
Note 13: Financial instruments	76
Note 14: Appropriations	78
Note 15: Special accounts	79
Note 16: Compensation and debt relief	79
Note 17: Reporting of outcomes	80



Note 1: Summary of Significant Accounting Policies

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

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

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

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

1.2 Basis of Preparation of the Financial Report

The financial statements are general purpose financial statements and are required by section 49 of the *Financial Management and Accountability Act 1997*.

The financial statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor 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.

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

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

1.3 Significant Accounting Judgements and Estimates

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

Future Australian Accounting Standard requirements

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

1.5 Revenue

NOPSEMA operates on a full cost recovery basis by means of levies on the industry it regulates. Levies have been set in Regulation. Revenue from levies is recognised when the levies become payable in accordance with AASB 1004 *Contributions*. In addition NOPSEMA receives an annual interest equivalency payment from government, based on NOPSEMA's average monthly cash balance.

In 2012, Other Revenue was \$8.51m of which \$8.48m represented funding received from the Department of Resources Energy and Tourism for the implementation of NOPSEMA.

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

1.6 Gains

Resources Received Free of Charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

1.8 Employee Benefits

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

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

Notes to the financial statements

for the period ended 30 June 2013

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Agency is estimated to be less than the annual entitlement for sick leave.

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

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

Superannuation

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

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

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

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

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

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

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

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

1.10 Cash

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

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

1.11 Financial assets

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

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

Notes to the financial statements

for the period ended 30 June 2013

Trade and Other Receivables

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

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

Impairment of Financial Assets

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

1.12 Financial liabilities

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

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

Suppliers and Other Payables

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

Provisions

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

1.13 Contingent Liabilities and Contingent Assets

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

1.14 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.

1.15 Property, Plant and Equipment

Asset Recognition Threshold

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

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

Notes to the financial statements

for the period ended 30 June 2013

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	<u>2013</u>	<u>2012</u>
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 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

Derecognition

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

1.16 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of NOPSEMA's software are 3 years (2011-12: 3 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

1.17 Taxation / Competitive Neutrality

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

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

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

Notes to the financial statements
for the period ended 30 June 2013

Note 2 : Events after the Reporting Period

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

Note 3: Expenses

	2013 \$'000	2012 \$'000
<u>Note 3A: Employee benefits</u>		
Wages and salaries	14,971	10,412
Superannuation:		
Defined benefit plans	702	390
Defined contribution plans	2,167	1,430
Leave and other entitlements	2,860	1,803
Other employee benefits	48	51
Total employee benefits	20,748	14,086
<u>Note 3B: Suppliers</u>		
Consultants	836	683
Contractors	194	175
Other	3,561	5,262
Total goods and services	4,591	6,120
Provision of goods – external parties	740	682
Rendering of services – external parties	3,851	5,438
Total goods and services	4,591	6,120
Other supplier expenses		
Operating lease rentals	2,153	2,146
Workers compensation premiums	215	103
Total other supplier expenses	2,368	2,249
Total supplier expenses	6,959	8,369
<u>Note 3C: Depreciation and amortisation</u>		
Depreciation:		
Infrastructure, plant and equipment	124	91
Buildings	468	336
Total depreciation	592	427
Amortisation:		
Intangibles:		
Computer Software:	365	795
Total amortisation	365	795
Total depreciation and amortisation	957	1,222

Note 4: Income

	2013 \$'000	2012 \$'000
Own Source Revenue		
<u>Note 4A: Levies</u>		
Levies	24,499	19,684
Total revenue from Levies	24,499	19,684
<u>Note 4B: Interest</u>		
Deposits	161	186
Total Interest	161	186
<u>Note 4C: Other revenue</u>		
NOPSEMA implementation funding	0	8,477
Other revenue	166	31
Freedom of Information applications	0	9
Total other revenue	166	8,517

Note 5: Financial Assets

	2013 \$'000	2012 \$'000
Note 5A: Cash and Cash Equivalents		
Special Accounts	2,798	3,506
Total cash and cash equivalents	2,798	3,506
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services - external parties	8,630	1,345
Total receivables for goods and services	8,630	1,345
Other receivables:		
Accrued interest receivable	150	189
Safety case levy / accrued revenue	72	3,057
Travel advances	8	8
GST receivable from the Australian Taxation Office	176	265
Other	0	76
Total and other receivables	406	3,595
Less impairment allowances account	0	0
Total trade and other receivables (net)	9,036	4,940
Receivables are represented by:		
Current	9,036	4,940
Non-current	0	0
Total trade and other receivables (net)	9,036	4,940
Receivables are expected to be recovered in:		
No more than 12 months	9,036	4,940
More than 12 months	0	0
Total trade and other receivables (net)	9,036	4,940
Receivables are aged as follows:		
Not overdue	5,796	3,595
Overdue by:		
0 to 30 days	2,722	651
31 to 60 days	0	87
61 to 90 days	479	549
More than 90 days	39	58
Total receivables (gross)	9,036	4,940

Note 6: Non-Financial Assets

	2013 \$'000	2012 \$'000
Note 6A: Land and Buildings		
Leasehold improvements:		
Fair value	4,529	4,473
Accumulated depreciation	(911)	(443)
Total leasehold improvements	3,618	4,030
Total land and buildings	3,618	4,030

No indicators of impairment were found for land and buildings.

