



Annual Report 2015 – 16



About this report

This document is the annual report of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) covering operations and activities conducted during the year ending 30 June 2016. NOPSEMA's annual report is made available to the Commonwealth Minister for Resources and Northern Australia, the relevant state and Northern Territory ministers, the offshore petroleum industry, its workforce and the public.

In compliance with the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and the *Public Governance, Performance and Accountability Act 2014*, this report will be submitted to be tabled in both Houses of Parliament of the Commonwealth of Australia.

Access this report

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

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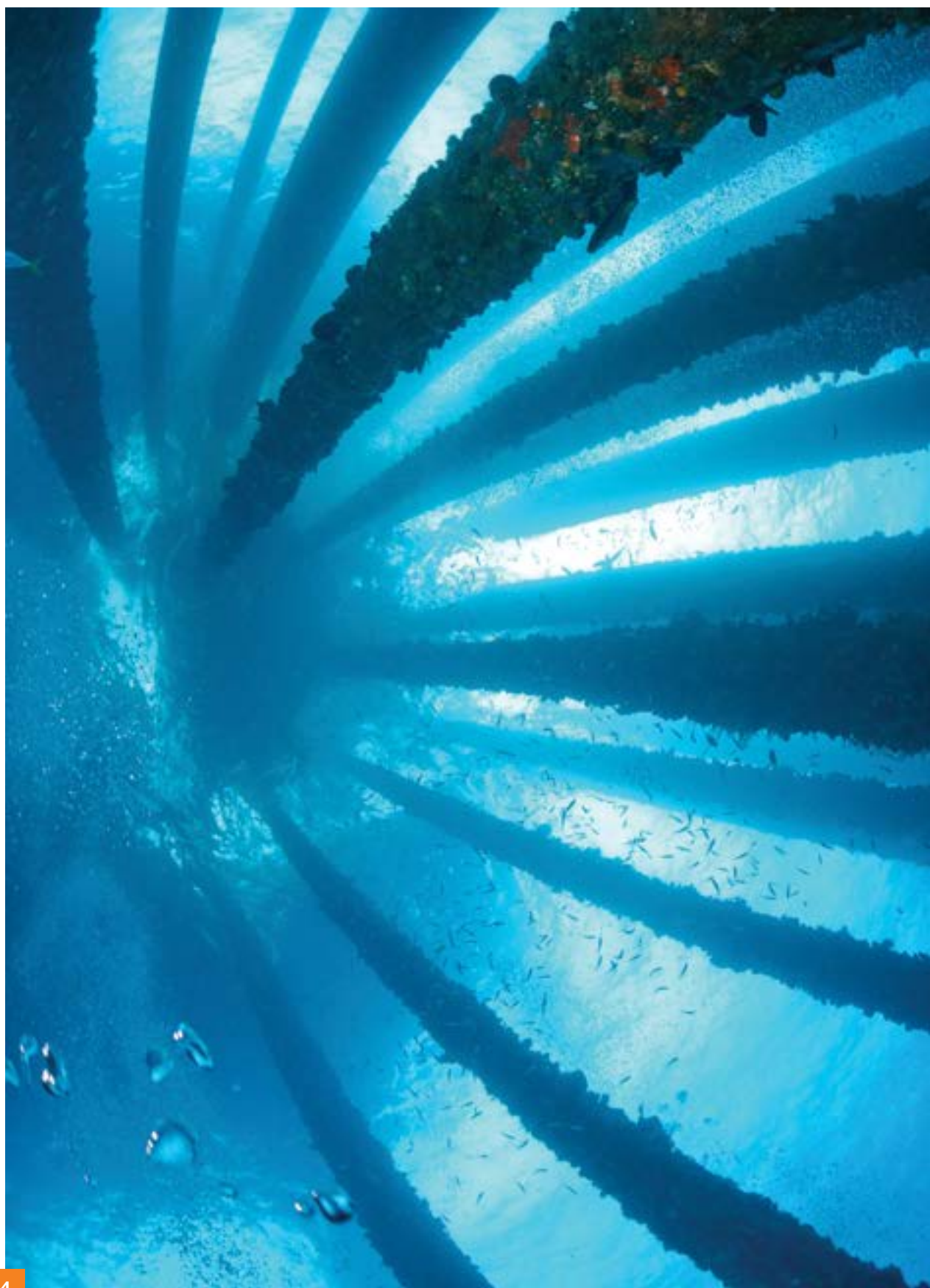
**Letter to Senator the Hon Matthew
Canavan, Minister for Resources and
Northern Australia**

In accordance with Section 690 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, I am pleased to submit the National Offshore Petroleum Safety and Environmental Management Authority's (NOPSEMA) annual report for the year ending 30 June 2016.

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

A handwritten signature in black ink, appearing to read 'Stuart Smith', with a large, stylized loop at the end.

Stuart Smith
Chief Executive Officer
NOPSEMA
3 October 2016



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Message from the CEO

In 2015–16, the Australian offshore petroleum industry faced significant challenges as a result of a sustained decline in the price for oil and gas. The industry worked hard to adapt to the situation and our key message was clear: no matter the challenge, strong health, safety and environmental management outcomes should not be compromised.

While industry activity declined throughout the year in response to the drop in the price for oil and gas there remained a substantial core body of regulatory effort required to maintain an effective oversight of the industry. In 2015–16, NOPSEMA received for assessment 87 safety cases, 27 well operations management plans, and 37 environment plans. We also conducted 102 health and safety inspections across 143 facilities, nine well integrity inspections across 17 wells, and 54 environment management inspections across an equal number of petroleum activities.

Thankfully, there were no fatalities reported during the year. There were 377 accidents, dangerous occurrences and reportable environmental incidents reported to NOPSEMA of which none met the threshold or posed such a significant risk that warranted a major investigation. However, 172 reported incidents did require NOPSEMA to undertake a non-major investigation with the majority of those investigations relating to facility integrity issues, valve failures and dropped objects.

While our investigations seek to determine what went wrong and to share lessons learned to prevent an incident from happening again, if an incident involves a serious breach of the *Offshore Petroleum Greenhouse Gas Storage Act 2006* (OPGGGS Act) then NOPSEMA will take enforcement action. In 2015–16, NOPSEMA took 25 enforcement actions which is comparable to the number of actions taken in the year prior. Of

particular note are the two prosecution outcomes that were reached during the reporting period. In September 2015, the Magistrates' Court of Victoria imposed a criminal penalty of \$330,000 on Stena Drilling (Australia) in relation to the accident on 27 August 2012 that claimed the lives of two offshore workers. In December 2015, another action in the Magistrates' Court of Perth resulted in a criminal penalty of \$20,000 being imposed on Hammelmann Australia in relation to an accident on 30 March 2011 where a diver suffered a serious arm injury.

Prosecution is always the last resort. NOPSEMA's preference is to direct its efforts to a variety of communication and engagement activities to better advise industry and promote compliance with the legislation. Those activities include direct interaction through assessment and inspection activities, meetings and workshops, participation in conferences and open days, publication of guidance and performance data, appearances before public hearings, and initiatives to improve the transparency of our decision-making processes.

When NOPSEMA was established in 2012 there was a 'raising of the bar' for environmental management with a far more rigorous application of the regulations than previous arrangements. In the years to follow, NOPSEMA worked with industry to assist them in adjusting to the regime. While this was happening the expectations of the community continued to evolve and although industry performance lifted and consultation



improved in response there is still more work to be done. For NOPSEMA's part, we have sought to improve community confidence in the offshore petroleum environmental approval process by implementing a Stakeholder Engagement and Transparency Work Program. On 1 January 2016, as part of this program, we commenced publishing on our website information on the status of an environment plan assessment, expected decision dates and the decisions made in relation to an assessment. Further to this, we expanded guidance requiring published summaries for accepted environment plans to include the full report of consultation to provide stakeholders with greater transparency around the consultation undertaken and its results. Moving forward NOPSEMA will continue to engage with stakeholders to better understand their views and to inform and build support for future initiatives.

A continuing priority for NOPSEMA during the year was reducing regulatory burden with an emphasis on pursuing

opportunities for further environmental streamlining and the conferral of regulatory responsibilities from the states and the Northern Territory. We continued to work closely with the Federal Department of Industry, Innovation and Science to progress conferral in South Australia and the Northern Territory. Additional states have also expressed interest in conferral. In 2015–16, we look forward to further collaboration and cooperation in this space.

In 2015–16, NOPSEMA also reinforced its international standing and access to leading regulatory practise through participation in key international regulatory forums. We continued to chair the International Offshore Petroleum Environment Regulators (IOPER) forum and were elected as one of three members (along with the United States and Norway) for the new International Regulators Forum (IRF) Management Committee. NOPSEMA will continue to engage with international regulatory counterparts to share insights, benchmark performance, and discuss new technology

and approaches to regulation in support of regulatory best practice in Australia.

In reflecting on the year that's passed, I wish to acknowledge the support of the NOPSEMA Advisory Board, the professional and diligent efforts of NOPSEMA's staff and the considerable efforts of the industry to ensure the pricing pressure didn't compromise their performance.

I believe the objective-based regulatory regime administered by NOPSEMA and our independent, merit-based approach to decision-making is the best way to achieve strong health and safety and environmental management outcomes. Two Independent reviews of NOPSEMA,

which were completed in 2015, agree with me and found NOPSEMA to be a robust, rigorous and competent regulator. In the year to come, NOPSEMA will continue to work with the industry, offshore workforce and other stakeholders to advise, promote, and enforce compliance with the legislation to ensure the health and safety of the offshore workforce and the environment are protected.



Chief Executive's biography

Stuart Smith was appointed Chief Executive Officer of the NOPSEMA in September 2014 following six years as Director General of the Department of Fisheries (DoF) in Western Australia.

As Director General of DoF, Stuart managed the sustainable use of aquatic resources in West Australian and adjacent Commonwealth waters. These responsibilities included developing and regulating commercial fishing, aquaculture, recreational fishing, aquatic biosecurity and selected aquatic safety and marine park compliance functions.

Stuart also worked as a Deputy Director General and Acting Director General with the Department of Industry and Resources (DoIR) in Western Australia. As Deputy Director General for State Development he was responsible for facilitating major mining and oil and gas projects, attracting investment, and promoting trade and economic expansion opportunities in WA. As Deputy Director General for Resources he was responsible for promoting resources exploration in the state, regulating mining activity, managing resources sector royalties and regulating oil and gas activity including onshore and offshore safety and environmental management.

Prior to joining DoIR in 2003, Stuart spent 14 years with the Australian Public Service in Canberra, Melbourne and Perth. During this period he held various industry development and regulatory roles including positions with the Industry portfolio and the Australian Competition and Consumer Commission, together with a secondment to Parliament House as an Inquiry Secretary and advisor.

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

Overview of NOPSEMA

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is the independent expert regulator for health and safety, well integrity and environmental management for offshore petroleum and greenhouse gas storage activities in Commonwealth waters.

History

In 1999, the Australian Government commissioned a review into the adequacy of offshore safety regulation in Australia. At the time, the states and Northern Territory carried out the day-to-day regulation of offshore safety using a combination of objective-based and prescriptive legislative rules. That review recommended a revision of the existing regulatory and legislative framework to establish a national offshore petroleum safety regulatory authority.

Federal, state and Northern Territory ministers accepted the review's recommendation and in 2005 the Australian Government established the National Offshore Petroleum Safety Authority (NOPSA) to regulate the health and safety of workers on offshore facilities. New laws were also introduced stipulating the duty of the facility operator to manage offshore petroleum safety.

Over the next five years, major offshore incidents in Australia and internationally sparked moves for further regulatory reform. In 2010, the Commission of Inquiry into the 2009 Montara oil spill incident strongly recommended that a single, independent regulatory body be responsible for safety, well integrity, and environmental management.

In April 2011, the Australian Government extended NOPSA's remit to include the regulation of well integrity. Shortly thereafter, on 1 January 2012, NOPSEMA was established to supersede NOPSA and reflect the added responsibility of regulating offshore environmental management.

The combination of the regulation of safety, well integrity, and environmental management under a single independent regulator aims to standardise Australia's offshore petroleum regulation to a quality, best practice model.

“...standardise Australia's offshore petroleum regulation to a quality, best practice model.

Establishing legislation

NOPSEMA is an independent statutory authority established under the *Offshore Petroleum Greenhouse Gas Storage Act 2006* (OPGGGS Act). NOPSEMA's principal functions are detailed in section 646 of the OPGGS Act and are as follows:

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

Changes to the legislative regime

On 1 January 2016, amendments to Part 5 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 commenced. The amended regulations reflect the expanded scope and nature of the well operations management plan (WOMP) as the sole permissioning document for wells and well activities across the life of a well.

Titleholders are now required to include details for individual well activities in their WOMP. Previously, this information was provided in an Application for Approval to Undertake a Well Activity (AAUWA) which NOPSEMA would only assess following the acceptance of the corresponding WOMP. The AAUWA is now being phased out over a two-year transition period to provide titleholders with adequate time to comply with the amended regulations.

NOPSEMA developed and published new guidance, in consultation with an Australian Petroleum Production & Exploration Association (APPEA) working group, to assist titleholders in meeting the amended regulations. NOPSEMA's well integrity team also met with titleholders individually to discuss the amendments, new guidance and answer any questions.

Regulatory activities

To fulfill its legislated functions NOPSEMA undertakes assessment, inspection, investigation, enforcement, and advice and promotion activities.

Assessment

Before any offshore petroleum or greenhouse gas storage activity can begin, an oil and gas company must first submit the relevant risk management plans to NOPSEMA for assessment and acceptance. Risk management plans can include safety cases, well operations management plans, offshore project proposals and environment plans.

For a risk management plan to be accepted, it must clearly demonstrate how a company will conduct a proposed activity to protect the health and safety of the offshore workforce and the environment whilst reducing environmental impacts.

Inspection

NOPSEMA conducts inspections to monitor a company's implementation and compliance with the accepted risk management plan and compliance with the broader legislative requirements.

All inspections are carried out using a risk-based methodology that considers relevant risk factors, performance and compliance history, current industry incident trends, and any relevant findings from previous inspections.

Upon completion of an inspection, NOPSEMA will issue the company a detailed report of the inspection findings, conclusions, and recommendations for improvement. If necessary, NOPSEMA will also request the company to provide their proposed actions to address issues highlighted in the report.

Investigation

When NOPSEMA detects a potential breach of the legislation, it may do a number of things including hold a meeting with the responsible party, issue a warning letter or undertake a targeted inspection. NOPSEMA will commence an investigation if it determines the risk created by a potential breach is high and there is sufficient information to proceed. NOPSEMA's investigation will determine what went wrong, share lessons learned and, where necessary, hold the responsible parties to account through enforcement action.

Enforcement

When NOPSEMA determines a breach of the legislation has occurred, the authority may choose to take enforcement action. Action will be taken to rectify the breach, avoid a recurrence, and to act as a deterrent. Enforcement action can include issuing an improvement or prohibition notice; giving a direction; requesting a revision or withdrawing acceptance of a safety case, well operations management plan or environment plan; and prosecution.

Advice and promotion

NOPSEMA engages with its stakeholders to promote and advise on health and safety, well integrity and environmental management matters. This is done through liaison meetings, hosting workshops and information sessions, giving presentations and participating in industry conferences and forums. NOPSEMA also publishes industry performance data, policy and guidance material, latest news, reports and a quarterly newsletter on its website.

Jurisdiction

NOPSEMA regulates all offshore areas in Commonwealth waters. Commonwealth waters comprise those areas beyond the first three nautical miles (approximately 5.5km) of the territorial sea.

NOPSEMA also regulates offshore areas in coastal waters where a state or the Northern Territory has conferred regulatory powers and functions.

As of 30 June 2016, Victoria has conferred functions for the regulation of health and safety and well integrity to NOPSEMA.

NOPSEMA jurisdiction in Commonwealth waters



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 1

Organisational structure

NOPSEMA’s organisational structure comprises two regulatory divisions, one regulatory support division, and a Legal Team. Each division report to the Chief Executive Officer. This structure provides NOPSEMA with clear lines of responsibility and supports sound corporate governance, stakeholder engagement activities, and compliance efforts.

The Safety and Integrity Division regulate the management of health and safety

risks to people at or near offshore petroleum facilities. The Environment Division regulate the management of risks and impacts to the environment arising from offshore petroleum activities. The Regulatory Support Division lead regulatory development and corporate support services. The Legal Team provide advice in relation to matters affecting the business operations of NOPSEMA and ensure that NOPSEMA meets its statutory and legal obligations.

