



NOPSEMA

ANNUAL
2016
2017
REPORT

About this report

This document is the annual report of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) covering operations and activities conducted during the year ending 30 June 2017. NOPSEMA's annual report is made available to the Commonwealth Minister for Resources and Northern Australia, the relevant state and Northern Territory ministers, the offshore petroleum industry and its workforce, and the public.

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

Access this report

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

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**Letter to the Hon. Barnaby Joyce MP,
Deputy Prime Minister, Minister for
Agriculture and Water Resources,
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 annual report for the year ending 30 June 2017.

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 be 'Stuart Smith', with a stylized, flowing script.

Stuart Smith
Chief Executive Officer
NOPSEMA

5 October 2017

SNAPSHOT OF PERFORMANCE

2016–2017



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A black and white photograph of two construction workers on a high-rise steel framework. The workers are wearing hard hats and safety harnesses, standing on a platform. The background shows the complex steel structure of a building under construction. A large, semi-transparent red rectangular box is overlaid on the bottom half of the image, containing white text.

Message from the Chief Executive Officer

Message from the Chief Executive Officer

The Australian offshore petroleum industry is changing and facing new challenges. The past two years have been characterised by cost cuts and downsizing as industry actively works to adapt to new market conditions. Internationally, this has resulted in high risk profiles and declining health, safety and environmental performance. Thankfully, performance in Australia has remained generally positive.

Various global-scale projects in Australia are approaching commissioning, including many world-firsts. Other projects are entering the later stages of the asset lifecycle and some assets are being transferred to operators completely new to the jurisdiction. Each of these changes introduces new risks and new challenges. The community expects NOPSEMA and duty holders to rise to these challenges and demonstrate how they are reducing risks for any offshore petroleum activity, be it a seismic survey, complex drilling activity or a long-term production project.

Getting the job done right is particularly critical during commissioning and start-up of a new facility, after a period of downtime or change. It requires awareness of risk and translation of this awareness into effective management of risk. The drive to meet project and investor milestones must not compromise effective and functioning risk controls. Project performance indicators should be comprehensive and chosen with an appropriate focus on long-term risk management and reliable operation, not just short-term time or cost targets.

In an industry that has seen the tragic consequences of inadequate risk prevention, NOPSEMA has and will continue to hold to account any parties that have failed in their responsibility to do all that they can to provide a safe place for people to work.

Getting the job done right also applies to the regulator. Crucial to achieving this objective and maintaining community confidence in the regulatory regime is ensuring rigour in our approach. Independence, professionalism and respect for due process need to characterise NOPSEMA's approach across its assessments, inspections, investigations and enforcement activities, reinforced through promotion and advisory activities for duty holders and other stakeholders.

NOPSEMA recognises that effective regulation benefits from meaningful communication and engagement. During 2016–17, we took a more proactive approach by initiating meetings, workshops and open days with stakeholders as well as accepting invitations to participate in conferences, forums and hearings. We also continued to reinforce our international standing and access to leading regulatory practice through our participation in the International Regulators' Forum (IRF) and International Offshore Petroleum Environment Regulators (IOPER) group.

It is through our international interactions that we learnt community expectations are shifting globally. In Australia, it is clear that there remains a disconnect between the expectations of industry and that of environment groups, fisheries and local communities. This disconnect is fostering an ever stronger interest in industry activity, particularly in frontier areas like the Great Australian Bight. While we might understand the difference and strength of the regime, many of our stakeholders do not.

There remains a substantial amount of work to do to improve community confidence. It will likely take time and resources that the industry may prefer go towards managing operations. While this work is entirely necessary, NOPSEMA is committed to removing unnecessary regulatory burden in other areas.

This includes pursuing opportunities for further environmental streamlining, conferral of regulatory responsibilities from the states and Northern Territory, and projects that seek to reduce the size and complexity of environment plans.