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

Note 6B: Property, Plant and Equipment

Other property, plant and equipment:		
Fair value	868	859
Accumulated depreciation	(693)	(569)
Total other property, plant and equipment	175	290
Total property, plant and equipment	175	290

The historical cost of leasehold improvements and other property plant and equipment was deemed to represent fair value at 30 June 2013.

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

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

Notes to the financial statements
for the period ended 30 June 2013

Note 6: Non-Financial Assets (Cont'd)

Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012-13)

	Buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2012			
Gross book value	4,473	859	5,332
Accumulated depreciation and impairment	(443)	(569)	(1,012)
Net book value 1 July 2012	4,030	290	4,320
Additions:			
By purchase	56	9	65
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(468)	(124)	(592)
Disposals:			
Other	-	-	-
Net book value 30 June 2013	3,618	175	3,793
Net book value as of 30 June 2013 represented by:			
Gross book value	4,529	868	5,397
Accumulated depreciation	(911)	(693)	(1,604)
	3,618	175	3,793

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2011-12)

	Buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2011			
Gross book value	232	566	798
Accumulated depreciation/amortisation and impairment	(151)	(492)	(643)
Net book value 1 July 2011	81	74	155
Additions:			
By purchase	4,286	308	4,594
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(336)	(91)	(427)
Disposals:			
Other	(1)	(1)	(2)
Net book value 30 June 2012	4,030	290	4,320
Net book value as of 30 June 2012 represented by:			
Gross book value	4,473	859	5,332
Accumulated depreciation/amortisation and impairment	(443)	(569)	(1,012)
Closing net book value	4,030	290	4,320

Notes to the financial statements
for the period ended 30 June 2013

Note 6: Non-Financial Assets (Cont'd)

	2013 \$'000	2012 \$'000
Note 6D: Intangibles		
Computer software:		
Internally developed - in progress	46	52
Internally developed - in use	4,159	3,504
Total computer software (gross)	4,205	3,556
Accumulated amortisation	(2,525)	(2,160)
Total computer software (net)	1,680	1,396
Total intangibles	1,680	1,396

No indicators of impairment were found for intangible assets.

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

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2012-13)

	Computer software internally developed \$'000
As at 1 July 2012	
Gross book value	3,556
Accumulated amortisation	(2,160)
Net book value 1 July 2012	1,396
Additions:	
By purchase	649
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(365)
Net book value 30 June 2013	1,680
Net book value as of 30 June 2013 represented by:	
Gross book value	4,205
Accumulated amortisation	(2,525)
	1,680

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2011-12)

	Computer software internally developed \$'000
As at 1 July 2011	
Gross book value	2,217
Accumulated amortisation	(1,365)
Net book value 1 July 2011	852
Additions:	
By purchase	1,339
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(795)
Disposals:	
Other	-
Net book value 30 June 2012	1,396
Net book value as of 30 June 2012 represented by:	
Gross book value	3,556
Accumulated amortisation	(2,160)
Closing net book value	1,396

Note 6: Non-Financial Assets (Cont'd)

	2013 \$'000	2012 \$'000
<u>Note 6F: Other Non-Financial Assets</u>		
Prepayments	38	93
Total other non-financial assets	38	93

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

Note 7: Payables

	2013 \$'000	2012 \$'000
<u>Note 7A: Suppliers</u>		
Trade creditors and accruals	(417)	(360)
Total supplier payables	(417)	(360)

Settlement is usually made within 30 days.

Note 7B: Other

Wages and salaries	(454)	(353)
Deposits held	(2,022)	(363)
GST payable to ATO	(19)	(40)
Total other payables	(2,495)	(756)

Total other payables are expected to be settled in:

No more than 12 months	(2,495)	(756)
More than 12 months	-	-
	(2,495)	(756)

Note 8: Provisions

	2013 \$'000	2012 \$'000
Note 8A: Employee Provisions		
Leave	(2,796)	(1,793)
Other	(513)	(734)
Total employee provisions	(3,309)	(2,527)
Employee provisions are expected to be settled in:		
No more than 12 months	(1,919)	(1,559)
More than 12 months	(1,390)	(968)
Total employee provisions	(3,309)	(2,527)
Note 8B: Other Provisions		
Provision for restoration obligations	(445)	(425)
Lease incentive	(2,277)	(1,741)
Total other provisions	(2,722)	(2,166)
Other provisions are expected to be settled in:		
More than 12 months	(2,722)	(2,166)
Total other provisions	(2,722)	(2,166)
	Provision for restoration \$'000	
Carrying amount 1 July 2012	(2,166)	
Additional provisions made	(556)	
Amounts used	-	
Unwinding of discount or change in discount rate	-	
Closing balance 2013	(2,722)	

NOPSEMA currently has one agreement for the leasing of premises which has provisions requiring the agency to restore the premises to their original condition at the conclusion of the lease. NOPSEMA has made a provision to reflect the present value of this obligation.