NOPSEMA organisational structure



Figure 2

Report on performance

In 2015–16, NOPSEMA continued to challenge industry to secure compliance with the legislation and drive improved health and safety, well integrity and environmental management outcomes.

Key achievements

	Improved transparency in relation to environmental management decisions
	Maintained efficient and effective regulatory oversight of offshore petroleum operations through rigorous assessment, inspection and investigation
	Improved and increased liaison and consultation processes with key stakeholders
	Successfully embedded and improved processes to reflect significant new and amended well integrity legislation
	Regular publication of an expansive data set showing industry and NOPSEMA performance

Key challenges

	Industry ageing infrastructure
	Increasing community expectations
	Maintaining organisation values based culture in the face of continuing macro-environmental changes
	Oil and gas commodity price volatility
	New technologies



326

regulatory
submissions

Assessment

During the reporting period, NOPSEMA received 326 regulatory submissions for assessment. Environment plan assessments decreased by 48% with safety case and well operations management plan assessments decreasing by 15% and 10% respectively.

The decrease in the number of assessments undertaken is a result of declining industry activity and a rising trend to increase the number of petroleum activities covered under a single environment plan.

NOPSEMA notified 97% of all assessment decisions within the legislated or policy timeframe.

Assessments submitted

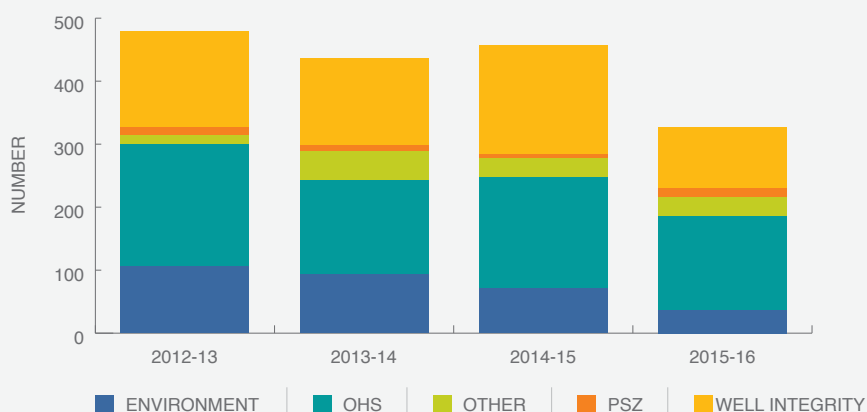


Figure 3

Division and assessment type	2012-13	2013-14	2014-15	2015-16
Environment	106	93	71	37
Environment plan	106	93	71	37
Safety	194	150	177	148
Diving safety management system	8	3	11	1
Diving start-up notice	23	20	10	11
Safety case	113	87	102	87
Scope of validation	50	40	54	49
Other	14	46	30	31
NOPTA request for title related information	14	46	30	31
Petroleum safety zone (PSZ)	13	9	6	13
Areas to be avoided access application	4	1	1	10
PSZ access application	1	0	0	0
PSZ application	8	8	5	3
Well integrity	152	138	173	97
Well activity application	127	103	143	70
Well operations management plan	25	35	30	27
Total	479	436	457	326

Table 1



165

inspections across 143 facilities,
17 wells and 54 petroleum activities

Inspection

During the reporting period, NOPSEMA conducted 165 inspections. This included 102 health and safety inspections across 143 facilities, nine well integrity inspections across 17 wells, and 54 environment management inspections across an equal number of petroleum activities.

The total number of inspections slightly decreased in 2015–16, however, it should be noted that the number of active facilities under NOPSEMA's jurisdiction and the level of industry activity also decreased.

Inspections

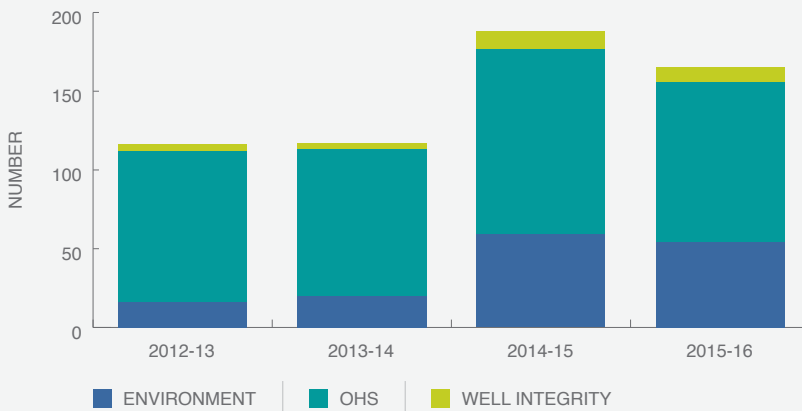


Figure 4

Division and inspection type	2012–13	2013–14	2014–15	2015–16
Environment	16	20	59	54
Safety	96	93	118	102
Well integrity	4	4	11	9
Total	116	117	188	165

Table 2



377

incident notifications comprising accidents, dangerous occurrences and reportable environmental incidents. No reported incidents warranted escalation to a major investigation

Investigation

In 2015–16, NOPSEMA received 377 incident notifications comprising accidents, dangerous occurrences and reportable environmental incidents. No reported incidents warranted escalation to a major investigation. However, NOPSEMA undertook 172 non-major investigations of which the majority were in relation to facility integrity issues, valve failures and dropped objects.

Out of 172 investigations, 19 (11%) were investigated as a priority (either as soon as possible or within 45 days) with seven of those priority investigations relating to dropped objects. One incident involving an unplanned/uncontrolled pipe movement on a vessel was escalated to an investigation as soon as possible and resulted in enforcement action.

Non-major investigations – incident notification decision categories		2015–16
Investigate as soon as possible		1
Investigate within 45 days		18
Investigate		153
Total		172

Table 3

Non major investigations 2015–16¹

Top 5 incident subtypes

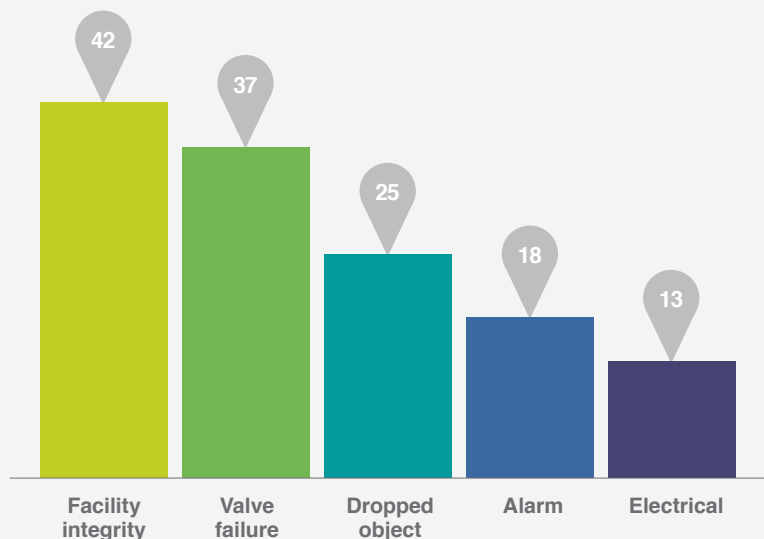


Figure 5

¹ A reported incident may be categorised under more than one subtype. As an example, a gas release may be related to facility integrity and a valve failure. There are more than 20 subtypes that didn't rank in the top five because only a small number of incidents were reported under them, for example: mooring related incidents (8), lifeboat operations incidents (3), pipeline impacts (1) and diving incident (1).



25

enforcement actions were taken.
Two prosecution outcomes were reached

Enforcement

NOPSEMA takes enforcement action when there is an immediate and/or significant threat to the health and safety of a person or the environment. During the reporting period, NOPSEMA took 25 enforcement actions. While there was a slight decrease in the number of health and safety enforcement actions taken during the year, there was a slight increase in the number of environmental management enforcement actions.

Prosecution outcomes

On 3 September 2015, the Magistrates' Court of Victoria imposed a criminal penalty of \$330,000 against Stena Drilling Australia Pty Ltd for their failure to implement and maintain systems of work that were safe and without risk to health as required under clause 9(2) (d) of the OPGGS Act. The conviction relates to an accident on the *Stena Clyde* mobile offshore drilling unit that occurred during drilling operations in Commonwealth waters in the Bass Strait on 27 August 2012 and resulted in the deaths of two offshore workers.

On 14 December 2015, the Magistrates' Court of Western Australia Hammelmann imposed a criminal penalty of \$20,000 against Hammelmann Australia Pty Ltd for breaching the duties of care owed by manufacturers of equipment under clause 12 of Schedule 3 of the OPGGS Act. This was the first prosecution of a manufacturer taken under the OPGGS Act. The conviction relates to an accident on 30 March 2011 where a diver suffered a serious injury to an arm whilst operating high pressure water blasting equipment subsea.

Enforcement actions

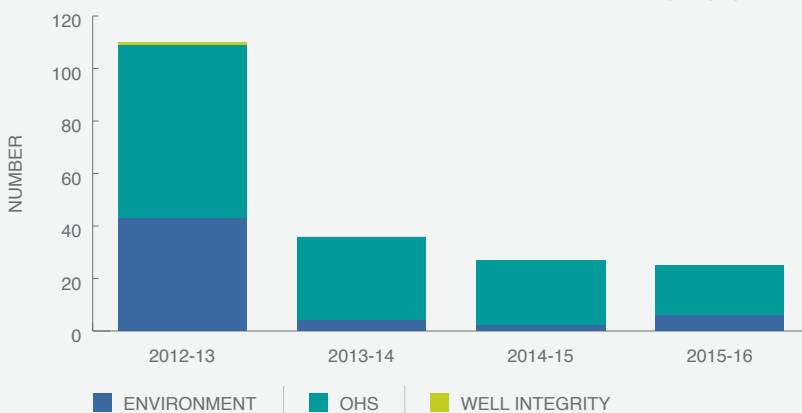


Figure 6

Division and enforcement type	2012–13	2013–14	2014–15	2015–16
Environment	43	4	2	6
Direction - general	0	0	0	1
Improvement notice	0	0	0	1
Prohibition notice	0	0	0	1
Written advice/warning	10	2	1	2
Intent to withdraw an environment plan acceptance	0	1	0	0
Request for a revision to an environment plan	33	1	1	1
Safety	66	32	25	19
Do not disturb notice	1	0	0	0
Improvement notice	47	21	20	15
Power to take possession of plant/samples notice	6	0	0	0
Prohibition notice	3	3	1	3
Written advice/warning	6	5	4	0
Prosecution brief	0	3	0	0
Request for a revised safety case	3	0	0	1
Well integrity	1	0	0	0
Intent to withdraw a well operations management plan acceptance	1	0	0	0
Total	110	36	27	25

Table 4

Promote and advise

In 2015–16, NOPSEMA continued to promote and advise on health and safety, well integrity and environmental management matters in support of improved industry performance.

Stakeholder engagement and transparency work program

In August 2015, NOPSEMA announced a Stakeholder Engagement and Transparency Work Program (the Program). The Program was introduced after NOPSEMA identified through regulatory research that poor environmental consultation practices in the offshore petroleum industry can

lead to negative impacts on individuals, communities, and organisations.

NOPSEMA also received feedback that the current transparency of its decision-making processes and practices was not meeting community expectations.

On 1 January 2016, following an analysis of stakeholder feedback NOPSEMA introduced a number of initiatives as part of the Program. For example, NOPSEMA published a guideline to assist titleholders when they're preparing an environment plan summary with the aim of providing greater transparency and accountability of the consultation undertaken with relevant persons.

NOPSEMA also commenced publishing notifications on its website of its decisions throughout the assessment process of an environment plan as well as further information on the status of an environment plan assessment and petroleum activities.

NOPSEMA will continue to engage with a range of stakeholders to better understand their views and build support for future initiatives. It is NOPSEMA's view that this will both improve consultation practices in the offshore petroleum industry and build community confidence in NOPSEMA's decision-making.

Stakeholder engagement activities

NOPSEMA participated in a variety of meetings, workshops, forums and conferences during the reporting period as part of the authority's commitment to maintaining an open, accountable and robust relationship with stakeholders. In 2015–16, NOPSEMA:

- conducted 537 liaison meetings with duty holders and 175 liaison meetings with government, industry and other stakeholders on safety, well integrity and environmental management regulatory matters
- held information seminars for individual titleholders to discuss the amendments to the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 which commenced 1 January 2016
- hosted a workshop with the International Marine Contractors' Association on managing the risks of vessel facilities exposed to hydrocarbon hazards
- hosted a workshop with industry to develop and disseminate lessons learned from a mooring failure incident

- hosted a series of workshops with industry and other stakeholders to discuss proposed initiatives to improve stakeholder consultation and transparency
- delivered keynote presentations at the 4th Australian Council of Trade Union's Offshore Safety Conference; the Australian Petroleum Production Exploration Association's (APPEA) HSE Conference; and the DrillSafe Forum
- delivered a presentation to the Council of Australian Governments (COAG) Energy Council's Upstream Petroleum Resources Working Group on transparency in environmental management regulation.
- participated in the Australian Domestic Gas Market Outlook 2016 conference; the 2015 International Regulators' Forum (IRF) Offshore Safety Conference; LNG 18; the Asia-Pacific Oil Spill Prevention & Preparedness Conference (Spillcon)
- co-hosted a half-day workshop for industry and regulators on oil spill preparedness
- manned an exhibition booth at the 2016 APPEA Conference & Exhibition under the Australian Government offshore petroleum banner.

Regulatory guidance and corporate publications

Throughout the reporting period NOPSEMA continued to publish health and safety, well integrity and environmental management guidance and information, including:

- four issues of its online newsletter, the Regulator
- the 2015 Annual offshore performance report

- quarterly industry and NOPSEMA performance data sets
- an environment alert on proper application of change management processes
- a guideline for assurance of totally enclosed motor propelled survival crafts and associated systems
- a guidance note for vessels that are subject to the OPGGS Act
- a guideline to assist Health and Safety Representatives in the completion of Provisional OHS Improvement Notices
- an alert on the risks associated with electric storage batteries
- two information papers on human factors topics relevant to the offshore petroleum industry
- an information paper on mobile offshore drilling unit (MODU) mooring systems in cyclonic conditions
- an explanatory note on the Australian dispersant acceptance processes, in collaboration with the Australian Maritime Safety Authority (AMSA).

NOPSEMA also published two corporate brochures providing stakeholders with a broad introduction to NOPSEMA as Australia's offshore petroleum regulator and an overview of the process for offshore petroleum environmental approvals.

Inter-agency activities

Over the course of the year, NOPSEMA has engaged closely with Commonwealth, state and Northern Territory Government agencies on a number of initiatives. This engagement

has been undertaken in support of strengthening bilateral relationships and increasing NOPSEMA's transparency in relation to environmental management.

Key focus areas for collaboration between NOPSEMA and the Commonwealth Department of Industry, Innovation and Science (DIIS) have included progressing a Design Notification Scheme for safety related issues relevant to the design of offshore facilities and progressing initiatives relevant to stakeholder consultation and regulatory transparency under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009.

In collaboration with DIIS, the National Offshore Petroleum Titles Administrator, AMSA and the South Australian Government, NOPSEMA participated in a number of offshore petroleum open days across South Australia. The purpose of the open days was to provide interested stakeholders with an overview of the offshore petroleum lifecycle and the respective roles of state and Australian Government agencies in administering the regime.

NOPSEMA has also continued to closely engage with the states and Northern Territory on a number of matters including alignment in regulatory processes, conferral of powers and functions and transparency initiatives.

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

Engagement with international regulators

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

The IRF comprises 11 leading independent national offshore petroleum regulators and exists to drive improvements in health and safety in the oil and gas industry through collaboration in joint programs and

information sharing. The IOPER is a collaborative group of national regulators whose members share a common goal of raising environmental performance standards within the offshore petroleum exploration and production industry.

During the reporting period, NOPSEMA attended the IRF Safety Conference and annual general meeting (AGM) in Washington to discuss current and emerging issues such as strategies to improve safety performance outcomes. NOPSEMA also attended the IOPER Conference and AGM in Washington to discuss and consider relevant topics including change in ownership, transparency and public participation, scientific research to reduce uncertainty, and oil spill preparedness.