As we go about our work, wherever and whatever it may be, we should make the most of opportunities to seek input from others, challenge and review our planning and approach and collaborate to deliver better outcomes. We have come a long way but the process of continuous improvement demands sustained effort and cooperation. Working together has never been more important.



Stuart Smith
Chief Executive Officer





Overview of NOPSEMA

Our Role

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.

Our Purpose

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



History

In 1999, the Australian Government commissioned a review into the adequacy of offshore safety regulation in Australia. At the time, the states and the Northern Territory carried out day-to-day offshore safety regulation using a combination of objective-based and prescriptive legislative rules. A key outcome of the review was a recommendation that the existing regulatory and legislative framework be revised to establish a national petroleum safety regulatory authority. Federal, state and Northern Territory ministers accepted the recommendation.

In 2005, the Australian Government established the National Offshore Petroleum Safety Authority (NOPSA) to regulate the health and safety of offshore petroleum workers. At the same time, new laws were introduced stipulating the responsibility of facility operators to manage the health and safety of offshore petroleum workers.

While much had been achieved, in the five years to follow there were a number of major offshore incidents in Australia and internationally that sparked moves for further regulatory reform.

One of these incidents included the failure of the Montara H1 well integrity barriers on 21 August 2009 in the Timor Sea, north of Australia. The incident led to an oil spill and gas leak that lasted 74 days and ultimately a fire destroyed the wellhead platform and jack-up drill rig.

Afterwards, the Australian Government established a commission of inquiry into the incident. The inquiry's final report strongly recommended a single, independent regulatory body be responsible for safety, well integrity and environmental management. As a result, the Australian Government extended NOPSA's remit in April 2011 to include the regulation of well integrity. On 1 January 2012, that remit was extended again to include the regulation of environmental management. To reflect its new responsibilities, NOPSA became NOPSEMA.

The combination 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.