Note 9: Cash Flow Reconciliation

	2013 \$'000	2012 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow Statement	2,798	3,506
Balance sheet	2,798	3,506
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(3,838)	5,073
Add revenue from government	3,794	0
Adjustments for non-cash items		
Depreciation / amortisation	957	1,222
Amounts received free of charge	0	31
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(4,184)	(773)
(Increase) / decrease in prepayments	55	175
Increase in employee provisions	430	799
Increase in other provisions	556	1,762
Increase / (decrease) in supplier payables	32	52
(Increase) / decrease in accrued liabilities and levies paid in advance	2,115	(498)
(Increase) / decrease in GST receivable	89	(274)
Net cash from / (used by) operating activities	6	7,569

Note 10: Contingent Liabilities and Assets

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

Note 11: Senior Executive Remuneration

11A: Senior Executive Remuneration Expense for the Reporting Period

	2013	2012
	\$	\$
Short-term employee benefits:		
Salary	(946,005)	(851,468)
Annual leave accrued	(83,487)	(75,542)
Other allowances	-	(7,000)
Total Short-term employee benefits	<u>(1,029,492)</u>	<u>(934,010)</u>
Post-employment benefits:		
Superannuation	<u>(113,166)</u>	<u>(107,573)</u>
Total post-employment benefits	<u>(113,166)</u>	<u>(107,573)</u>
Other long-term benefits		
Long-service leave	<u>(23,575)</u>	<u>(21,219)</u>
Total other long-term benefits	<u>(23,575)</u>	<u>(21,219)</u>
Termination benefits	<u>-</u>	<u>-</u>
Total	<u>(1,166,233)</u>	<u>(1,062,802)</u>

Notes:

- Note 11A was prepared on an accrual basis.
- Note 11A excludes acting arrangements and part-year service where remuneration expensed for a senior executive was less than \$180,000.

Note 11: Senior Executive Remuneration (Contd)

11B: Average Annual Reportable Remuneration Paid for Substantive Senior Executives During the reporting Period

Average annual reportable remuneration ¹	2013					
	Senior Executives	Reportable	Contributed	Reportable	Bonus	Total
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵	
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$270 000 to \$299,999	1	260,076	36,492	-	-	296,568
\$300 000 to \$329,999	0	-	-	-	-	-
\$330 000 to \$359,999	2	283,933	42,430	-	12,500	338,863
\$360 000 to \$389,999	0	-	-	-	-	-
\$390 000 to \$419,999	1	373,603	25,200	-	-	398,803
Total	4					

Average annual reportable remuneration ¹	2012					
	Senior Executives	Reportable	Contributed	Reportable	Bonus	Total
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵	
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$270 000 to \$299,999	1	218,990	33,724	-	30,000	282,714
\$300 000 to \$329,999	1	278,496	39,224	-	-	317,720
\$330 000 to \$359,999	1	331,728	22,496	-	-	354,224
Total	3					

Notes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column;
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - c) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 11: Senior Executive Remuneration (Contd)

11C: Other Highly Paid Staff

Average annual reportable remuneration ¹	2013				
	Staff	Reportable	Contributed	Reportable	Bonus
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵
		\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$180 000 to \$209,999	13	174,559	27,723	337	-
\$210 000 to \$239,999	21	189,768	28,513	364	-
\$240 000 to \$269,999	14	214,945	36,455	246	-
\$270 000 to \$299,999	6	245,669	40,664	410	-
\$300 000 to \$329,999	1	266,937	38,740	-	-
Total	55				

Average annual reportable remuneration ¹	2012				
	Staff	Reportable	Contributed	Reportable	Bonus
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵
		\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$180 000 to \$209,999	15	165,777	27,189	251	-
\$210 000 to \$239,999	9	186,517	39,050	1,269	-
\$240 000 to \$269,999	6	200,028	50,816	169	-
\$270 000 to \$299,999	4	221,906	56,913	194	-
Total	34				

Notes:

1. This table reports staff:

- who were employed by the entity during the reporting period;
- whose reportable remuneration was \$180,000 or more for the financial period; and
- were not required to be disclosed in tables A, B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:

- gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
- exempt foreign employment income.

3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to other highly paid staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.

Note 12: Remuneration of Auditors

	2013	2012
	\$'000	\$'000

Financial statement audit services were provided free of charge to the entity by the Australian National Audit Office (ANAO).

Fair value of the services provided

Financial statement audit services	38	31
Total	38	31

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

Note 13: Financial Instruments

	2013	2012
	\$'000	\$'000

13A Categories of Financial Instruments

Financial Assets

Loans and receivables:

Cash and cash equivalents	2,798	3,506
Trade and other receivables	9,036	4,940
Total	11,834	8,446
Carrying amount of financial assets	11,834	8,446

Financial Liabilities

At amortised cost:

Trade creditors	(417)	(360)
Other	(2,495)	(756)
Total	(2,912)	(1,116)
Carrying amount of financial liabilities	(2,912)	(1,116)

13B Net Income and Expense from Financial Assets

Loans and receivables

Interest revenue	161	186
Net gain from loans and receivables	161	186
Net gain from financial assets	161	186

The interest income from financial assets at fair value through profit or loss was \$161,000 in the year ending 2013 [2012: \$186,000].