Incorporating performance results for the Corporate Plan and the Regulator Performance Framework

NOPSEMA has aligned the corporate plan and Regulator Performance Framework (RPF) reporting requirements into the annual performance statement in accordance with *Resource Management Guidance No. 134: Annual performance statements for Commonwealth entities*, to streamline reporting processes and requirements.

The appropriateness of NOPSEMA's performance reporting has been confirmed by the Audit Committee as per section 17(2)(b) of the PGPA Rule 2014. This APS also serves as our self-assessment report under the Regulator Performance Framework and has been sent to our Ministerial Advisory Council for endorsement.

Entity purpose

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

Outcome 1.1 (as per Portfolio Budget Statement (PBS))

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

Programme 1.1 (as per PBS)

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

Results summary

NOPSEMA has fully met 21 of the 22 key performance indicators (KPIs) identified on the corporate plan, and in two instances (the core regulatory activities of assessment and inspections) achieved a better result than the targets. One performance measure for regulatory decisions was substantially met (KPI #4), however, on appeal, a single regulatory enforcement decision was reversed by the external reviewing authority. Overall, these results indicate NOPSEMA has achieved its purpose to be an independent and professional regulator.

I, Mr Stuart Smith, CEO, as the accountable authority of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), present the 2015–16 annual performance statements of NOPSEMA, as required under paragraph 39(1a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGSS Act), and the Regulator Performance Framework (RPF). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity, and comply with subsection 39(2) of the PGPA Act.



Stuart Smith
24/08/2016

Results snapshot

KPI 1	Legislated assessment timeframes are published and meet policy targets.
KPI 2	Inspections are conducted to meet policy targets.
KPI 3	Enforcement actions are undertaken in accordance with the Enforcement Management Model.
KPI 4	Regulatory decisions reversed by the external reviewing authority on appeal.
KPI 5	Incidents are investigated in accordance with investigation policies.
KPI 6	Data is analysed and topical lessons distilled from regulatory activities are communicated to industry via 'Regulator' newsletter publications.
KPI 7	Demonstrated feedback is sought from stakeholders on guidance provided where relevant.
KPI 8	Feedback from stakeholders is sought annually.
KPI 9	All relevant stakeholder events where NOPSEMA has actively participated are published.
KPI 10	Reports are sent to relevant Ministers.
KPI 11	Operating environment scan is performed.
KPI 12	An externally validated self-assessment of performance against the RPF KPIs is performed.
KPI 13	Comply with NOPSEMA's commitments in its forward work programme under the Portfolio Regulation Reform.
KPI 14	NOPSEMA has established cooperative mechanisms in place with identified relevant agencies.
KPI 15	Legislative change liaison with portfolio department.
KPI 16	Participation at annual general meetings for IRF and IOPER.
KPI 17	Regulatory and corporate process audits and improvements are undertaken in line with the quality management system.
KPI 18	Resourcing levels and skills maintained within establishment requirements.
KPI 19	All feedback and complaints are processed in compliance with the Regulatory Service Charter.
KPI 20	Risk review outcome is integrated into corporate planning.
KPI 21	Independent audit verifies compliance with the PGPA Act.
KPI 22	A cost-effectiveness review of operations is undertaken and presented to industry.

Met target
 Substantially met target
 Did not meet target

Details of key performance indicators

All key performance indicators (KPIs) are included on annual operating plans which are routinely monitored and updated each quarter. The KPIs are reported internally to executive management every six months. KPIs and targets are reviewed and reconsidered as part of the annual corporate plan review, including the targets. Data is sourced from the Regulatory Management System

Database (RMS) and the Electronic Document Records Management System (EDRMS – Objective), and may include email transcripts, meetings minutes, reports and worksheets. Results are consolidated from team and divisional annual operating plan (AOP) integrated worksheets which are linked to corporate plan functions, objectives and strategies.

Key performance indicators with methodology, results and discussion

Legislated assessment timeframes are published and meet policy targets

KPI sources			Annual target	2015-16 result	Target status
CP 1	PBS 1	RPF 2	92%	98%	Met

Assessment data is regularly published in a number of formats (tables, charts and reports) each quarter, and available on the website. The timeframes for notifications are stipulated in the relevant safety, well integrity, and environment regulations. The assessment notification due dates and actual notification dates are entered into RMS. These dates are compared to identify the percentage of assessments

that were notified in time. Of the 171 total number of assessments (with legislated timeframes) notified during the year, 167 of these were notified within the legislated timeframe. NOPSEMA has met the target for 2015-16; previous year's results are also comparable and available on the NOPSEMA website resources pages.

KPI sources			Annual target	2015-16 result	Target status
CP 2	PBS 2	RPF 3,4	90%	95%	Met

The planned target number of inspections is identified at the start of the year by each division. These targets are determined utilising a risk-based model (refer to the inspection policy available on the NOPSEMA website). Vessel inspections are not included in this data as they are conducted on an opportunistic basis. ²

A record of inspections completed is entered into the RMS database. The number of completed inspections (157) is compared to the planned number of inspections (165) to determine the overall percentage completed. NOPSEMA has met the target for 2015-16: previous year's results are comparable and are published in NOPSEMA's annual reports.

² See the NOPSEMA inspection policy for vessels.

Key performance indicators with methodology, results and discussion

KPI sources			Annual target	2015-16 result	Target status
CP 3	PBS 3	RPF 3,4	100%	100%	Met

Duty holder breaches are analysed using the EMM form and process to determine the appropriate type and level of enforcement action to undertake. These forms and documents are saved in Objective. A management review is undertaken and the outcome for approved action types is recorded

(from forms or meetings documents). This outcome is compared to the final enforcement action type issued, as recorded in RMS, to ensure consistency. The NOPSEMA enforcement policy is available on the website.

Regulatory decisions reversed by the external reviewing authority on appeal

KPI sources		Annual target	2015-16 result	Target status
CP 4	RPF 2,3,5	0%	1%	Substantially met

Regulatory decisions (in this instance) are defined as assessment finalisation decisions (to accept or not accept) an enforcement action issued. The total number of regulatory decisions taken was identified as 103 for 2015–16. On appeal, a single decision (an enforcement action) was reversed by the external

reviewing authority. An internal review of this decision was satisfied that it was taken in accordance with the EMM. This KPI is a new measure, thus no previous data has been published. No previous reversals of NOPSEMA decisions have occurred on appeal.

Incidents are investigated in accordance with investigation policies

KPI sources			Annual target	2015-16 result	Target status
CP 5	PBS 4	RPF 3	100%	100%	Met

NOPSEMA received notification of 376 reportable incidents during 2015–16. No major investigations were undertaken during 2015–16. 183 non-major investigations were conducted during 2015–16, which equates to 43% of the reportable incidents notified

to NOPSEMA. A biennial non-major incident investigation process review and audit is performed. The review concluded that the implementation of the procedure is resulting in appropriately proportionate responses to incident notifications. This KPI is a new measure.

Data is analysed and topical lessons distilled from regulatory activities are communicated to industry via ‘Regulator’ newsletter publications

KPI sources		Annual target	2015-16 result	Target status
CP 6	RPF 2,5	Quarterly	✓	Met

The Regulator is published quarterly to the NOPSEMA website and sent to over 1500 subscribers. Each edition contains numerous lessons learnt articles provided from across the whole agency to cover a broad scope. The newsletter also contains links to quarterly datasets that are published

on the NOPSEMA website. The annual offshore performance report includes comprehensive safety, integrity and environmental management performance information and data trends. These results are comparable to previous years.

Demonstrated feedback is sought from stakeholders on guidance provided where relevant

KPI sources		Annual target	2015-16 result	Target status
CP 7	RPF 2	100%	100%	Met

There were eight new or substantially modified relevant guidance documents prepared and published. Consultation was undertaken on all of these guidance documents published, evidence is captured in Objective.

A worksheet containing published guidance notes and consultation evidence is prepared annually. These results are comparable to previous years.

Feedback from stakeholders is sought annually

KPI sources		Annual target	2015-16 result	Target status
CP 8	RPF 1,4,5	100%	100%	Met

Requests for feedback occur in a number of ways:

- a request statement for feedback is included in all quarterly newsletters
- feedback is obtained directly from regulated entities during operator liaison meetings, both annually and at other scheduled liaison meetings
- feedback is requested from duty holder management during the annual CEO liaison meetings
- a dedicated feedback page is found on the NOPSEMA website
- feedback is requested during the development of guidance notes, and is included on published regulatory material
- articles within the quarterly newsletter e.g. implementing government initiatives such as the RPF.

All relevant stakeholder events where NOPSEMA has actively participated are published

KPI sources		Annual target	2015-16 result	Target status
CP 9	RPF 2,3	Quarterly	✓	Met

A liaison register is maintained and used to inform the regular publication of presentations NOPSEMA has made at various events. 14 presentations were published on the website for 2015-16, including location, data

and presenter names. The website also includes upcoming events notices where NOPSEMA will be involved in the near future.

Reports are sent to relevant Ministers

KPI sources	Annual target	2015-16 result	Target status
CP 10	RPF 5,6	Quarterly	✓ Met

A number of reporting channels and ministerial reporting requirements have been identified, and are managed either at the corporate level or by the relevant branches and teams. Reports and transmittal letters are saved in Objective. Team annual operating plans record the

completion of these reporting tasks each quarter. Oversight of the team AOP KPIs, related to the corporate plan, occurs regularly and a status report is delivered to the NOPSEMA leadership team (executive management) every six months.

Operating environment scan is performed

KPI sources	Annual target	2015-16 result	Target status
CP 11	RPF 1,6	Annually	✓ Met

An annual environmental scan is undertaken as part of the annual risk review process. PESTLE (Political, Economic, Social/Cultural, Technological, Legal and Environmental) and SWOT (Strengths, Weakness, Opportunities and Threats) analyses are completed.

The threats identified included aging workforce, finances and influence on policy. The opportunities identified included expanding NOPSEMA's remit, collaboration and data use.

An externally validated self-assessment of performance against the RPF KPIs is performed

KPI sources	Annual target	2015-16 result	Target status
CP 12	RPF 4,6	Annually	✓ Met

The selection of KPIs for the RPF has been validated for this year 2015–16. The RPF KPI results are submitted to the Ministerial Advisory Council for

validation during Q1 2016–17 (Jul–Sep 2016). *Validation pending.*

Comply with NOPSEMA's commitments in its forward work programme under the Portfolio Regulation Reform

KPI sources	Annual target	2015-16 result	Target status
CP 13	RPF 4,6	100%	100%
			Met

NOPSEMA's work program commitments cover calendar years (2015 to 2017) and include these actions:

1. Streamlining occupational safety, environmental approvals and planning in offshore areas.
 2. Progressing the conferral of environmental approvals to NOPSEMA for South Australia and the Northern Territory.
 3. Online reporting and incident notification.
- Progress is on track for actions 1 and 2. Action 3 has been scheduled for consideration during 2016–17.

NOPSEMA has established cooperative mechanisms in place with identified relevant agencies

KPI sources	Annual target	2015-16 result	Target status
CP 14	RPF 4	100%	100%
			Met

This process is included in the stakeholder engagement framework. NOPSEMA branches/teams interact with a range of relevant agencies. Mechanisms to conduct these interactions are set up on an individual basis by each branch/team in collaboration with these agencies. Mechanisms include working groups, forums, online correspondence, and

attendance at regular or ad hoc meetings as agreed. Memoranda of Understanding (MOUs) are in place with some agencies as requested. Records of MOUs and all related documents from meetings are stored in Objective, and where relevant recorded on appropriate registers.

Legislative change liaison with portfolio department

KPI sources	Annual target	2015-16 result	Target status
CP 15	RPF 6	Quarterly	✓
			Met

NOPSEMA has a legislative change management framework in place. NOPSEMA proposes key priorities and contributes to legislative change, collaborating frequently with the portfolio department.

In addition, scheduled quarterly meetings are undertaken with the portfolio department. All documentation, including minutes and any actions are recorded and stored in Objective.

Participation at annual general meetings for IRF and IOPER

KPI sources		Annual target	2015-16 result	Target status
CP 16	RPF 1,4,6	100%	100%	Met

Four meetings/conferences were attended by NOPSEMA senior management executives during 2015–16; two each for the International Regulators' Forum (IRF) and the International Offshore Petroleum Environment Regulators (IOPER) groups. NOPSEMA is a member of the newly elected IRF management committee, which is comprised of the United States' Bureau of Safety and Environmental Enforcement (Chair), Norway's Petroleum Safety Authority, and NOPSEMA.

NOPSEMA has been elected as the coordinator for the IOPER performance measures group. Attendance at these international meetings is recorded on a liaison register held in Objective, with additional information on meetings available on the relevant group websites. Where NOPSEMA presents at these meetings/conferences, the presentations are available on the NOPSEMA website.

Regulatory and corporate process audits and improvements are undertaken in line with the quality management system

KPI sources		Annual target	2015-16 result	Target status
CP 17	RPF 1,6	100%	100%	Met

The quality management system (QMS) comprises over 50 topical groups (series) of policies and procedures, including a series regarding management of the QMS. During 2015–16, the audit team progressed audits and system

improvements on a range of series. The 2015–16 annual audit report provides details on the above and demonstrates that they were conducted in compliance with the established procedures.

Resourcing levels and skills maintained within establishment requirements

KPI sources		Annual target	2015-16 result	Target status
CP 18	RPF 1	90%	100%	Met

Human resources provide regular reports to the Minister, the NOPSEMA Advisory Board, and the Australian Public Service Commission (APSC). These reports include staffing levels, vacancies and recruitment data. There is an establishment register maintained, and vacancies are filled according to

operational requirements, which are reviewed on an ongoing basis. Skill levels are monitored and maintained via the employee performance management process and core competency demonstrations. Resources are allocated proportional to risk.

All feedback and complaints are processed in compliance with the Regulatory Service Charter

KPI sources		Annual target	2015-16 result	Target status
CP 19	RPF 2,5,6	100%	100%	Met

The regulatory services charter is published on the NOPSEMA website. A feedback and complaints register is maintained which includes references to relevant documents and completion/ finalisation dates to ensure we respond

in a timely manner. There was one complaint in 2015–16, and this was adequately resolved. There were also 15 feedback items, and all of these were responded to promptly.

Risk review outcome is integrated into corporate planning

KPI sources		Annual target	2015-16 result	Target status
CP 20	RPF 3	Annually	✓	Met

A risk review is undertaken annually involving all risk and control owners. The annual risk review report, along with the environmental scan, is tabled at both executive management meetings and the risk committee. It is also included in the corporate planning information and reference pack provided to executive

management. There were no identified risks with a weak rating. All risk control KPIs are included in the risk register and monitored regularly. During this period, 95% of the risk KPI's were met. NOPSEMA has attained an 'advanced' risk maturity rating in the 2016 Comcover risk management benchmarking survey.

Independent audit verifies compliance with the PGPA Act

KPI sources	Annual target	2015-16 result	Target status
CP 21	RPF 5	Yes	✓ Met

The Australian National Audit Office (ANAO) undertake an audit on financial statements to verify financial systems, records, and results of the agency. This is included in the annual report each year. The report for 2015–16 states that NOPSEMA complies with Australian Accounting Standards and the PGPA Financial

Reporting Rule, and fairly presents the financial position of the agency.

A separate compliance audit was also conducted by Pricewaterhouse Coopers (PWC) to verify that the PGPA Act requirements have been implemented appropriately. This report states that NOPSEMA has a robust process in place.

A cost-effectiveness review of operations is undertaken and presented to industry

KPI sources	Annual target	2015-16 result	Target status
CP 22	RPF 5, 6	Annually	✓ Met

The cost-effectiveness report was published on the NOPSEMA website in February 2016. An industry meeting was conducted in March 2016.

NOPSEMA's cost recovery impact statement, certified in November 2015, is available from the NOPSEMA website.

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

Analysis of performance against entity purpose

	Purpose	Nil
a)	Activities	Well integrity legislative amendments impacted some activities, including: <ul style="list-style-type: none">• assessments – changes to notification types• incident investigations – reporting requirements• financial – levy requirements
	Organisational capabilities	Some specialist vacancies (inspectors) remained unfilled.
b)	Operating environment	There was a decrease in industry activity in general, including: <ul style="list-style-type: none">• decrease in some assessment type submissions• slight decrease in total hours worked• slight decrease in number of active operators and facilities

Portfolio budget statement

A subset of four regulatory activity-based KPIs is selected from the 22 KPIs of the corporate plan for inclusion in the annual portfolio budget statement. These performance measures are used to indicate NOPSEMA's achievement of the programme.