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

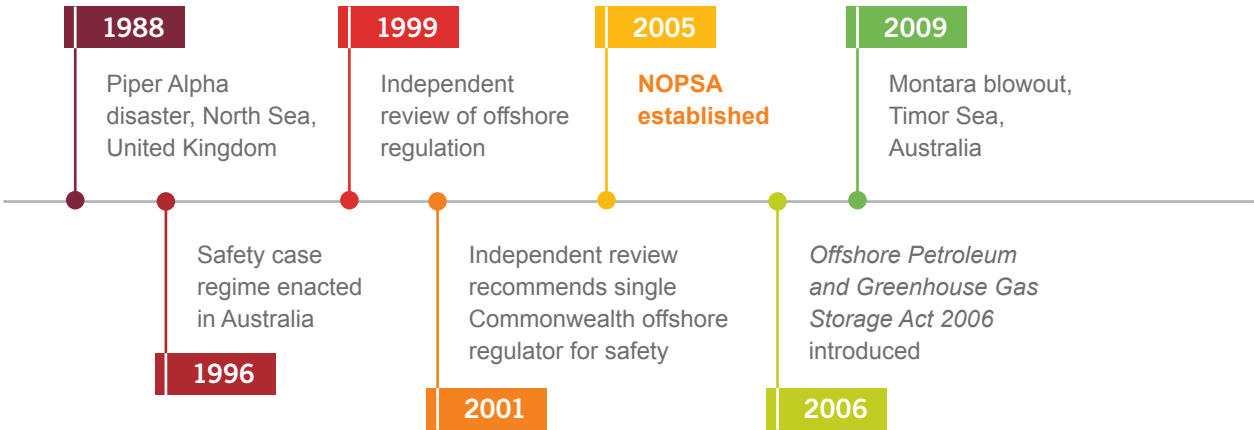


Figure 1

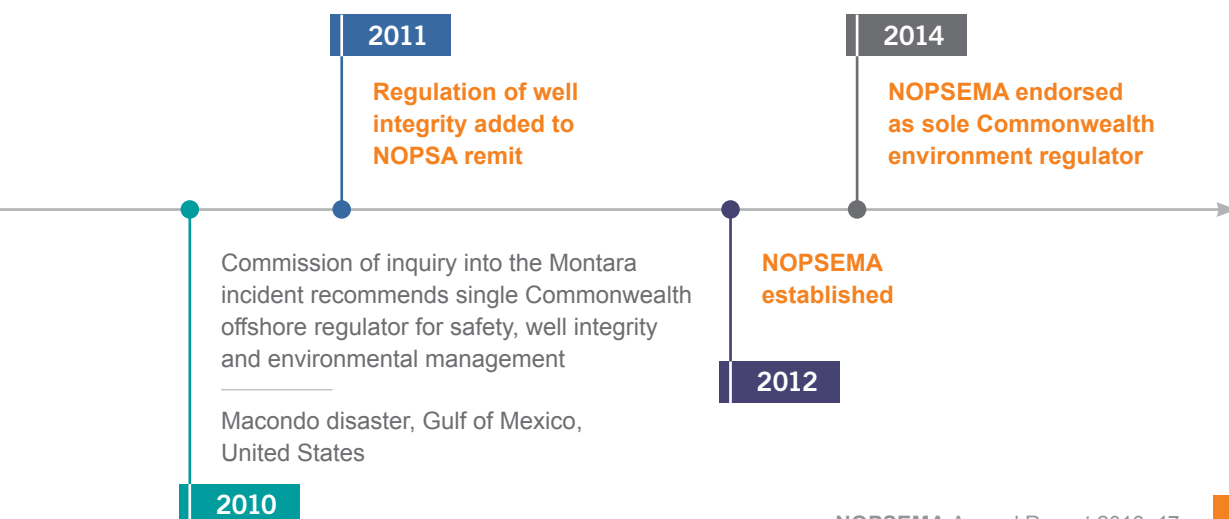
Establishing legislation

NOPSEMA is an independent statutory authority established under the *Offshore Petroleum and 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 23 February 2017, amendments to the OPGGS Act commenced which provide for the refund of safety case levies to duty holders. Amendments to the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* also commenced to support the validity of refunds of environment plan levies.



Regulatory activities

To fulfil its legislated functions, NOPSEMA undertakes assessment, inspection, investigation, enforcement, promotion and advisory activities.

Assessment

For an offshore petroleum activity to commence, a petroleum company must first submit a detailed risk management plan to NOPSEMA for assessment and acceptance. Submitted plans can include safety cases, well operations management plans, diving safety management systems, diving project plans, offshore project proposals and environment plans.

NOPSEMA's dedicated assessment teams of highly qualified and experienced industry experts assess each plan against strict criteria as set out in the relevant legislation and regulations.

To be accepted, a plan must clearly demonstrate how a company will undertake a proposed activity while protecting the health and safety of offshore workers and reducing environmental impacts.

Inspection

NOPSEMA conducts inspections to monitor a petroleum company's compliance with the legislation and the ongoing implementation and compliance with the accepted risk management plan.

Inspections are scoped using a risk-based methodology that considers risk factors relevant to the activity, performance and compliance history, current industry incident trends and any relevant findings from previous inspections.

Upon completion of an inspection, NOPSEMA inspectors provide the petroleum company a detailed report of their findings, conclusions and any recommendations for improvement. Inspectors may request the company to provide NOPSEMA with their proposed actions to address any issues highlighted in the inspection report.

Investigation

When there is a potential breach of the legislation, NOPSEMA will investigate to determine what happened and if any course of action is warranted. Initial actions will often include meeting with the responsible party, issuing a warning letter or undertaking a targeted inspection.

NOPSEMA will commence a more detailed 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 learnt 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 take enforcement action to rectify the breach, to avoid a recurrence and to act as a deterrent. Enforcement action can include issuing improvement and prohibition notices, giving directions, requesting a revision or withdrawing acceptance of a risk management plan, and prosecution.