13C 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 2013 [2012: Nil].

13D Fair Value of Financial Instruments

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

Note 13: Financial Instruments (Contd)

13E Credit Risk

NOPSEMA was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2013: \$9,042,000 and 2012: \$4,940,000).

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

NOPSEMA held no collateral to mitigate against credit risk.

13F Liquidity Risk

NOPSEMA's financial liabilities were payables. The exposure to liquidity risk was based on the notion that NOPSEMA will encounter difficulty in meeting its obligations associated with financial liabilities.

This was highly unlikely as NOPSEMA operates on a cost recovery basis and manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, NOPSEMA has policies in place to ensure timely payments were made when due and has no past experience of default.

Maturities for non-derivatives financial liabilities 2013

	within 1 year	Total
	\$'000	\$'000
Other Liabilities		
Trade creditors	417	417
Other liabilities	2,495	2,495
Total	2,912	2,912

Maturities for non-derivatives financial liabilities 2012

	within 1 year	Total
	\$'000	\$'000
Other Liabilities		
Trade creditors	360	360
Other liabilities	756	756
Total	1,116	1,116

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

13G Market Risk

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

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

Interest Rate Risk

The only interest-bearing item on the balance sheet were cash and cash equivalents. By agreement with the Minister for Finance, NOPSEMA received interest equivalency payments.

Notes to the financial statements
for the period ended 30 June 2013

Note 14: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

2013 Appropriations						
	Annual Appropriation S'000	Appropriations reduced: S'000	AFM: S'000	Total Appropriation S'000	Appropriation applied in 2013 S'000	Variance S'000
DEPARTMENTAL						
Ordinary annual services	3,994	-	-	3,994	(3,994)	-
Other services	-	-	-	-	-	-
Total departmental	3,994	-	-	3,994	(3,994)	0
2012 Appropriations						
	Annual Appropriation S'000	Appropriations reduced: S'000	AFM S'000	Total Appropriation S'000	Appropriation applied in 2012 S'000	Variance S'000
DEPARTMENTAL						
Ordinary annual services	123	-	-	123	(123)	-
Other services	-	-	-	-	-	-
Total departmental	123	-	-	123	(123)	-

Notes:

1. Appropriations reduced under Appropriation Acts (Nos.1,3&5) 2012-13: sections 10, 11, 12 and 15 and under Appropriation Acts (Nos.2,4&6) 2012-13: sections 12, 13, 14 and 17. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. In 2013, there was no reduction in departmental and non-operating departmental appropriations.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1,3&5) 2012-13 and section 12 of Appropriation Acts (Nos. 2,4&6) 2012-13, the appropriation is taken to be reduced to the required amount specified in Table F of this note once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. There were no reductions in Administered appropriations related to the 2012-13 financial year.

In 2012-13, there was no adjustment that met the recognition criteria of a formal addition or reduction in revenue (in accordance with FMO Div 101) but at law the appropriations had not been amended before the end of the reporting period

2. Advance to the Finance Minister (AFM) - Appropriations Acts (Nos. 1,3&5) 2012-13; section 13 and Appropriations Acts (Nos. 2,4&6) 2012-13; section 15.

3. NOPSEMA receives an annual interest equivalency payment from government, based on NOPSEMA's average monthly cash balance for the prior year. The payments received are represented in the amounts above, not the amount recorded as revenue from government in the Statement of Comprehensive Income.

Note 15: Special Accounts

A special account is a bank account established by an Act of Parliament. In this case, the legal authority is Section 682 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGSA)*. The legal authority for appropriations from this account is Section 21 of the *Financial Management and Accountability Act 1997*. The purpose of the account is detailed in Section 684 OPGGSA as follows:

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

This account is subject to appropriation receipts for interest equivalency payments.

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

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

NOPSEMA identified one special account being the NOPSEMA Special Account. As at 30 June 2013 this work had been completed in respect of this special account and the work conducted noted that the risk of a breach of Section 83 was low. No issues of compliance with Section 83 were identified.