Results summary

Key performance indicator		Results discussion	2015-16
PBS 1	Legislated assessment timeframes are published and meet policy targets	NOPSEMA assesses safety cases, well operations management plans and environment plans within regulated timeframes and publishes this data each quarter.	CP 1
PBS 2	Inspections are conducted to meet policy targets.	NOPSEMA effectively monitors industry via planned inspections based on risk-based models.	CP 2
PBS 3	Enforcement actions are undertaken in accordance with the Enforcement Management Model (EMM).	Effective enforcement activity is maintained through adherence to the EMM, which is subject to audit, management oversight and peer review.	CP3
PBS 4	Incidents are investigated in accordance with investigation policies.	Effective investigation practices are maintained through adherence to the investigation policy, which is subject to both audit, management oversight and peer review.	CP5

Regulator Performance Framework (RPF)

About NOPSEMA

NOPSEMA is the regulator for health and safety, well integrity and environmental management for offshore petroleum activities in Commonwealth waters and in coastal waters where regulatory powers and functions have been conferred. Further information can be found on NOPSEMA's website.

The combination of the regulation of safety, well integrity, and environmental management under a single independent regulator aims to standardise Australia's offshore petroleum regulation to a quality, best practice model.

The RPF

NOPSEMA is a Commonwealth regulator that administers, monitors and enforces regulation, as such, is required to implement the RPF as prescribed.

NOPSEMA's approach to the RPF

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

Summary of RPF results

The primary KPI details and results are included in the corporate plan results table on page 25.

RPF performance statement

Due to the performance indicator project, our 22 corporate plan KPIs (CP KPIs) align, support and feed into the six regulator performance framework KPIs (RPF KPIs).

NOPSEMA met 21 of its 22 CP KPIs, therefore, NOPSEMA has substantially met all six of the RPF KPIs.

The single performance measure not fully met was CP KPI #4, the zero target for regulatory decision reversals on appeal. A single regulatory enforcement decision was reversed by the external reviewing authority on appeal. There was 103 regulatory decisions made in total, the target was 0% reversals on appeal, and this single reversal equated to a result of 1%. This corporate plan KPI was identified as a minor contributor to three of the regulator performance framework KPIs (RPF #2, RPF #3 and RPF #5), as noted in the results tables below.

Additional notable points specific to the RPF are discussed further below including identified focus areas for each KPI.

RPF 1. Regulators do not unnecessarily impede the efficient operation of regulated entities	All targets met 5 contributing CP KPIs	8	11	16	17	18
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Focus areas: Stakeholder engagement, risk awareness, process improvement, maintaining skills

NOPSEMA ensured that regulatory burden and impact was minimised for regulated entities, whilst still maintaining regulatory objectives. Examples include:

- the annual risk review included an environment scan that consisted of PESTLE³ and SWOT⁴ analyses
- continued to maintain and improve on-going professional development of its staff
- improved consultation practices for advice (guidance notes) were implemented
- regulatory processes are controlled (quality management system), regularly reviewed and audited
- compliance costs were minimised where appropriate
- has maintained timely and efficient operational performance as illustrated through various performance metrics and reports available on the website
- resources are allocated proportional to risk.

RPF 2. Communication with regulated entities is clear, targeted and effective	Targets substantially met 6 contributing CP KPIs	1	4	6	7	9	19
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Focus areas: Publishing information and results, consultation, feedback

NOPSEMA continues to place stakeholder engagement as a priority, formalising a stakeholder engagement and transparency work program. It is designed to more systematically and comprehensively improve consultation processes and build community confidence of offshore petroleum environmental management. Regulatory decisions are communicated to

dutyholders with reasons, and in a timely manner. NOPSEMA will continue to review the adequacy of guidance notes and communication processes to ensure industry maintain an understanding of NOPSEMA assessment processes, particularly with respect to risk assessment processes. Workshops and consultation with relevant stakeholders will be conducted as appropriate.

³ PESTLE is a framework to analyse and monitor the Political, Economic, Sociological, Technological, Legal, and Environmental factors that have an impact on an organisation. The result of which is used to identify threats and weaknesses which are recorded in the SWOT analysis.

⁴ SWOT is an analysis of the Strengths, Weaknesses, Opportunities, and Threats for the organisation.

RPF 3. Actions undertaken by regulators are proportionate to the regulatory risk being managed	Targets substantially met 6 contributing CP KPIs	2	3	4	5	9	20
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Focus areas: Risk-based regulatory actions, workshops and promotion, stakeholder feedback

An overarching compliance strategy has been developed incorporating the following principles: decisions and actions taken by NOPSEMA are targeted, proportionate, accountable, fair, informed, flexible, systematic, consistent, transparent, and consultative. The compliance strategy has been prepared, made available on NOPSEMA's website,

and stakeholder feedback is being sought. NOPSEMA will continue to use a risk-based approach for regulatory activities that considers the relevant risk factors, previous performance, and compliance history. NOPSEMA liaises with stakeholders to inform them of the risk-based approach to regulatory actions.

RPF 4. Compliance and monitoring approaches are streamlined and coordinated	All targets met 7 contributing CP KPIs	2	3	8	12	13	14	16
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Focus areas: Reducing regulatory burden, working collaboratively

The compliance strategy outlines approaches and principles relevant to compliance and monitoring (see previous KPI: RPF KPI #3). NOPSEMA communicates its expectations to duty holders to assist in effective and efficient inspections. Annual planning processes across divisions ensure regulatory activity is coordinated and efficient, with consideration to minimise

regulatory burden where appropriate on duty holders. Policies and procedures for planning regulatory activities also include provisions for cross-divisional coordination of regulatory activities. NOPSEMA regularly interacts with international regulators and industry bodies with regard to best practice in compliance approaches.

RPF 5. Regulators are open and transparent in their dealings with regulated entities	Targets substantially met 6 contributing CP KPIs	4	6	8	10	19	22
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Focus areas: Reporting and publishing information, stakeholder presentations, feedback

NOPSEMA has a regulatory service charter published that describes our approach for interactions with stakeholders. NOPSEMA has formalised a stakeholder engagement and transparency work program designed to more systematically and comprehensively improve consultation processes and build community confidence of offshore petroleum environmental management. NOPSEMA will continue to balance stakeholder engagement with the role of the regulator in a goal setting regime and notes that the recent 2015

Operational Effectiveness Review of NOPSEMA found NOPSEMA to be an effective regulator that has made positive contributions to improving safety and well integrity and managing Australia's offshore environment. NOPSEMA has launched a range of initiatives to better inform the public around our roles and responsibilities. This has included a number of initiatives to improve transparency and demonstrate the rigorous nature of our activities.

RPF 6. Regulators actively contribute to the continuous improvement of regulatory frameworks	All targets met									
	9 contributing CP KPIs	10	11	12	13	15	16	17	19	20

Focus areas: Reporting, auditing and evaluation, legislative change, liaison, strategic planning

NOPSEMA encourages a high performance culture and identifies improvements through its internal audit, review, evaluation, collaboration, and analysis processes. Expansive datasets and reports that include both industry and agency performance are produced and published regularly and serve to help identify areas for improvement. NOPSEMA is working with APPEA and the NOPSEMA Advisory Board in the development of process safety indicators. NOPSEMA will continue to seek advice from the Board through regular meetings and specific referrals as necessary, and notes the continued quality and

experience provided by recent and ongoing members. NOPSEMA has been appointed to the AMSA Industry Advisory Board. NOPSEMA collaborates with the portfolio department on legislative changes. It is noted that the consultation and transparency requirements under the Environment Regulations are currently under review and an issues paper for public consultations has been released. NOPSEMA is a member country of the International Regulators' Forum (IRF) and the International Offshore Petroleum Environmental Regulators (IOPER).

Management and accountability

Corporate governance

Overall responsibility for the management of NOPSEMA is vested in its Chief Executive Officer. The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act) provides that the CEO has all the legal powers and functions that the law assigns to NOPSEMA. The CEO must 'have regard' to the advice of the NOPSEMA Advisory Board and keep them informed. Authority for day-to-day operations of NOPSEMA may be delegated from the CEO to a Head of Division.

The OPGGS Act requires NOPSEMA to report, as appropriate, to the responsible Commonwealth minister and each responsible state or Northern Territory minister on its investigations. Under streamlined environmental approval arrangements, NOPSEMA is also required to report annually to the Minister for the Environment detailing assessment decisions, inspection findings, reported environmental incidents and any investigations underway.

The OPGGS Act provides for states and the Northern Territory 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 consulting with relevant state or Northern Territory ministers, may issue policy principles to NOPSEMA of which the authority must comply. These policy principles direct the manner in which NOPSEMA fulfills its responsibilities.

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

NOPSEMA corporate governance

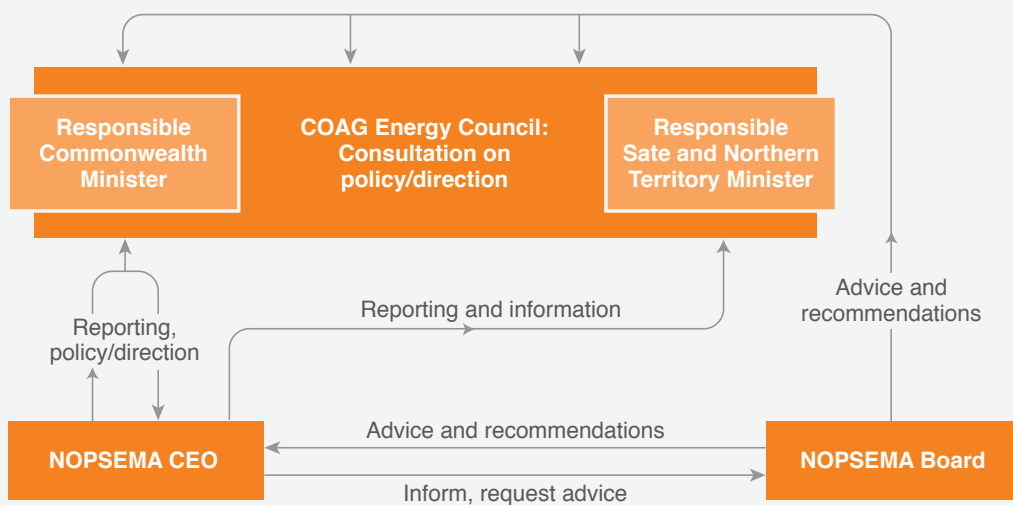


Figure 7

Management framework

NOPSEMA's management model is supported by an integrated planning and performance management framework, incorporating an agency-wide corporate plan supported by regularly monitored and aligned team annual operating plans.

Develop and implement effective monitoring and enforcement strategies to secure compliance
Investigate accidents, dangerous and circumstances
Promote safety, well integrity and environmental management
Advise on safety, well integrity and environmental matters
Report to the Commonwealth minister and each responsible state/NT minister
Cooperate with other agencies performing functions relating to offshore petroleum operations and activities.
Maintain corporate support and governance to facilitate delivery of regulatory functions in accordance with statutory requirements

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

Table 5

Business risk and fraud control

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

Throughout the reporting period, NOPSEMA maintained a Risk Management Framework that conforms to AS/NZS ISO 31000:200 Risk Management – Principles and Guidelines and aligns with the Commonwealth Risk Management Policy. The framework facilitates the management of all reasonably foreseeable organisational risks so far as it is reasonably practicable so that NOPSEMA can continue to carry out its statutory functions and meet the expectations of both the responsible Commonwealth minister and stakeholders.

NOPSEMA's Fraud and Corruption Control Plan is designed to reduce the overall risk of fraud and corruption and reflect NOPSEMA's commitment to promoting ethical and honest behaviour in the workplace. The plan supports the investigation of all suspected instances of fraud and corruption by NOPSEMA staff.

NOPSEMA's Risk Committee assists the organisation in carrying out its duties and meeting its statutory obligations in relation to the establishment and maintenance of risk and control systems as outlined under the PGPA Act.

NOPSEMA's Audit Committee is made up of three members comprising one NOPSEMA Head of Division and two independent committee

members from unrelated chartered accountancy practices whom are appointed to act as Chair and Alternate Chair. NOPSEMA's internal auditors, PricewaterhouseCoopers, act as advisors to the Audit Committee as well as NOPSEMA's external auditors Ernst and Young (on behalf of the Australian National Audit Office). The primary purpose of the Audit Committee is to provide independent assurance and advice to the NOPSEMA's CEO on NOPSEMA's internal control mechanisms, financial and business risks, and compliance with its statutory obligations under the PGPA Act, PGPA Rules and Finance Minister's Orders.

In addition, the Audit Committee provides a forum for communication between senior management and the internal and external auditors.

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

No indemnity was applied during the reporting period.

External scrutiny

NOPSEMA is subject to external scrutiny through parliamentary committees, the Australian National Audit Office, the courts, administrative tribunals, the Commonwealth Ombudsman, the Freedom of Information Commissioner and the Privacy Commissioner. Examples where NOPSEMA was subject to scrutiny in 2015–16 are provided below:

EPBC Act Streamlining Review

In February 2014, the Minister for the Environment endorsed NOPSEMA's environmental authorisation process (the Program) under the strategic assessment provisions of the *Environment Protection and Biodiversity Conservation Act*

1999 (EPBC Act). The endorsement provided EPBC Act approval for petroleum activities in Commonwealth waters under NOPSEMA's process.

As part of the endorsement NOPSEMA made a commitment to a periodic independent review of its compliance with the Program. The first review commenced in April 2015 after the Program had been in operation for 12 months.

Environmental Resources Management Australia (ERM) was commissioned to conduct the review under terms of reference agreed by the then Department of Industry and Science, the Department of Environment and NOPSEMA. The scope of the review considered NOPSEMA's performance in meeting the Program objectives, including ensuring that impacts on matters protected under Part 3 of the EPBC Act are not unacceptable.

The review found that NOPSEMA met all commitments under the Program, which were triggered during the review period, and that the required processes and procedures are in place for the Program commitments to continue to be met in the future. As such, the reviewer concluded that no formal recommendations or modification of management arrangements were required.

The review identified a range of opportunities for improvement, which NOPSEMA has accepted and is implementing. These are included in the Program Review Report – NOPSEMA Response to Observations and Improvements which is published on NOPSEMA's website.

On 4 September 2015, the Minister for the Environment's delegate endorsed the EPBC Act Streamlining Review Report.

The next review of the Program will be conducted in 2020.

NOPSEMA Operational Review

The 2015 Operational Review (the Review) of NOPSEMA was the first since its establishment on 1 January 2012, and relates to the three-year period beginning on that date. The Review was provided to the then Minister for Industry and Science, the Hon Ian Macfarlane MP, on 30 June 2015 and tabled in both Houses of Parliament on 16 September 2015.

The Review considered NOPSEMA's effectiveness of bringing about improvements in occupational health and safety, environmental management and well integrity. The Review report included stakeholder's submissions and contained findings and recommendations that address the scope of NOPSEMA's activities.

The Review findings were positive with the Review Panel finding that "... NOPSEMA is demonstrating the characteristics of an effective regulator."

The Government Response to the 2015 Operational Review of NOPSEMA (the Government Response) was tabled in both Houses of Parliament on 2 December 2015 by the then Minister for Resources, Energy and Northern Australia, the Hon Josh Frydenberg MP.

The Government considered and accepted 15 of the 16 the Review recommendations, noted one and supported the 26 findings. The recommendations are being implemented in accordance with the Government Response.

The next operational review will be conducted in 2020.

Senate Environment and Communications References Committee – Oil or gas production in the Great Australian Bight

On 28 April 2016, NOPSEMA made a submission to the Senate Inquiry into Oil and Gas Production in the Great Australian Bight. NOPSEMA welcomed the opportunity to offer the regulator's perspective to the Senate Inquiry. A submission was made to the inquiry by NOPSEMA and representatives appeared before the Committee to provide evidence. The inquiry subsequently lapsed as it was not complete prior to the double dissolution of the Senate and the House of Representatives on 9 May 2016 for a general election.

Regulator performance framework

In 2015–16, NOPSEMA completed its implementation of the Regulator Performance Framework. The framework came into effect on 1 July 2015 and is an important part of the Australian Government's commitment to reduce the cost of unnecessary or inefficient regulation. It establishes a common set

of performance measures that allows for the comprehensive assessment of regulator performance and their engagement with stakeholders.

NOPSEMA aligned the key performance indicators in its Corporate Plan with the requirements of the framework and this has allowed NOPSEMA to provide a single annual report on its performance as a regulator to its stakeholders (see the Annual Performance Statements on page 24). The selection of performance measures and oversight of NOPSEMA's performance is externally validated by the Growth Centres Advisory Council.