Promote and advise

With the overall objective of improving industry performance, NOPSEMA has a function to promote and advise on health and safety, well integrity and environmental management matters. NOPSEMA proactively seeks to engage with its stakeholders through liaison meetings, hosting workshops and information sessions, delivering presentations, participating in conferences and forums and publishing regulatory guidance and information on its website.

Organisational structure

NOPSEMA's organisational structure comprises two regulatory divisions, one Regulatory Support Division and a Legal Team. Each division reports to the Chief Executive Officer (CEO). 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 regulates the management of health and safety risks to people at or near offshore petroleum facilities. The Environment Division regulates the management of risks and impacts to the environment arising from offshore petroleum activities. The Regulatory Support Division leads regulatory development and corporate support services. The Legal Team provides advice in relation to matters affecting the business operations of NOPSEMA and ensures the organisation meets its statutory and legal obligations.

Organisational structure

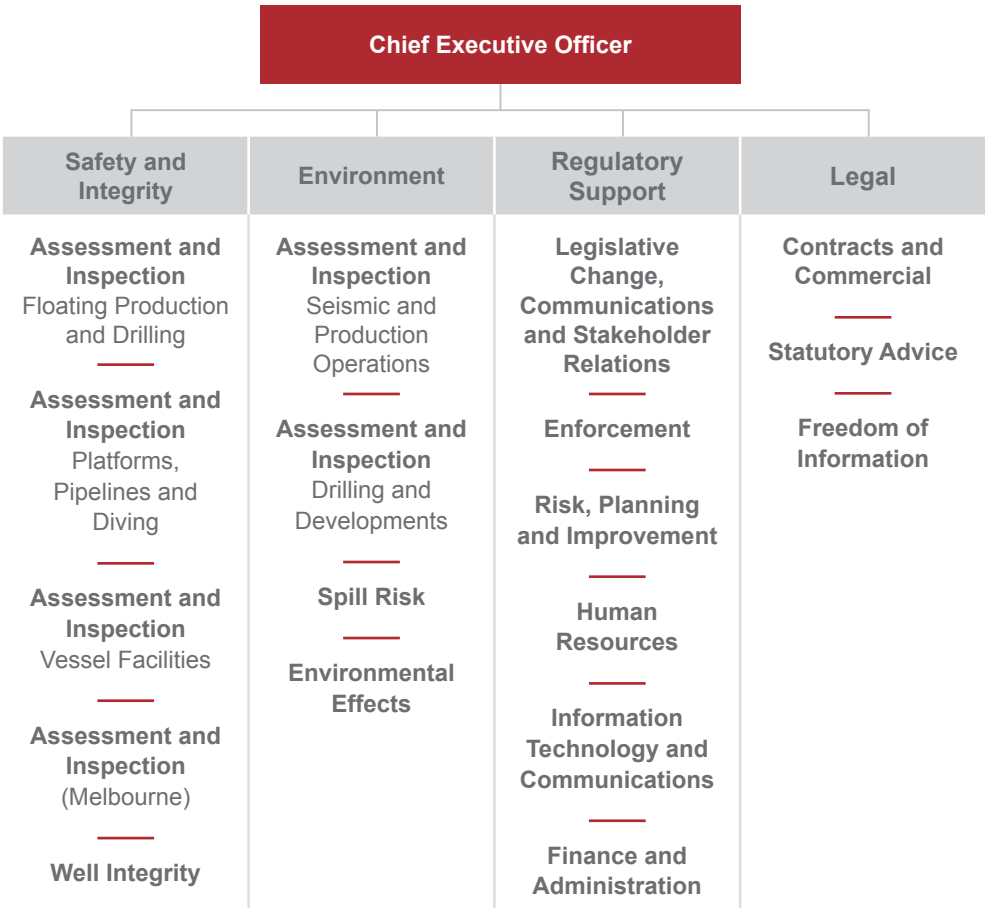


Figure 2

Jurisdiction

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

NOPSEMA also regulates all offshore areas in coastal waters where a state or territory has conferred regulatory powers and functions. In jurisdictions where powers to regulate are not conferred, regulatory responsibilities remain with the relevant state or territory.