National Offshore Petroleum Safety and Environmental Management Authority	2013	2012
	\$'000	\$'000
Balance carried from previous period	3,506	1,480
Costs recovered	24,857	27,725
Other receipts	-	-
Total increase	24,857	27,725
Available for payments	28,363	29,205
Payments made to employees	(20,318)	(13,287)
Payments made to suppliers and GST	(3,650)	(11,679)
Other payments made	(1,597)	(733)
Total decrease	(25,565)	(25,699)
Total balance carried to next period	2,798	3,506

Note 16: Compensation and Debt Relief

	2013	2012
Departmental	\$	\$
No payment was provided during the period.	-	-

Note 17: Reporting of Outcomes

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

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

Note 17A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Expenses				
Departmental	(28,664)	(23,677)	(28,664)	(23,677)
Total	(28,664)	(23,677)	(28,664)	(23,677)
Income from non-government sector				
Departmental	24,499	20,047	24,499	20,047
Total	24,499	20,047	24,499	20,047
Other own-source income				
Departmental	327	8,703	327	8,703
Total	327	8,703	327	8,703
Net cost/(contribution) of outcome delivery	(3,838)	5,073	(3,838)	5,073

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

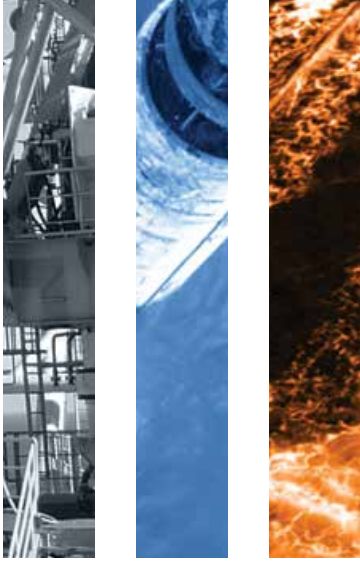
Note 17: Reporting of Outcomes (Contd)

Note 17B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

Outcome 1	Outcome 1		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Departmental Expenses:				
Employees	(20,748)	(14,086)	(20,748)	(14,086)
Suppliers	(6,959)	(8,369)	(6,959)	(8,369)
Depreciation and amortisation	(957)	(1,222)	(957)	(1,222)
Total	(28,664)	(23,677)	(28,664)	(23,677)
Departmental Income:				
Sale of goods and services	24,665	28,564	24,665	28,564
Income from government	3,794	-	3,794	-
Interest	161	186	161	186
Total	28,620	28,750	28,620	28,750
Departmental Assets:				
Cash and cash equivalents	2,798	3,506	2,798	3,506
Trade and other receivables	9,036	4,940	9,036	4,940
Land and buildings	3,618	4,030	3,618	4,030
Property, plant and equipment	175	290	175	290
Intangibles	1,680	1,396	1,680	1,396
Other non-financial assets	38	93	38	93
Total	17,345	14,255	17,345	14,255

Departmental Liabilities:				
Suppliers	(417)	(360)	(417)	(360)
Other payables	(2,495)	(40)	(2,495)	(756)
Employee provisions	(3,309)	(2,880)	(3,309)	(2,880)
Other provisions	(2,722)	(2,166)	(2,722)	(2,166)
Total	(8,943)	(5,446)	(8,943)	(5,446)

Outcome 1 is described in Note 1.1.



NOPSEMA Board report 2012-13

Chair review

Since February 2012, the NOPSEMA Board (the board) has been closely monitoring the consolidation of NOPSEMA and its functions, following the establishment of NOPSEMA on 1 January 2012, which gave the authority regulatory responsibility for environmental management.

Initially, operators had difficulty in understanding the requirements of the Regulations, requiring a much greater effort by NOPSEMA than anticipated on communication and giving advice and assistance to operators. There were systematic weaknesses in environment plans that needed to be addressed by some operators to improve compliance, notably the definition of environmental performance objectives and setting of environmental performance standards; oil spill contingency planning; and, environmental performance monitoring. Encouragingly, environment plan assessment time from submission to acceptance has decreased; a sign that industry has an improved understanding of what is required. The board considers the consolidation phase of NOPSEMA to be complete, although one outstanding issue remains, relating to the 51 active environment plans transitioned from the states and the Northern Territory.

The formation of NOPSEMA presents opportunities to improve regulatory efficiency. This is currently an area of major focus for the board.

The mid-2009 Varanus Island investigation report was tabled and published by the Parliament of Western Australia on 24 May 2012. The report principally deals with the role of the operator (Apache) and the foreseeability of the corrosion/major accident event. The report also closely examines the role of the three regulators involved. The board reviewed the significant changes to the regulatory regime since the Varanus Island incident occurred and is of the view that, as a result of the changes, the risk of regulatory failure is lessened. We remain concerned that on 1 January 2013 the existing safety conferral by the states and Northern Territory lapsed. This will mean more regulatory interfaces, including in relation to pipelines (a key contributing factor in the Varanus Island incident).

The board has worked to improve communication between itself and the Department of Resources, Energy and Tourism (RET). The RET Deputy Secretary now regularly attends board meetings as an observer. His attendance has improved the effectiveness of communication between the board and RET (now the Department of Industry).

Michael Large finished his term of appointment on the board in June 2013. On behalf of the board, I would like to thank him for his contribution, particularly his practical operational and workforce perspective.

Finally, on behalf of the board I would like to acknowledge the valuable contribution to offshore safety and environmental management made by the Hon Martin Ferguson AM MP, who, as the Minister for Energy and Resources until 25 March 2013, oversaw significant, positive legislative change that expanded the authority's powers to include regulation of offshore wells and environmental management.