Freedom of information

Agencies subject to the *Freedom of Information Act 1983* are required to publish information publicly as part of the Information Publication Scheme. NOPSEMA publishes information under these arrangements on its website at nopsema.gov.au.

Management of human resources

At NOPSEMA, our people are central to what we do. It is only through attracting, recruiting and retaining highly skilled employees that we can continue to perform our legislated functions as an expert regulator.

Throughout the year, NOPSEMA continued to implement its Human Resources Strategy 2013–2016. The strategy aims to build a high performance and values-based culture; attract, recruit

and retain a highly skilled and capable workforce; proactively plan for future workforce needs and provide high quality and timely learning and development opportunities to all employees.

NOPSEMA's Human Resources Strategy 2013–16

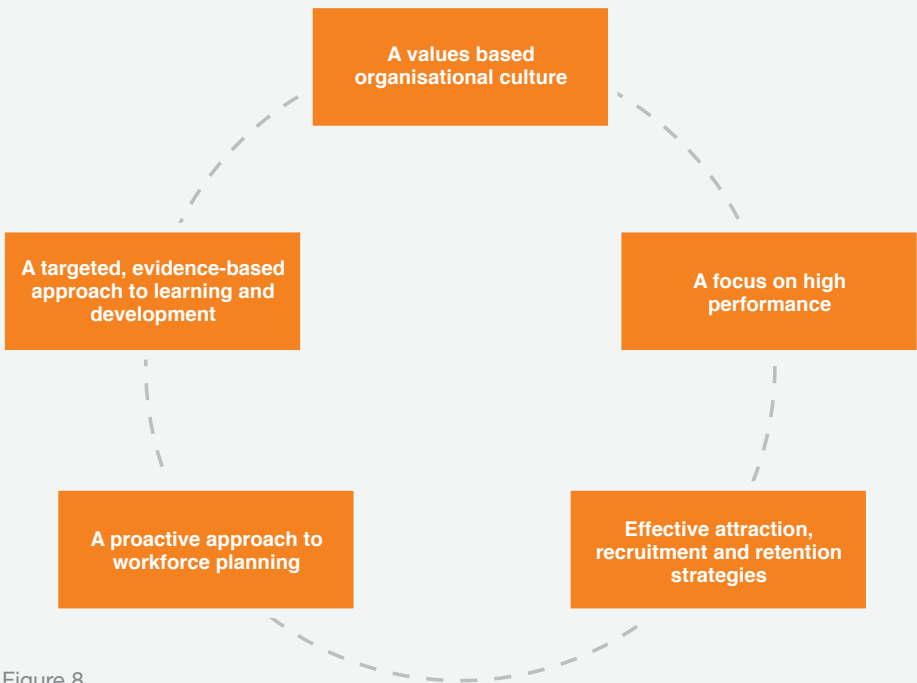


Figure 8

The five building blocks of NOPSEMA's human resources strategy

A values-based organisational culture

In 2015–16, NOPSEMA introduced a Culture Change Program across the organisation. The aim of the program is to develop and build a strong collegiate culture with a focus on

high performance and a coordinated approach across divisions. The program includes leadership training for all staff developing their skill set to take accountability, ownership and 'Lead self and others'. A Cultural Leadership Team was established, comprised of volunteer employees, to lead the program. This team is currently developing and implementing initiatives identified through this process.

A focus on high performance

In 2015–16, NOPSEMA continued to develop and implement policies and procedures to support a high performing organisation. All employees participated in NOPSEMA's performance management framework. The objective of the framework is to:

- clearly link an individual's work with NOPSEMA's strategic and operational objectives
- provide considered feedback, both informal and formal, to employees on their performance and achievements at work (formal performance assessments occur in December and June)
- identify and support the ongoing learning and development needs of employees
- effectively identify and address underperformance.

Effective attraction, recruitment and retention strategies

During the reporting period, NOPSEMA was successful in its efforts to recruit experienced professionals to positions that are difficult to fill. NOPSEMA also identified career-development opportunities and leadership pathways for staff including inter-departmental government secondments.

A proactive approach to workforce planning

In 2015–16, NOPSEMA continued to take a planned approach to preparing for changes in industry activity or legislative change that impact NOPSEMA. NOPSEMA is continuing to monitor the changing external landscape and each Division has considered its workforce requirements in the short and longer term.

A targeted evidenced-based approach to learning and development

NOPSEMA is committed to the learning and development of its workforce. In addition to any technical training related to their roles, NOPSEMA employees receive and attend training courses in numerous disciplines. NOPSEMA continued to encourage employees to actively pursue opportunities for professional development to strengthen their skills and knowledge. NOPSEMA increased the number of available in-house learning and development opportunities for all staff including on-line training.

In late 2015, the findings of the independent statutory operational review of NOPSEMA were tabled in both Houses of Parliament. The review found that NOPSEMA has:

- **invested in the individual operational capability of its inspectors**
- **inspectors that demonstrate a breadth of experience and depth of knowledge appropriate for their role**
- **a workforce with the experience and knowledge expected of a regulator in the offshore oil and gas environment.**

Statistics on staffing and performance pay

As of 30 June 2016, NOPSEMA had an FTE of 110 staff comprising ongoing, non-ongoing, seconded and temporary agency staff

Details on remuneration are outlined in Table 6. NOPSEMA employees do not receive performance pay. The remuneration for NOPSEMA's CEO is included in Note 11 on page 93.

NOPSEMA staffing and remuneration 2015-2016

NOPSEMA classification	APS3	APS4	APS5	APS6	EL1	EL1 Regulatory	EL1 Well Integrity	EL2	EL2 Lead	EL2 Regulatory Managers	EL2 Well Integrity	SES
Fulltime salary range (\$)	\$61,903 - \$67,744	\$68,910 - \$80,591	\$81,758 - \$93,438	\$94,606 - \$106,285	\$128,478 - \$159,313	\$192,945 - \$217,063	\$265,299 - \$283,388	\$163,517 - \$192,715	\$219,475 - \$239,974	\$241,181 - \$265,299	\$289,417 - \$307,506	\$292,863 - \$323,697
Staff Total	2	12	7	14	1	52	6	5	3	10	1	3
Perth	2	11	7	14	1	45	5	5	3	9	1	3
Melbourne	0	1	0	0	0	7	1	0	0	1	0	0
Part-time	1	0	1	2	1	4	0	0	0	0	0	0
Full-time	1	12	6	12	0	48	6	5	3	10	1	3
Male	1	0	1	6	0	39	6	3	3	8	1	3
Female	1	12	6	8	1	13	0	2	0	2	0	0
Indigenous	0	0	0	0	0	0	0	0	0	0	0	0

Employment instrument

Common Law Contract (CLC)	2	12	7	14	1	52	6	5	3	10	1	3
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Table 6

Employee benefits

NOPSEMA offers exceptional working conditions and benefits including highly competitive remuneration packages consistent with the high calibre of employees that we employ. NOPSEMA offers its employees the following:

- competitive salary employer superannuation contributions at 15.4%
- 25 days annual and 15 days personal leave with an option to purchase additional leave
- professional and career development opportunities
- options for sponsorship for residency for specialist roles and attractive relocation packages
- flexible, family and life-friendly work arrangements
- office locations in Perth and Melbourne
- free professional counselling service available to both employees and their immediate families
- annual flu shots and a \$300 subsidy for employees requiring prescription glasses to perform their duties.

Workplace diversity

NOPSEMA is committed to a fair, flexible, safe and rewarding workplace which allows for diversity amongst all its employees. This means we have a workplace free from discrimination and harassment; an environment which recognises and values the individual differences of staff and fosters the contributions of people with different backgrounds, experiences and perspectives.

Code of conduct

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

NOPSEMA informs and educates new employees in the APS values and code of conduct through the agency's induction process. New employees receive a copy of the APS publications in their induction pack, which comprises Respect: Promoting a Culture Free From Harassment and Bullying in the APS and bookmarks on APS values, employment principles, and ethics.

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

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

In 2015–16, NOPSEMA's financial result was impacted by reduced levy revenues driven by a decline in industry activity and a revision to the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 (RMA Regulations).

Since July 2014, there has been a large and sustained decrease in the international commodity price for oil and gas. This has impacted the Australian offshore oil and gas industry and has resulted in a decline in industry activity, particularly exploration. Lower industry activity has resulted in decreased levy revenues for NOPSEMA.

NOPSEMA forecast a decline in levied activities and hence levy revenues. As a result of the forecast lower levy revenues, the budget for 2015–16 was revised from a cost recovered position to a deficit. The decrease in activity, however, was greater than expected resulting in levy revenues being below NOPSEMA's budgetary expectations. NOPSEMA reacted by successfully implementing cost control strategies. This has resulted in the final deficit being less than the budgetary expectation.

Looking forward to 2016–17 NOPSEMA does not expect the international commodity price for oil and gas to significantly change and is forecasting a further decrease in levy revenues. As such a deficit has been budgeted

for this forward period as expenditure cannot be reduced to fully absorb the reduced levies without impacting on NOPSEMA's regulatory obligations. The deficit will be funded from prior years retained earnings. NOPSEMA expects its financial position to improve in periods beyond 2016–17; nevertheless, it remains financially viable, as cash balances are sufficient to meet future commitments.

During 2015–16 the RMA Regulations were revised with the financial impact of this revision being that the \$10,000 levy for an application for approval to undertake a well activity (AAUWA) is being phased out and will cease from 1 January 2018. To ensure full cost recovery in the current and forward periods, due to the phasing out of levy income from AAUWA's, the annual well levy was increased from \$2,600 to \$4,125 per non-abandoned well and the well operation management plan (WOMP) levy increased from \$20,000 to \$35,000. For more information see Changes to the legislative regime on page 11.

“NOPSEMA reacted by successfully implementing cost control strategies. This has resulted in the final deficit being less than the budgetary expectation.

Financial outcome

A budgeted operating deficit of \$2.8 million was recorded in 2015–16, compared with a \$7.5 million surplus in 2014–15. This reflects a

\$10.3 million decrease in NOPSEMA operating result and relates to an \$9.1 million decrease in revenue and a \$1.2 million increase in expenditure.

Operating result

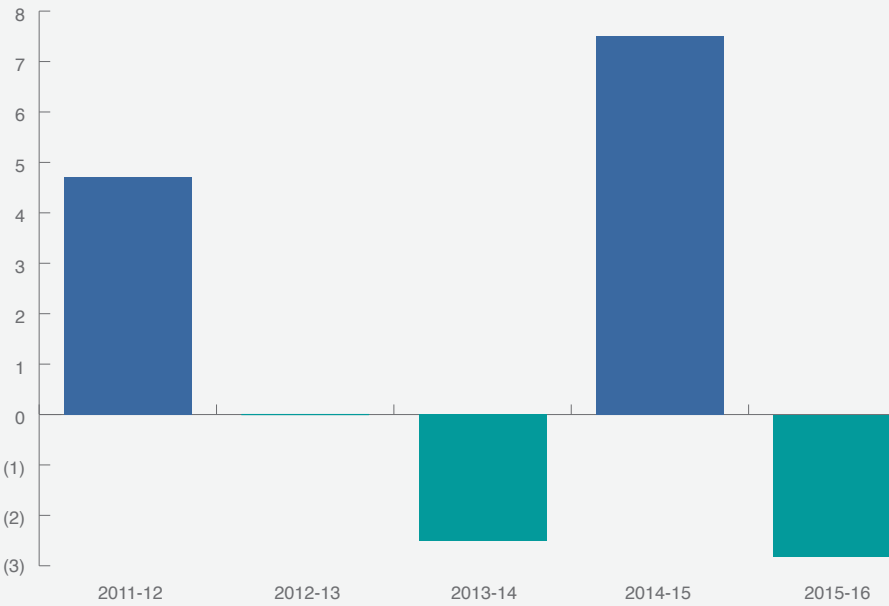


Figure 9



Revenue

Total revenue for 2015–16 was \$30.6 million, which was a decrease of \$9.1 million from 2014–15.

The decrease in revenue in 2015–16 was solely due to the decrease in levy revenue. Total revenue was 13% lower than the \$35.1 million expected and budgeted for and was outside NOPSEMA's targeted budget variance of 10%.

As of 30 June 2016 NOPSEMA held \$0.9 million in deferred revenue, compared to \$0.8 million in 2014–15. This deferred revenue relates to levies

for environment plans submitted but still under assessment. The revenue for these plans will be recognised once the assessment process is completed.

NOPSEMA's revenue source is from levies collected from companies planning and undertaking offshore oil and gas activities in Commonwealth waters. Levy revenue has contributed to more than 99% of total revenue since NOPSEMA's inception in 2012 after monies for the cost of transitioning from NOPSA to NOPSEMA were removed.

Revenue \$(AUD) million by source 2011–12 to 2015–16

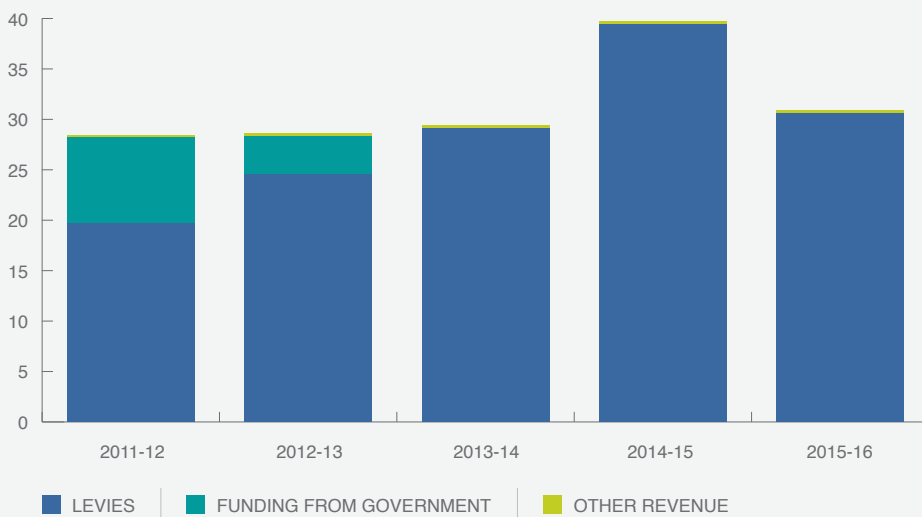


Figure 10

Expenses

Total expenditure in 2015–16 was \$33.4 million, which was an increase of \$1.2 million from 2014–15.

Employee expenses (which includes salaries, allowances, superannuation and leave) and amortisation and depreciation expenses have increased by \$1.4 million and \$0.2 million respectively from 2014–15, while supplier expenses decreased by \$0.4 million.

Total expenditure was 13% lower than the budgeted amount of \$38.3 million for 2015–16.

In the reporting period, 73% of expenditure was for employee expenses, 22% for supplier costs, and 5% for amortisation and depreciation. Compared to the expenditure breakdown for 2014–15 of 72%, 23% and 5% this reflects a stable cost structure between financial years.

Breakdown of expenses for 2011–12 to 2015–16

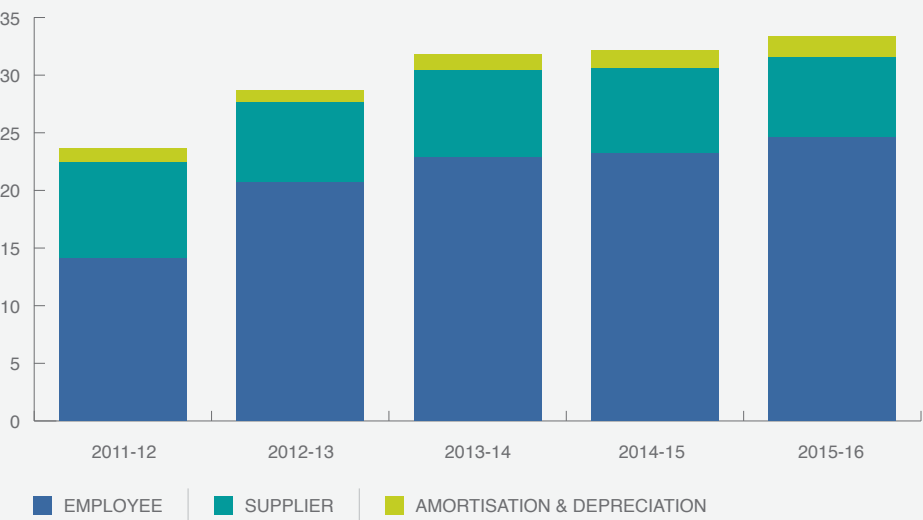


Figure 11

Assets

During 2015–16, 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.

Assets under management include non-financial assets with the net value of \$3.8 million and include fit-out, valued at \$2.5 million; property, plant and equipment, valued at \$0.6 million; and intangible assets, valued at \$0.7 million.

In 2015–16, NOPSEMA continued to develop its regulatory management system software to improve its functionality and rolled out new desktop computers to staff.

NOPSEMA's cash on hand at 30 June 2016 was \$9.2 million, a decrease of \$3.8 million compared to the previous year.



NOPSEMA and the Australia Antarctic Division (AAD) agreed to a contract of service whereby NOPSEMA may directly engage the AAD's services to support its functions while maintaining its independence and objective decision-making. The contract value for 2015–16 was \$25,509 with an estimated contract value of \$80,000 for 2016–17.

NOPSEMA assesses each environment plan and offshore project proposal on its individual scientific merit and compliance with the Offshore Petroleum Greenhouse Gas (Environment) Regulations 2009. Every assessment also takes into consideration relevant internal and external sources of information. The AAD is uniquely placed to provide NOPSEMA with relevant external information in the form of expert scientific advice in relation to the environmental risks and impacts of marine seismic surveys.

NOPSEMA's contract of service with the AAD also complies with one of the agreed administrative arrangements for the endorsement of NOPSEMA's environmental authorisation process under the *Environment Protection and Biodiversity Conservation Act 1999*. Specifically the arrangement for the Department of Environment to provide NOPSEMA with expert advice from the AAD relating to cetaceans, marine mammals and acoustic disturbance provided on a fee-for-service arrangement as agreed in writing between NOPSEMA and the Chief Scientist of the AAD.

Consultants

During 2015–16, NOPSEMA spent \$212,064 on consultancy contracts.

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 *Public Governance, Performance and Accountability Act 2013* and Rule, including the Commonwealth Procurement Rules and relevant internal policies.

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.

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 before the start of each financial year on the AusTender website at tenders.gov.au. The plan is published to give advance notice to potential providers and private sector businesses of the scope and timing of work NOPSEMA anticipates will be available to be undertaken.

NOPSEMA Advisory Board report

The past year has seen a change in the NOPSEMA Board with Kym Bills' term of appointment expiring in March 2016. I wish to acknowledge the very significant contribution made by Kym during his seven years as a member of the Board. In March 2016, Ken Fitzpatrick was appointed to the Board. Ken brings to the Board a deep knowledge of the offshore oil and gas industry, particularly production operations and drilling.

The past year saw the continuation of low oil prices. Offshore operators have implemented productivity programmes aimed at improving production and business efficiency while reducing costs (including reducing numbers of personnel). Operators have stated that safety will not be compromised, however, there is evidence that this is not the case. In 2015, for the first time since 2010, the total recordable case frequency shows deterioration in performance. It continues to rise in the first half of 2016. Dangerous occurrence frequency has been relatively stable in the past few years but has risen in the first half of 2016 by around 30%. NOPSEMA has increased the number of inspections, with increased scrutiny of maintenance and operating procedures. Encouragingly, reportable environmental incident frequency continues to improve.

The Board is concerned that the information currently reported to NOPSEMA by operators in relation to process safety (e.g. dangerous occurrences, hydrocarbon releases and spills) may not show whether the process safety performance is improving or not and whether evidence of developing and emerging issues could be identified. The Board is currently considering how NOPSEMA could improve its regulatory

intelligence with respect to identifying issues and trends that may be precursors to major accident events (MAEs).

The Board is of the view that there is considerable benefit in re-writing the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act). The Act is long and complex. The language is clumsy and there have been many additions to the legislation that impair its clarity. In rewriting the legislation, there is an opportunity to minimise unnecessary differences with the *Work Health and Safety Act 2011* (WHS Act) that currently applies nationally onshore (except in Victoria and in Western Australia where aspects of the WHS Act are expected to be incorporated into a forthcoming WHS (Resources) Bill). This will reduce cost and risk for industry and workers. OPGGS Act reform is consistent with the Australian Government imperative to reduce red and green tape and unnecessary regulatory burden.

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



Keith Spence
Chair

NOPSEMA Board functions

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

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

Stakeholder engagement

Ministers

The NOPSEMA Board is constituted separately to NOPSEMA in order to provide independent advice to the NOPSEMA CEO, relevant state and Northern Territory Ministers and the responsible Commonwealth Minister. The Board and NOPSEMA CEO met with the then Minister for Industry, Innovation and Science in November 2015, the Hon Josh Frydenberg MP, to brief the Minister on current issues.

The Board's main mechanism for engagement with state and Northern Territory Ministers in 2015–16 was through attendance at meetings of the COAG Energy Council and correspondence.

NOPSEMA CEO

The NOPSEMA CEO attended and participated in all Board meetings

during the reporting period. Board meeting agendas included reviewing NOPSEMA's operational policies and strategies in key areas which provided the primary means of providing advice to the CEO during 2015–16.

Other stakeholders

To give relevant and accurate advice, the Board maintains links with other relevant stakeholders in industry and government. Liaison in 2015–16 included the following:

- the Chair and CEO attending the COAG Energy Council meeting on 4 December 2015
- Board members Dr James Limerick and Mr Ken Fitzpatrick meeting with Mr Malcolm Roberts (Chief Executive Officer) and Mr Stedman Ellis (Chief Operating Officer – Western Region) of the Australian Petroleum Production and Exploration Association to discuss industry's views on the need for a re-write of the OPGGS Act
- 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.

Focus areas and strategic themes

At each of its meetings during 2015–16, the Board reviewed data on industry performance, legislative change and other characteristics of the offshore regime, and on the staffing and performance of NOPSEMA. The Board provided both general advice to the Minister for Industry, Innovation and Science based on its deliberations and where appropriate, advice to state and Northern Territory Ministers. It also provided advice to

the NOPSEMA CEO during meetings and less formally, and responded to one formal request for advice from the CEO. A second request is currently under consideration by the Board.

Specific focus areas and matters discussed during 2015–16 included:

NOPSEMA's operations

- Transition to new CEO and his priorities
- Outcomes of the NOPSEMA Operational Review and EPBC Act Streamlining Review
- Review of NOPSEMA's Business Risk Management System and Register
- Review of the proposed Regulator Performance Framework.

Legislative change

Discussion regarding reviews, amendments and drafting to regulations under the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 (e.g. design notification, well regulations).

Reducing regulatory burden

- progress towards conferral of powers and functions in designated state and coastal waters;
- re-writing the OPGGS Act to minimise unnecessary differences with the WHS Act that currently applies nationally onshore (except in Victoria and WA).

Improvements to efficiency in environmental function

Titleholder improvements to reduce impacts and risks to the environment; specifically in relation to oil spill preparedness, consultation and transparency.

Stakeholder engagement

- NOPSEMA's participation in national oil spill emergency planning and involvement in the annual exercise of the National Plan for Maritime Environmental Emergencies
- improving stakeholder engagement and regulatory transparency in relation to environment plans
- maintaining NOPSEMA's international standing through involvement and participation in International Offshore Petroleum Environment Regulators and International Regulators Forum annual general meetings.

Industry performance and data analysis

- monitoring whether the low oil price environment is impacting maintenance and safety standards
- monitoring dangerous occurrences and process safety.

The year ahead

Taking into account its functions under the OPGGS Act and allowing for any Ministerial and CEO requests during the coming year for specific advice, the Board's work program 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, monitoring the implications of the Financial Assurance amendments and reducing 'red and green tape' and the regulatory burden on the 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
- NOPSEMA's organisational capacity, including in relation to system, process and people capacity to deliver best practice well integrity, environmental management and offshore petroleum and greenhouse gas safety

- providing advice to Ministers by correspondence and briefings to the COAG Energy Council
- ongoing advice to the CEO at board meetings and out of session.

Board membership and attendance

During the reporting period the term of Mr Kym Bills expired (14 March 2016) and Mr Ken Fitzpatrick was appointed with effect from 15 March 2016. The terms of Mr Keith Spence and Dr Jan Hayes were extended for a further 12 months (expiring 17 March 2017).

There were four meetings during the reporting period: 20 August 2015, 12 November 2015, 10 February 2016 and 19 May 2016.

Board member meeting attendance

Name	20 Aug 2015 Meeting 15	12 Nov 2015 Meeting 16	10 Feb 2016 Meeting 17	19 May 2016 Meeting 18
Mr Keith Spence (Chair)	•	•	•	•
Dr Jan Hayes	•	•	•	•
Mr Kym Bills	•	•	•	n/a
Dr James Limerick	•	•	•	Apology
Ms Anne-Marie Delahunt	•	•	•	•
Ms Trish Kerin	•	•	•	•
Mr Ken Fitzpatrick	n/a	n/a	n/a	•

Table 7

It is the Board's practice that a senior representative of the Department of Industry, Innovation and Science attends meetings as an observer to ensure there are effective communications between the Board and the Department and that issues and their priority are well understood.

Board financial statement

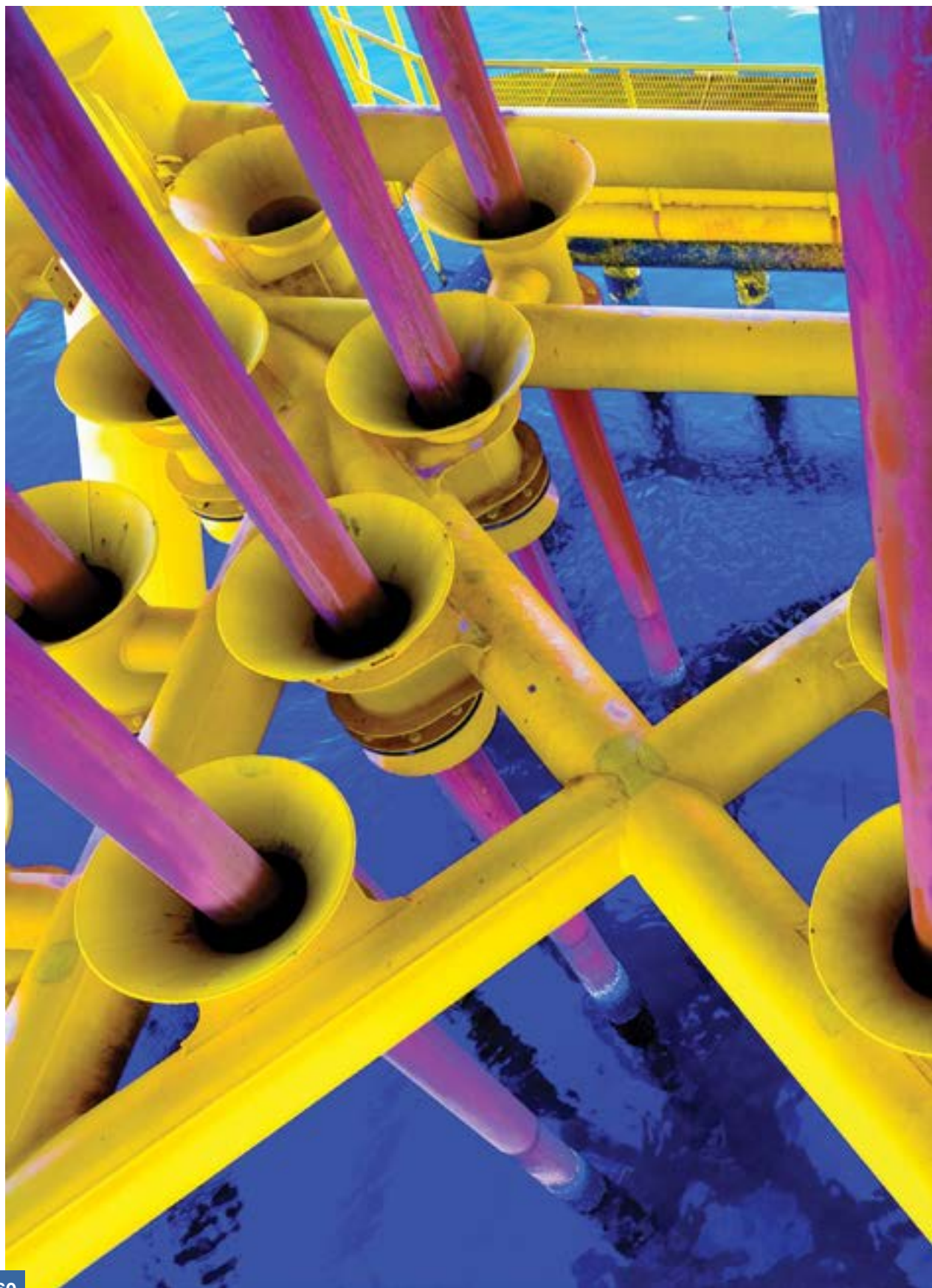
Remuneration of Board members is set by the Remuneration Tribunal. NOPSEMA funds the remuneration of the Board and its members and the cost of travel to meetings. NOPSEMA also provides secretariat support for board meetings. The Board does not employ staff and does not own or lease physical assets.

Board expenditure

Expenditure items	Annual budget 2015-16	Actuals 2015-16	Variance favourable/ (unfavourable)	Last year's actuals 2014-15
	\$'000	\$'000	\$'000	\$'000
Members remuneration	245	246	(1)	282
Travel and accommodation	30	14	16	26
Other expenses	2	1	1	1
Total	277	261	16	309

Table 8







Financial statements



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

I have audited the accompanying annual financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2016, which comprise:

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

Opinion

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

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Offshore Petroleum Safety and Environmental Management Authority as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Accountable Authority's Responsibility for the Financial Statements

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

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Responsibility

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

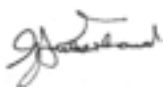
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive of the entity, 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.

Australian National Audit Office



Garry Sutherland
Senior Director
Delegate of the Auditor-General
Canberra
22 September 2016

In our opinion, the attached financial statements for the year ended 30 June 2016 are based on properly maintained financial records and give a true and fair view of the matters required by the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015, made under the *Public Governance, Performance and Accountability Act 2013*, as amended.