A handwritten signature in black ink, appearing to be 'KS' with a stylized flourish.

Keith Spence
Chair

NOPSEMA Board functions

The NOPSEMA Board is established under Part 6.9, Division 3 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act) and is a separate entity to NOPSEMA.

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

The then Minister for Resources and Energy, the Hon Martin Ferguson AM MP, issued a 'Statement of Expectations' in March 2012 in relation to the role of the NOPSEMA Board. On 16 May 2013 his successor, the Hon Gary Gray AO MP, advised the board that he fully supported and intended making no changes to this Statement.





THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY

National Offshore Petroleum Safety and Environmental Management Authority Advisory Board – Statement of Expectations

The *Statement of Expectations* sets out what I, the Commonwealth Minister for Resources and Energy and the responsible Commonwealth Minister for matters relating to the establishment, functions and membership of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) Board as provided for in Part 6.9 Division 3 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act), consider to be the agreed roles and functions and responsibility of this board.

The *Statement of Expectations* aims to clearly identify my expectations of the board, including its legislative functions, as set out in the Act. The board is an advisory board, rather than a governance board. Broadly, its functions are to:

- give advice and make recommendations, as the board deems appropriate, to the NOPSEMA CEO about the operational policies and strategies to be followed by NOPSEMA in the performance of its functions;
- give advice and make recommendations as the board deems appropriate to the responsible Commonwealth Minister, State/Territory Petroleum Ministers and/or the Standing Council on Energy and Resources (SCER) in relation to policy or strategic matters relating to the functions of NOPSEMA or the performance by NOPSEMA of its functions; and
- actively engage with stakeholders regarding industry trends, issues and leading practice opportunities and provide advice to Ministers and NOPSEMA on strategies to improve safety and environmental management performance.

In providing its advice, I expect the board to focus on matters of significance with respect to reducing safety and environmental management risks or improving safety and environmental management outcomes in petroleum and/or greenhouse gas storage activities.

I note that SCER has approved a specific skills matrix for the NOPSEMA Board and that in making appointments to the board every effort is made to maintain the balance of skills and experience set out in this matrix and that the level of remuneration set for board members assumes that members will maintain a level of interaction with the industry and keep abreast of the issues relevant to industry safety.

Accordingly, in undertaking its functions I expect the board to draw on its own knowledge and experience base. Where the board believes it needs to seek additional expertise, I expect the board to advise me and to have obtained funding from NOPSEMA prior to any expenditure being incurred.

In order to meet the expectations I have outlined above in a satisfactory manner, I have asked NOPSEMA to provide secretariat support service at an administrative level to assist in the day-to-day operations of the NOPSEMA Board.



Martin Ferguson
March 2012

Stakeholder engagement

Ministers

The NOPSEMA Board is constituted separately to NOPSEMA, in order to provide independent advice to the NOPSEMA CEO, relevant state and territory ministers and the responsible Commonwealth minister. The Hon Martin Ferguson A MMP was the Minister of Resources and Energy for the reporting period until 25 March 2013 when the Hon Gary Gray was appointed to the role. The board provided both ministers with advice on a range of matters consistent with the strategic themes described below. Both Mr Ferguson and Mr Gray attended the final board meeting of the 2012-13 financial year and confirmed that the board's advice had been helpful and that many of recommendations made by the board had been or were being actioned by RET. The board also met with the Hon Ian Macfarlane, the Shadow Minister for Energy and Resources at the final board meeting of the financial year to brief him on current issues.

The board's main mechanism for engagement with state and territory ministers in 2012-13 was through attendance at meetings of SCER.

NOPSEMA CEO

The NOPSEMA CEO attended and participated in all board meetings. Board meeting agendas included reviewing NOPSEMA's operational policies and strategies in key areas as outlined below. This provided the primary means of providing advice to the CEO during 2012-13. The Chair and to a lesser extent other board members also provided informal advice to the CEO between meetings.

Other stakeholders

To give relevant and accurate advice, the board maintains links with other relevant stakeholders in industry and government. Liaison in 2012-13 included the following:

- The board met with the Chair of the APPEA CEO Safety Leadership Forum and Director of Skills and Safety in relation to progress with the Leadership Forum. The Forum has four initiatives that continued into 2013: the Common safety training program; sharing of high potential incidents; process safety; and vehicle safety. The Common safety training program, which aims to ensure that all new and existing employees in the offshore oil and gas industry have the same core foundation of safety skills, is well underway. The process safety initiative commenced in 2012 with the objective to establish consistent reporting, trends and the active sharing of learnings. The vehicle safety initiative has made good progress.
- The Chair and individual board members met with senior APPEA executives and members in relation to NOPSEMA's transition process involving environment plans.
- The Chair and individual board members meet with staff at RET, including in relation to future policy and legislation.
- The Chair and individual board members were also active in the offshore oil and gas sector in various ways, which informed the perspectives that they brought to formulating board advice on specific issues.