Stuart Smith
Chief Executive Officer

22 September 2016



Denis Shaw
Chief Financial Officer

22 September 2016

Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
EXPENSES			
Employee benefits	3A	24,661	23,149
Suppliers	3B	7,004	7,438
Depreciation and amortisation	3C	1,769	1,625
Total expenses		33,434	32,212
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Levies	4A	30,321	39,441
Interest	4B	193	162
Other revenue	4C	93	110
Total own-source revenue		30,607	39,713
Net cost of services		(2,827)	7,501
Revenue from Government			
		–	–
Surplus (Deficit) on continuing operations		(2,827)	7,501
Surplus (Deficit) attributable to the Australian Government			
		(2,827)	7,501

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

Statement of Financial Position as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	9,205	13,047
Trade and other receivables	5B	7,202	4,908
Total financial assets		16,407	17,955
Non-Financial Assets			
Land and buildings	6A,C	2,506	2,954
Infrastructure, plant and equipment	6B,C	625	388
Intangibles	6D,E	709	1,169
Other non-financial assets	6F	88	90
Total non-financial assets		3,928	4,601
		20,335	22,556
LIABILITIES			
Payables			
Suppliers	7A	(575)	(545)
Other payables	7B	(1,571)	(1,562)
Total payables		(2,146)	(2,107)
Provisions			
Employee provisions	8A	(4,862)	(4,201)
Other provisions	8B	(2,716)	(2,810)
Total provisions		(7,578)	(7,011)
Total liabilities		(9,724)	(9,118)
Net Assets		10,611	13,438
EQUITY			
Parent Entity Interest			
Contributed equity		896	896
Retained surplus		9,715	12,542
Total parent entity interest		10,611	13,438
Total equity		10,611	13,438

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

Statement of Changes in Equity for the year ended 30 June 2016

	Retained earnings		Contributed equity/capital		Total equity	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	12,542	5,041	896	896	13,438	5,937
Adjusted opening balance	12,542	5,041	896	896	13,438	5,937
Comprehensive income						
Surplus (Deficit) for the period	(2,827)	7,501	–	–	(2,827)	7,501
Total comprehensive income	(2,827)	7,501	–	–	(2,827)	7,501
of which: Attributable to the Australian Government	(2,827)	7,501	–	–	(2,827)	7,501
Transactions with owners	–	–	–	–	–	–
Sub-total transactions with owners	–	–	–	–	–	–
Closing balance as at 30 June	9,715	12,542	896	896	10,611	13,438

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

Cash Flow Statement for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		–	–
Receipts from levies		28,739	42,278
Interest		193	162
GST received		871	791
Other		51	65
Total cash received		29,854	43,296
Cash used			
Employees		(24,000)	(22,727)
Suppliers		(5,397)	(6,637)
GST paid		(824)	(733)
Accommodation		(2,377)	(2,324)
Total cash used		(32,598)	(32,421)
Net cash from (used by) operating activities	9	(2,744)	10,875
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		(1,098)	(967)
Total cash used		(1,098)	(967)
Net cash from (used by) investing activities		(1,098)	(967)
Net increase (decrease) in cash held		(3,842)	9,908
Cash and cash equivalents at the beginning of the reporting period		13,047	3,139
Cash and cash equivalents at the end of the reporting period	5A	9,205	13,047

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

Schedule of Commitments as at 30 June 2016

	2016 \$'000	2015 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments ¹	2,204	2,500
Total commitments receivable	2,204	2,500
Commitments payable		
Other Commitments		
Operating leases ²	(21,562)	(24,750)
Commitments to Suppliers	(2,677)	(2,753)
Total other commitments	(24,239)	(27,503)
Net commitments by type	(22,035)	(25,003)
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	299	290
From one to five years	1,299	1,251
Over five years	363	710
Total operating lease income	1,961	2,251
Commitments to Suppliers		
One year or less	211	149
From one to five years	32	101
Total commitments to suppliers	243	250
Total commitments receivable	2,204	2,501
Commitments payable		
Other Commitments		
Operating lease commitments		
One year or less	(3,285)	(3,188)
From one to five years	(14,293)	(13,765)
Over five years	(3,984)	(7,797)
Total operating lease commitments	(21,562)	(24,750)

	2016 \$'000	2015 \$'000
Commitments to Suppliers		
Represented by outstanding purchase orders which have not been completed		
One year or less	(2,323)	(1,644)
From one to five years	(354)	(1,109)
Total commitments to suppliers	(2,677)	(2,753)
Total other commitments		
One year or less	(5,608)	(4,832)
From one to five years	(14,647)	(14,874)
Over five years	(3,984)	(7,797)
Total other commitments by maturity	(24,239)	(27,503)
Net commitments by maturity	(22,035)	(25,002)

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

1. Commitments were GST inclusive where relevant.
2. Operating leases included were effectively non-cancellable and comprise:

Office accommodation:

Lease payments are subject to annual increases of 4.5% in Perth and 4% in Melbourne, plus market reviews. At 30 June 2016 NOPSEMA held the following accommodation leases:

Part Level 8 Alluvion Building 58 Mounts Bay Road Perth WA – 839 sqm leased to 1 June 2022;

Level 11 Alluvion Building 58 Mounts Bay Road Perth WA – 1,570.0 sqm leased to 1 June 2022;

Part Ground Floor 493 St Kilda Road Melbourne VIC – 244 sqm leased to 31 March 2017.

Schedule of Contingencies as at 30 June 2016

	2016 \$'000	2015 \$'000
BY TYPE		
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.

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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* (OPGGs Act).

1.2 Basis of Preparation of the Financial Report

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

The financial statements have been prepared in accordance with:

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

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

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

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

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

1.3 Compliance with Statutory Requirements

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

During 2012-13 the Commonwealth received additional legal advice that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. During 2015-16 the agency has reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. The agency has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the agency. The agency is not aware of any specific breaches of Section 83 in respect of these items.

1.4 Significant Accounting Judgements and Estimates

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

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

Future Australian Accounting Standard requirements

NOPSEMA's assessment of the impact of amendments to standards and interpretations issued by the Australian Accounting Standards Board prior to the sign-off date that are applicable to future periods is ongoing and it has not been possible to quantify the effects of such amendments as of the date of signing.

1.6 Revenue

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

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

1.7 Gains

Resources Received Free of Charge

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

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

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

Sale of assets

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

1.8 Transactions with the Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

1.9 Employee Benefits

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

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

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

Leave

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

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

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

Superannuation

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

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

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

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

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

1.10 Leases

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

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

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

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

1.11 Cash

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

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

1.12 Financial assets

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

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

Trade and Other Receivables

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

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

Impairment of Financial Assets

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

1.13 Financial liabilities

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

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

Suppliers and Other Payables

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

Provisions

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

1.14 Contingent Liabilities and Contingent Assets

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

1.15 Acquisition of Assets

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

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

1.16 Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	2016	2015
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 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.17 Intangibles

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

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

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

All software assets were assessed for indications of impairment as at 30 June 2016.

1.18 Taxation / Competitive Neutrality

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

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

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

Note 2 : Events after the Reporting Period

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

Note 3: Expenses

	2016 \$'000	2015 \$'000
Note 3A: Employee benefits		
Wages and salaries	17,498	16,862
Superannuation:		
Defined benefit plans	919	809
Defined contribution plans	2,866	2,532
Leave and other entitlements	3,295	2,899
Other employee benefits	83	47
Total employee benefits	24,661	23,149
Note 3B: Suppliers		
Consultants	364	492
Contractors	73	407
Other	4,159	4,044
Total goods and services	4,596	4,943
Provision of goods – external parties	720	817
Rendering of services – external parties	3,876	4,126
Total goods and services	4,596	4,943
Other supplier expenses		
Operating lease rentals	2,283	2,319
Workers compensation premiums	125	175
Total other supplier expenses	2,408	2,494
Total supplier expenses	7,004	7,437
Note 3C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	207	227
Buildings	449	459
Total depreciation	656	686
Amortisation:		
Intangibles:		
Computer Software:	1,113	939
Total amortisation	1,113	939
Total depreciation and amortisation	1,769	1,625

Note 4: Income

	2016 \$'000	2015 \$'000
Own Source Revenue		
Note 4A: Levies		
Levies	30,321	39,441
Total revenue from Levies	30,321	39,441
Note 4B: Interest		
Deposits	193	162
Total Interest	193	162
Note 4C: Other revenue		
Other revenue	90	109
Freedom of Information applications	3	1
Total other revenue	93	110

Note 5: Financial Assets

	2016 \$'000	2015 \$'000
Note 5A: Cash and Cash Equivalents		
Special Accounts	–	–
Cash at Bank	9,205	13,047
Total cash and cash equivalents	9,205	13,047
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services – external parties	5,709	4,535
Total receivables for goods and services	5,709	4,535
Other receivables:		
Accrued interest receivable	15	21
Safety case levy / accrued revenue	1,368	193
Travel advances	5	6
GST receivable from the Australian Taxation Office	104	151
Other	1	2
Total and other receivables	1,493	373
Less impairment allowances account	–	–
Total trade and other receivables (net)	7,202	4,908
Receivables are expected to be recovered in:		
No more than 12 months	7,202	4,908
More than 12 months	–	–
Total trade and other receivables (net)	7,202	4,908
Receivables are aged as follows:		
Not overdue	4,742	4,898
Overdue by:		
0 to 30 days	701	10
31 to 60 days	216	–
61 to 90 days	288	–
More than 90 days *	1,255	–
Total receivables (gross)	7,202	4,908

Note:

- * Receivables overdue by more than 90 days consists of Receivables of \$1,892 with provision for doubtful accounts of \$637. These have occurred due to recent legislative restrictions on issuing credit notes, with the legislative restrictions anticipated to be resolved by the end of the current financial year.

Note 6: Non-Financial Assets

	2016 \$'000	2015 \$'000
Note 6A: Buildings		
Leasehold improvements:		
Fair value	4,671	4,671
Accumulated depreciation	(2,165)	(1,717)
Total leasehold improvements	2,506	2,954
Total buildings	2,506	2,954

No indicators of impairment were found for buildings.

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

Note 6B: Infrastructure, Plant and Equipment		
Infrastructure, plant and equipment:		
Fair value	1,875	1,431
Accumulated depreciation	(1,250)	(1,043)
Total infrastructure, plant and equipment	625	388

The historical cost of leasehold improvements and infrastructure, plant and equipment was deemed to represent fair value at 30 June 2016.

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

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

Note 6C: Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2015–16)

	Buildings \$'000	Infra- structure plant & equipment \$'000	Total \$'000
As at 1 July 2015			
Gross book value	4,671	1,431	6,102
Accumulated depreciation and impairment	(1,717)	(1,043)	(2,760)
Net book value 1 July 2015	2,954	388	3,342
Additions:			
By purchase	–	444	444
Revaluations and impairments recognised in other comprehensive income	–	–	–
Impairments recognised in the operating result	–	–	–
Reversal of impairments recognised in the operating result	–	–	–
Depreciation expense	(448)	(207)	(655)
Disposals: Cost	–	–	–
Disposals: Accumulated Depreciation	–	–	–
Net book value 30 June 2016	2,506	625	3,131
Net book value as of 30 June 2016 represented by:			
Gross book value	4,671	1,875	6,546
Accumulated depreciation	(2,165)	(1,250)	(3,415)
	2,506	625	3,131

Note 6C: (Cont'd) Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2014–15)

	Buildings \$'000	Infra- structure plant & equipment \$'000	Total \$'000
As at 1 July 2014			
Gross book value	4,650	1,206	5,856
Accumulated depreciation and impairment	(1,268)	(817)	(2,085)
Net book value 1 July 2014	3,382	389	3,771
Additions:			
By purchase	31	226	257
Revaluations and impairments recognised in other comprehensive income	–	–	–
Impairments recognised in the operating result	–	–	–
Reversal of impairments recognised in the operating result	–	–	–
Depreciation expense	(459)	(227)	(686)
Disposals: Cost	(57)	–	(57)
Disposals: Accumulated Depreciation	57	–	57
Net book value 30 June 2015	2,954	388	3,342
Net book value as of 30 June 2015 represented by:			
Gross book value	4,671	1,431	6,102
Accumulated depreciation	(1,717)	(1,043)	(2,760)
Closing net book value	2,954	388	3,342

	2016 \$'000	2015 \$'000
Note 6D: Intangibles		
Computer software:		
Internally developed – in progress	–	51
Internally developed – in use	6,112	5,408
Total computer software (gross)	6,112	5,459
Accumulated amortisation	(5,403)	(4,290)
Total computer software (net)	709	1,169
Total intangibles	709	1,169

No indicators of impairment were found for intangible assets.

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

**Note 6E: Reconciliation of the Opening and Closing
Balances of Intangibles (2015–16)**

	Computer software internally developed \$'000
As at 1 July 2015	
Gross book value	5,459
Accumulated amortisation	(4,290)
Net book value 1 July 2015	1,169
Additions:	
By purchase	653
Revaluations and impairments recognised in other comprehensive income	–
Impairments recognised in the operating result	–
Reversal of impairments recognised in the operating result	–
Amortisation expense	(1,113)
Net book value 30 June 2016	709
Net book value as of 30 June 2016 represented by:	
Gross book value	6,112
Accumulated amortisation	(5,403)
	709

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2014–15)

	Computer software internally developed \$'000
As at 1 July 2014	
Gross book value	4,748
Accumulated amortisation	(3,350)
Net book value 1 July 2014	1,398
Additions:	
By purchase	710
Revaluations and impairments recognised in other comprehensive income	–
Impairments recognised in the operating result	–
Reversal of impairments recognised in the operating result	–
Amortisation expense	(939)
Net book value 30 June 2015	1,169
Net book value as of 30 June 2015 represented by:	
Gross book value	5,459
Accumulated amortisation	(4,290)
Closing net book value	1,169

	2016 \$'000	2015 \$'000
Note 6F: Other Non-Financial Assets		
Prepayments	88	90
Total other non-financial assets	88	90

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

Note 7: Payables

	2016 \$'000	2015 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	(575)	(545)
Total supplier payables	(575)	(545)
Settlement is usually made within 30 days.		
Note 7B: Other		
Wages and salaries	(94)	(788)
Deposits held	(1,477)	(774)
GST payable to ATO	–	–
Total other payables	(1,571)	(1,562)
Total other payables are expected to be settled in:		
No more than 12 months	(1,571)	(1,562)
More than 12 months	–	–
	(1,571)	(1,562)

Note 8: Provisions

	2016 \$'000	2015 \$'000
Note 8A: Employee Provisions		
Leave	(4,208)	(3,640)
Other	(653)	(560)
Total employee provisions	(4,861)	(4,200)
Employee provisions are expected to be settled in:		
No more than 12 months	(3,090)	(2,422)
More than 12 months	(1,771)	(1,778)
Total employee provisions	(4,861)	(4,200)
Note 8B: Other Provisions		
Provision for restoration obligations	(487)	(487)
Lease incentive	(2,229)	(2,323)
Total other provisions	(2,716)	(2,810)
Other provisions are expected to be settled in:		
More than 12 months	(2,716)	(2,810)
Total other provisions	(2,716)	(2,810)
	Provision for restoration \$'000	
Carrying amount 1 July 2015	(2,810)	
Additional provisions made	–	
Amounts used	94	
Unwinding of discount or change in discount rate	–	
Closing balance 2016	(2,716)	

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

Note 9: Cash Flow Reconciliation

	2016 \$'000	2015 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow Statement	9,205	13,047
Statement of Financial Position	9,205	13,047
Difference	–	–
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(2,827)	7,501
Add revenue from government	–	–
Adjustments for non-cash items		
Depreciation /amortisation	1,769	1,625
Amounts received free of charge	42	45
Changes in assets / liabilities		
Decrease / (increase) in net receivables	(2,341)	2,764
Decrease / (increase) in prepayments	2	133
Increase in employee provisions	661	422
(Decrease) / increase in other provisions	(94)	(4)
(Decrease) / increase in supplier payables	316	(252)
(Decrease) / increase in accrued liabilities and levies paid in advance	(319)	(1,417)
Decrease / (increase) in GST receivable	47	58
Net cash from / (used by) operating activities	(2,744)	10,875

Note 10: Contingent Liabilities and Assets

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

Note 11: Senior Management Personnel Remuneration

11: Senior Executive Remuneration Expense for the Reporting Period

	2016 \$	2015 \$
Short-term employee benefits:		
Salary	1,180,000	888,000
Annual leave accrued	116,000	88,000
Total Short-term employee benefits	1,296,000	976,000
Post-employment benefits:		
Superannuation	245,895	137,692
Total post-employment benefits	245,895	137,692
Other long-term benefits		
Long-service leave	31,044	52,129
Total other long-term benefits	31,044	52,129
Termination benefits	–	144,000
Total	1,572,939	1,309,821

Notes:

- Note 11A was prepared on an accrual basis.
- The total number of senior management personnel that are included in the above table are 4 individuals (2015: 5 individuals). The prior year includes both a retiring and new CEO, in addition, one individual was only in their role for one month before the year end.

Note 12: Remuneration of Auditors

	2016 \$'000	2015 \$'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	44	42
Total	44	42

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

Note 13: Financial Instruments

	2016 \$'000	2015 \$'000
13A Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	9,205	13,047
Trade and other receivables	7,202	4,908
Total	16,407	17,955
Carrying amount of financial assets	16,407	17,955
Financial Liabilities		
At amortised cost:		
Trade creditors	(575)	(545)
Other	(1,571)	(1,562)
Total	(2,146)	(2,107)
Carrying amount of financial liabilities	(2,146)	(2,107)
13B Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	193	162
Net gain from loans and receivables	193	162
Net gain from financial assets	193	162
The interest income from financial assets at fair value through profit or loss was \$193,000 in the year ending 2016 [2015: \$162,108].		
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 2016 [2015: 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.

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 receivables (2016: \$7,202,000 and 2015: \$4,908,000).

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 2016

	within 1 year \$'000	Total \$'000
Other Liabilities		
Trade creditors	575	575
Other liabilities	1,571	1,571
Total	2,146	2,146

Maturities for non-derivatives financial liabilities 2015

	within 1 year \$'000	Total \$'000
Other Liabilities		
Trade creditors	545	545
Other liabilities	1,562	1,562
Total	2,107	2,107

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

13G Market Risk

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

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

Interest Rate Risk

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

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

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

2016 Appropriations						
	Annual Appropriation	Appropriations reduced ¹	AFM2	Total Appropriation	Appropriation applied in 2015	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
DEPARTMENTAL						
Ordinary annual services	–	–	–	–	–	–
Other services	–	–	–	–	–	–
Total departmental	–	–	–	–	–	–

2015 Appropriations						
	Annual Appropriation	Appropriations reduced	AFM	Total Appropriation	Appropriation applied in 2014	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
DEPARTMENTAL						
Ordinary annual services	–	–	–	–	–	–
Other services	–	–	–	–	–	–
Total departmental	0	–	–	0	0	–

Notes:

No appropriation during the year, FY15 was also nil as comparison.

Note 15: Special Accounts

NOPSEMA's special account was ceased on 1 July 2014, and NOPSEMA has been responsible for its own banking arrangements. In this case, the legal authority is Section 682 of the OPGGS Act. The legal authority for appropriations from this account is Section 21 of the PGPA Act. The purpose of the account is detailed in Section 684 OPGGS Act as follows:

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

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

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

NOPSEMA identified one special account being the NOPSEMA Special Account.

As at 30 June 2016 this work had been completed in respect of this special account and the work conducted noted that the risk of a breach of Section 83 was low. Compliance issues with section 83 are detailed in Note 1.3.

National Offshore Petroleum Safety and Environmental Management Authority	2016 \$'000	2015 \$'000
Balance carried from previous period	13,047	3,139
Costs recovered	28,739	42,278
Other receipts	1,115	1,018
Total increase	29,854	43,296
Available for payments	42,901	46,435
Payments made to employees	(24,000)	(22,727)
Payments made to suppliers and GST	(7,319)	(8,337)
Other payments made	(2,377)	(2,324)
Total decrease	(33,696)	(33,388)
Total balance carried to next period	9,205	13,047

Note 16: Reporting of Outcomes

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

Program 1: Regulatory oversight of safety cases, well operations managements plans and environment plans coupled with effective monitoring, investigation and enforcement.

Note 16A: Net Cost of Outcome Delivery

	Outcome 1	
	2016 \$'000	2015 \$'000
Expenses		
Departmental	(33,434)	(32,212)
Total	(33,434)	(32,212)
Income from non-government sector		
Departmental	30,321	39,441
Total	30,321	39,441
Other own-source income		
Departmental	286	272
Total	286	272
Net cost/(contribution) of outcome delivery	(2,827)	7,501

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 16B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

	Outcome 1	
	2016 \$'000	2015 \$'000
Departmental Expenses:		
Employees	(24,661)	(23,149)
Suppliers	(7,004)	(7,438)
Depreciation and amortisation	(1,769)	(1,625)
Total	(33,434)	(32,212)
Departmental Income:		
Sale of goods and services	30,414	39,551
Income from government	–	–
Interest	193	162
Total	30,607	39,713
Departmental Assets:		
Cash and cash equivalents	9,205	13,047
Trade and other receivables	7,202	4,908
Land and buildings	2,506	2,954
Property, plant and equipment	625	388
Intangibles	709	1,169
Other non-financial assets	88	90
Total	20,335	22,556

Note 16B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

	Outcome 1	
	2016 \$'000	2015 \$'000
Departmental Liabilities:		
Suppliers	(575)	(545)
Other payables	(1,571)	(1,562)
Employee provisions	(4,862)	(4,201)
Other provisions	(2,716)	(2,810)
Total	(9,724)	(9,118)

Outcome 1 is described in Note 1.1.

Note 17: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budgets as presented in the 2015–16 Portfolio Budget Statements (PBS) to the 2015–16 final outcome as presented in accordance with Australian Accounting Standards for the entity. The budget is not audited.

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Actual 2016 \$'000	Budget estimate	
		Original	Variance
		2016 \$'000	2016 \$'000
EXPENSES			
Employee benefits	24,661	29,470	4,809
Supplier	7,004	7,508	504
Depreciation and amortisation	1,769	1,020	(749)
Total expenses	33,434	37,998	4,564
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	30,607	38,019	7,412
Total own-source revenue	30,607	38,019	7,412
Net cost of services	(2,827)	21	2,848
Revenue from Government	–		–
Surplus (Deficit) on continuing operations	(2,827)	21	2,848
Surplus (Deficit) attributable to the Australian Government	(2,827)	21	2,848

Statement of Financial Position
as at 30 June 2016

	Actual 2016 \$'000	Budget estimate	
		Original	Variance
		2016 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	9,205	3,948	(5,257)
Trade and other receivables	7,202	8,140	938
Total financial assets	16,407	12,088	(4,319)
Non-Financial Assets			
Land and buildings	3,131	2,958	(173)
Intangibles	709	1,039	330
Other non-financial assets	88	222	134
Total non-financial assets	3,928	4,219	291
Total assets	20,335	16,307	(4,028)
LIABILITIES			
Payables			
Suppliers	(575)	(905)	(330)
Other payables	(1,571)	(2,828)	(1,257)
Total payables	(2,146)	(3,733)	(1,587)
Provisions			
Employee provisions	(4,862)	(3,722)	1,140
Other provisions	(2,716)	(2,874)	(158)
Total provisions	(7,578)	(6,596)	982
Total liabilities	(9,724)	(10,329)	(605)
Net assets	10,611	5,978	(4,633)
EQUITY			
Parent Entity Interest			
Contributed equity	896	896	–
Retained surplus	9,715	5,082	(4,633)
Total parent entity interest	10,611	5,978	(4,633)
Total equity	10,611	5,978	(4,633)

Statement of Changes in Equity
for the year ended 30 June 2016

	Retained earnings			Contributed equity/ capital			Total equity		
	Budget estimate			Budget estimate			Budget estimate		
	Actual	Orig- inal	Vari- ance	Actual	Orig- inal	Vari- ance	Actual	Orig- inal	Vari- ance
	2016	2016	2016	2016	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance									
Balance carried forward from previous period	12,542	5,062	(7,480)	896	896	–	13,438	5,957	(7,481)
Adjusted opening balance	12,542	5,061	(7,480)	896	896	–	13,438	5,957	(7,481)
Comprehensive income									
Surplus (Deficit) for the period	(2,827)	21	2,848	–	–	–	(2,827)	21	2,848
Total comprehensive income	(2,827)	21	2,848	–	–		(2,827)	21	2,848
of which:									
Attributable to the Australian Government	(2,827)	21	2,848	–	–	–	(2,827)	21	2,848
Transactions with owners	–	–	–	–	–	–	–	–	–
Sub-total transactions with owners	–	–	–	–	–	–	–	–	–
Closing balance as at 30 June	9,715	5,082	(4,633)	896	896	–	10,611	5,978	(4,633)

Cash Flow Statement
for the year ended 30 June 2016

	Actual 2016 \$'000	Budget estimate	
		Original	Variance
		2016 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	–	–	–
Sale of goods and rendering of services	29,854	38,019	8,165
Total cash received	29,854	38,019	8,165
Cash used			
Employees	(24,000)	(29,470)	(5,470)
Suppliers	(8,598)	(7,509)	1,089
Total cash used	(32,598)	(36,979)	(4,381)
Net cash from (used by) operating activities	(2,744)	1,040	3,784
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	(1,098)	(500)	598
Total cash used	(1,098)	(500)	598
Net cash from (used by) investing activities	(1,098)	(500)	598
Net increase (decrease) in cash held	(3,842)	540	4,382
Cash and cash equivalents at the beginning of the reporting period	13,047	3,408	(9,639)
Cash and cash equivalents at the end of the reporting period	9,205	3,948	(5,257)

5A

Explanations of major variances

Operating expenses were substantially constrained by NOPSEMA in anticipation of budgetary pressures in future periods (\$4.8M).

Environmental approvals sought by industry from NOPSEMA, subject to levies, were substantially lower than budgeted (\$7.4M). This has been attributed to the declining global oil price.

Revenue from Government was no longer receivable by NOPSEMA due to legislative change.

Trade and other receivables have increased in a period where revenue has decreased by more than 20%. This is as a result of delaying levy billing until the end of each billing period, due to legislative restrictions on issuing credit notes.

Capital purchases exceeded budget in relation to essential building infrastructure upgrades, plus the replacement of employee laptops (\$0.2M).

Reduction in supplier expenses against budget, resulting in lower month-end balances (\$0.3M)

A severe reduction in global oil prices has significantly reduced the exploration activities within the industry, leading to fewer submissions that attract levies. Non-essential work subject to levies has been postponed to future periods.

Other provisions relate to Lease incentives and Makegood provisions and were in line with budget.

Employee leave provisions have increased from last year (\$0.7M) and relate almost entirely to an increase in long service leave entitlements. NOPSEMA has made policy changes to effectively manage employee leave balances going forwards.

Affected line items

Statement of Comprehensive Income:
Employee benefits
Statement of Financial Position: Cash
Statement of Equity: Surplus.
Cashflow Statement: Cash used – Employees

Statement of Income: Revenue
Statement of Financial Position: Cash
Statement of Equity: Surplus.
Statement of Cashflow: Cash received – Sale of goods and rendering of services

Statement of Income: Revenue from Government.
Statement of Cashflow: Appropriations

Statement of Financial Position: Cash and Receivables
Statement of Cashflow: Sale of goods and rendering of services

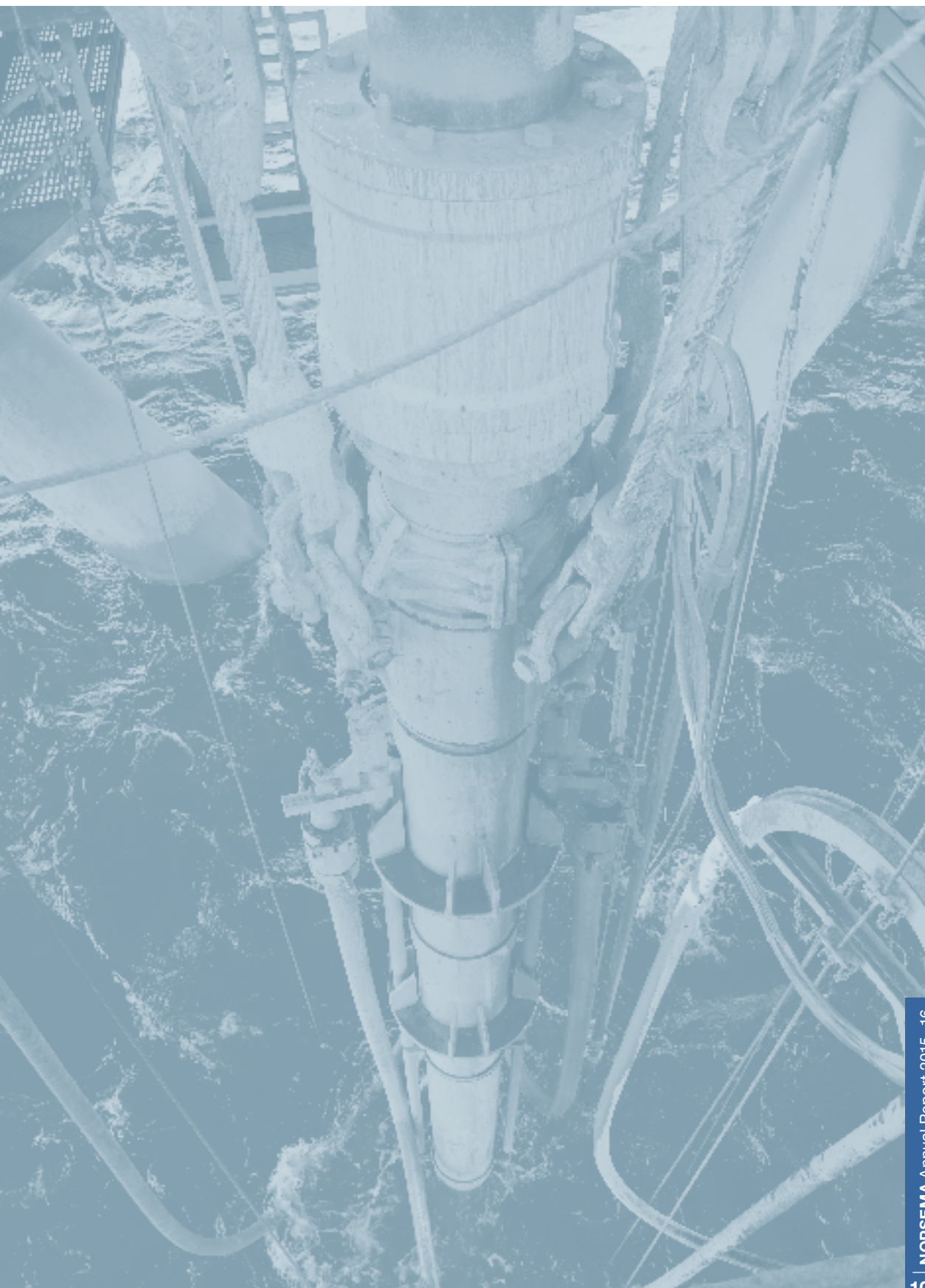
Statement of Income: Depreciation
Statement of Financial Position: Land and buildings
Statement of Cashflows: Purchase of non-current assets

Statement of Financial Position: Suppliers
Statement of Cashflow: Cash used – Suppliers

Statement of income: Sale of goods and rendering of services
Statement of Financial Position: Other Payables

Statement of income: Supplier
Statement of Financial Position: Other Provisions

Statement of Financial Position: Employee Provisions



List of requirements for corporate Commonwealth entities under the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)

PGPA Rule reference	Description of the requirement	Page of this report
17BE (a)	Details of the legislation establishing the body	11
17BE (b)	A summary of the objects and functions of the entity as set out in the legislation.	11
	The purposes of the entity as included in the entity's corporate plan for the period.	24
17BE (c)	The names of the persons holding the position of responsible Minister or responsible Ministers during the period, and the titles of those responsible Ministers.	3
17BE (d)	Any directions given to the entity by a Minister under an Act or instrument during the period.	N/A
17BE (e)	Any government policy orders that applied in relation to the entity during the period under section 22 of the Act.	N/A
17BE (f)	If, during the period, the entity has not complied with a direction or order referred to in paragraph (d) or (e)—particulars of the non compliance.	N/A
17BE (g)	The annual performance statements for the entity for the period in accordance with paragraph 39(1) (b) of the Act and section 16F of the PGPA Rule.	24–39
17BE (h)	A statement of any significant issue reported to the responsible Minister under paragraph 19(1) (e) of the Act that relates to non compliance with the finance law in relation to the entity.	N/A
17BE (i)	If a statement is included under paragraph (h) of this section—an outline of the action that has been taken to remedy the non compliance.	N/A
17BE (j)	Information on the accountable authority, or each member of the accountable authority, of the entity during the period, including: (i) the name of the accountable authority or member (ii) the qualifications of the accountable authority or member (iii) the experience of the accountable authority or member.	9
17BE (k)	An outline of the organisational structure of the entity (including any subsidiaries of the entity)	14
17BE (l)	An outline of the location (whether or not in Australia) of major activities or facilities of the entity.	4, 48
17BE (m)	Information in relation to the main corporate governance practices used by the entity during the period.	40

PGPA Rule reference	Description of the requirement	Page of this report
17BE (n)	<p>The decision making process undertaken by the accountable authority for making a decision if:</p> <ul style="list-style-type: none"> (i) the decision is to approve the entity paying for a good or service from another Commonwealth entity or a company, or providing a grant to another Commonwealth entity or a company (ii) the entity, and the other Commonwealth entity or the company, are related entities (iii) the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than \$10 000 (inclusive of GST) 	54
17BE (o)	<p>If the annual report includes information under paragraph (n):</p> <ul style="list-style-type: none"> (i) if there is only one transaction—the value of the transaction (ii) if there is more than one transaction—the number of transactions and the aggregate of value of the transactions. 	54
17BE (p)	Any significant activities and changes that affected the operations or structure of the entity during the period.	11
17BE (q)	Particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the entity.	N/A
17BE (r)	<p>Particulars of any report on the entity given during the period by:</p> <ul style="list-style-type: none"> (i) the Auditor General, other than a report under section 43 of the Act (which deals with the Auditor General's audit of the annual financial statements for Commonwealth entities) (ii) a Committee of either House, or of both Houses, of the Parliament (iii) the Commonwealth Ombudsman (iv) the Office of the Australian Information Commissioner. 	42–44
17BE (s)	If the accountable authority has been unable to obtain information from a subsidiary of the entity that is required to be included in the annual report—an explanation of the information that was not obtained and the effect of not having the information on the annual report.	N/A
17BE (t)	Details of any indemnity that applied during the period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	N/A
17BE (u)	An index identifying where the requirements of section 17BE and section 17BF (if applicable) are to be found.	108
17BF	Disclosure requirements for government business enterprises	N/A