Board focus and strategic themes

At each of its meetings during 2012-13, the board reviewed data on industry performance, changing legislative and other characteristics of the offshore regime, and on the staffing and performance of NOPSEMA. It sought and received briefings on key areas within the authority. The board provided both general advice to ministers and advice in relation to specific requests from the Minister for Resources and Energy.

Focus areas

The board received briefings on and reviewed NOPSEMA:

- plans to manage an offshore crisis and links with the AMSA-managed 'National Plan'
- implications from the Varanus Island incident investigation report and recommendations tabled in the Western Australian Parliament on 24 May 2012
- management of risk and its risk register
- critical skills and recruitment program, including in relation to ongoing difficulties with recruiting sufficient well integrity specialists
- commissioned research on behalf of the IRF from the University of Western Australia on operator 'fitness to operate'
- human factors training and safety culture research
- stakeholder engagement and communications
- *Stena Clyde* fatalities investigation
- offshore inspections and associated regulatory management system
- internal audit program.

Strategic themes

The board had a particular focus on NOPSEMA's transition to incorporate environmental management functions, industry engagement and response to the new arrangements, and the risks associated with legacy environment plans transitioned from some states and the Northern Territory.

The board had an ongoing focus on the desirability of all states and the NT conferring functions on NOPSEMA in relation to offshore waters within their jurisdictions and data sharing from Western Australia to enable a comprehensive and consistent set of safety and environmental data to be produced that is comparable internationally.

The board continued its longstanding encouragement of legislative change to provide broader regulatory compliance and enforcement tools and increased transparency. It also considered the treatment of environmental and safety risk in the award of exploration permits and production licences.

Specific ministerial advice

In August 2012, the Minister for Resources and Energy asked the board to review NOPSEMA's progress towards improving regulatory efficiency and reducing the regulatory burden on industry and this was added as a standing item for all board meetings in 2012-13 and reported accordingly.

In November 2012, the minister sought board advice on appropriate options to improve access to the safety case by the workforce and its representatives.

In February 2013, the minister sought board advice on industry concerns raised by APPEA in relation to NOPSEMA's environmental management role.

The year ahead

In accordance with the Commonwealth minister's 'Statement of Expectations' and the relevant legislation, the NOPSEMA Board will continue to provide advice to the responsible Commonwealth, state and territory ministers, and to the NOPSEMA CEO. In providing its advice, the board will focus on matters of significance with respect to reducing safety and environmental management risks and improving safety and environmental management outcomes in petroleum activities and potentially in greenhouse gas storage.

Taking into account its functions under the OPGGS Act and the 'Statement of Expectations', and allowing for any ministerial and CEO requests during the coming year for specific advice, the board's draft work program includes:

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

Board membership and attendance

During the 2012-13 financial year the terms of the Chair and several board members were extended and the appointment of Michael Large expired.

The board met four times: 16 August 2012, 15 November 2012, 14 March 2013 and 16 May 2013. The board welcomed the Deputy Secretary of RET as an observer at those meetings.

Attendance at meetings is as indicated in the following table:

NOPSEMA Board member meeting attendance				
Name	16 Aug 2012 Meeting 3	15 Nov 2012 Meeting 4	14 Mar 2013 Meeting 5	16 May 2013 Meeting 6
Keith Spence (Chair)	•	•	•	•
Lynne Chester	•	•	•	•
Michael Ollis	•	•	•	•
Anthony Pooley	•	•	•	•
Jan Hayes	•	•	•	
Kym Bills	•		•	•
Michael Large	•	•	•	
Gerard Early		•		•

Table 6.

Board financial statement

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

Board expenditure in 2012-13, in comparison to NOPSEMA's 2012-13 budget allocation and expenditure in 2011-12 is set out in the following table:

NOPSEMA Board budget and expenditure				
Expenditure items	Annual budget 2012-13	Actuals 2012-13	Variance favourable/ (unfavourable)	Previous year actuals 2011-12
	\$'000	\$'000	\$'000	\$'000
Members remuneration	265	271	(6)	237
Travel and accommodation	23	29	(6)	32
Other expenses	3	4	(1)	6
Total	291	304	(13)	275

Table 7.

Appendix 1: Alphabetical index

Letter	Topic	Pages
A	advertising	47
	advisory board	19, 86
	as low as reasonably practicable (ALARP)	8, 11, 14
	asset management	38, 40
	assessments	21, 28, 33, 46, 79
	auditor	39, 44, 76
	Australian Maritime Safety Authority (AMSA)	35, 89
	Australian Petroleum Production and Exploration Association Limited (APPEA)	34, 90
C	code of conduct	43
	Chief Executive Officer (CEO)	1, 10, 21-22, 34, 36-37, 42, 52, 79, 85-90
	consultants	44, 65
	contract(s)	42, 44-45, 47, 60, 62, 65
	corporate governance	37
	Corporate Plan	13, 16, 18, 25, 37-38
	cost recovery	16, 21, 33, 61, 77
D	Department of Industry	10, 83
	Department of Resources, Energy and Tourism (RET)	10, 32-33, 35, 83, 87, 91
	designated authorities	32
	diving safety management system (DSMS)	28, 30
E	Employee assistance program	43
	environment plan	9, 14, 16, 22-23, 26, 28-29, 32-34, 83, 88-89
F	facility	8, 23, 26, 29-31, 34, 63
	financial statements	1, 42, 60-62, 76, 79
	freedom of information (FOI)	40, 43, 48, 65
	functions	9-11, 13-16, 18-19, 21, 23-27, 36-38, 40-41, 60, 79, 83, 85-87, 89-90
H	human resources	22, 38, 41
	health and safety representative (HSR)	26

Letter	Topic	Pages
I	inspections	16, 26, 29-31, 46, 89
	International Regulators' Forum (IRF)	35, 89
	investigation	8-9, 15-16, 18, 20-22, 26, 31, 36, 43, 80, 83, 89
J	jurisdiction	8, 15, 23-24, 27, 30, 89
L	legislation	9, 14, 20, 27, 88, 90
	levy/levies	32-33, 53, 56, 61, 65-66, 72, 77
M	Minister for Resources and Energy	14, 33, 85-86, 88-89
N	newsletter	34
	National Offshore Petroleum Titles Administrator (NOPTA)	15
O	operator	8-10, 16, 22-23, 29, 31, 33, 63, 83, 89-90
	occupational health and safety (OHS)	8, 13-14, 16, 18-20, 23-25, 29-31, 46, 60, 85
	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i> (OPGGGS Act)	1, 13-14, 18, 20-21, 23, 25, 36, 38, 60, 79, 85-86, 90
	performance	8-10, 15-16, 18-19, 22, 26, 31, 34, 38, 41, 43, 47, 79, 83, 85-86, 88, 90
P	pipeline	14, 22, 30, 83
	recruitment	39, 43, 47, 89
R	risk management	9-11, 15, 19, 27, 38
S	stakeholder(s)	10, 12, 14, 19, 22, 26-27, 31, 33-34, 60, 86, 88-89
	safety case	14, 16, 22, 26-30, 32, 34, 66, 80-90
	Standing Council on Energy and Resources (SCER)	15, 37, 85-87, 90
	Department for Sustainability, Environment, Water, Population and Communities (SEWPaC)	35
	titleholders	16, 20-23, 30
T	training	27, 38, 43, 88-89
	website	27, 34, 45, 48
W	wells	14, 18, 22-23, 36, 60, 80, 84
	well operations management plan (WOMP)	14, 16, 22, 28-29, 32, 80
	workers compensation	46, 65

Appendix 2: List of requirements

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

Part of report	Description		Requirement
2.1-2.6	Performance against service charter customer service standards, complaints data, and the department's response to complaints		If applicable, mandatory
3.4	Discussion and analysis of the department's financial performance		Mandatory
3.4	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.		Mandatory
4.1	Agency resource statement and summary resource tables by outcomes		Mandatory
Chapter 3	Management and accountability		
3.1	Corporate governance		
3.3	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.		Mandatory
3.1	Statement of the main corporate governance practices in place		Mandatory
N/A	Names of the senior executive and their responsibilities		Suggested
N/A	Senior management committees and their roles		Suggested
3.1-3.3	Corporate and operational planning and associated performance reporting and review		Suggested
3.3	Approach adopted to identifying areas of significant financial or operational risk		Suggested
4.4	Policy and practices on the establishment and maintenance of appropriate ethical standards		Suggested
N/A	How nature and amount of remuneration for SES officers is determined		Suggested
3.5	External scrutiny		
3.5	Significant developments in external scrutiny		Mandatory
3.5	Judicial decisions and decisions of administrative tribunals		Mandatory
N/A	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman		Mandatory
Chapter 4	Management of human resources		
4.1	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives		Mandatory
4.1	Workforce planning, staff turnover and retention		Suggested
N/A	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs		Suggested
4.3	Training and development undertaken and its impact		Suggested
6.1	Work health and safety performance		Suggested
N/A	Productivity gains		Suggested
4.1	Statistics on staffing		Mandatory
4.1	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs		Mandatory
4.1	Performance pay		Mandatory
3.4	Assets management	Assessment of effectiveness of assets management	If applicable, mandatory

Part of report	Description		Requirement
Chapter 5	Purchasing		
5.1-5.3	Assessment of purchasing against core policies and principles		Mandatory
5.1	Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory
5.2	Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory
5.3	Exempt contracts	Contracts exempt from the AusTender	Mandatory
	Financial Statements		
Chapter 6	Other Mandatory Information		
6.1	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)		Mandatory
6.2	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns		Mandatory
6.3	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)		Mandatory
N/A	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>		If applicable, mandatory
6.5	Grant programs		Mandatory
6.4	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms		Mandatory
6.6	Information Publication Scheme statement		Mandatory
N/A	Spatial reporting – expenditure by program between regional and non regional Australia		If applicable, mandatory
N/A	Correction of material errors in previous annual report		If applicable, mandatory
4.1	Agency Resource Statements and Resources for Outcomes		Mandatory
Appendix 2	List of requirements		Mandatory