As of 30 June 2017, Victoria continues to be the only jurisdiction to have conferred its functions for the regulation of health and safety and structural integrity to NOPSEMA. Discussions regarding the conferral of powers continue with other jurisdictions.

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

NOPSEMA's jurisdiction



Figure 3



Activities and results

Key achievements



Maintained efficient and effective regulatory oversight of offshore petroleum operations through rigorous assessment, inspection and investigation activities.



A number of key guidance documents were published on the NOPSEMA website, including new well integrity and decommissioning information.



Improved transparency in relation to environmental management decisions.



Improved consultation processes and increased liaison with key stakeholders.



Hosted a series of open days to assist stakeholders to better understand the environmental management approvals process.



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



Regular publication of an expansive dataset showing industry and NOPSEMA performance.



Regular publication of *The Regulator* magazine to keep stakeholders informed of NOPSEMA's activities and priorities, relevant legislative reform and emerging industry issues.

Key challenges



Ageing industry infrastructure.



Volatility of oil and gas commodity price.



Commencement of a number of large-scale, new facilities.



Increased community expectations for access to information.



Lack of industry and stakeholder certainty about decommissioning obligations.



Decreasing industry exploration activity.



Recruiting, retaining and developing competent staff.



Maintaining a values-based culture in the face of continuing macro-environmental changes.



Fulfilling Australian Government digital transformation obligations.

Assessment

During the reporting period, NOPSEMA received 424 regulatory submissions for assessment comprising 184 key permissioning documents.

In 2016–17, NOPSEMA received 90 safety cases and 37 environment plans for assessment. While this is relatively consistent with 2015–16, there has been a decline in submissions over the past two years, most prominently with environment plans. This decline is attributed to: reduced industry exploration activity as a result of falling petroleum prices; a high number of environment plan resubmissions up to 2014–15 that were ‘transitioned’ from the previous designated authorities; and a rising trend to increase the number of petroleum activities included in a single environment plan. As of 30 June 2017, NOPSEMA had concluded 92% of safety case and 70% of environment plan assessments.

During the year, NOPSEMA received five diving safety management systems (DSMS) for assessment. This is a small increase from 2015–16 and the result of five-yearly revisions of already accepted DSMSs. Two diving project plans (DPP) were also submitted for assessment and are the first DPP submissions since NOPSEMA’s establishment in 2012. NOPSEMA doesn’t usually receive DPPs for assessment because they are typically approved by the facility operator. However, where there is no operator (e.g. seismic activities) the plan must be submitted to NOPSEMA for assessment. As of 30 June 2017, NOPSEMA had concluded all DSMS and DPP assessments.

In 2016–17, NOPSEMA received 49 well operations management plans (WOMP) for assessment. The number of WOMPs submitted for assessment significantly increased during the year as a result of duty holder effort to meet the requirements of Part 5 of the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011. Amendments to the regulations commenced on 1 January 2016 and require the details for individual well activities to be included in a WOMP. Transitional arrangements require duty holders to submit new WOMPs to NOPSEMA for assessment by 31 December 2017. As of 30 June 2017, NOPSEMA had concluded all WOMP assessments.

As shown in Table 1, the number of environment plans ending significantly increased in 2016–17. This is the result of changes to the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 and NOPSEMA’s staged implementation of a process to end environment plans. A plan ends where activities covered by the plan have ceased, or the permitted timeframe for those activities has passed, and the titleholder has met all of the requirements of the regulations.

Notably, NOPSEMA received the first offshore project proposal (OPP) for assessment during the year. This is the first OPP submitted since provisions requiring all offshore projects to have an accepted OPP in place were introduced in 2014. As of 30 June 2017, the OPP was under assessment for its acceptability to publish for public comment.

Key permissioning document submissions

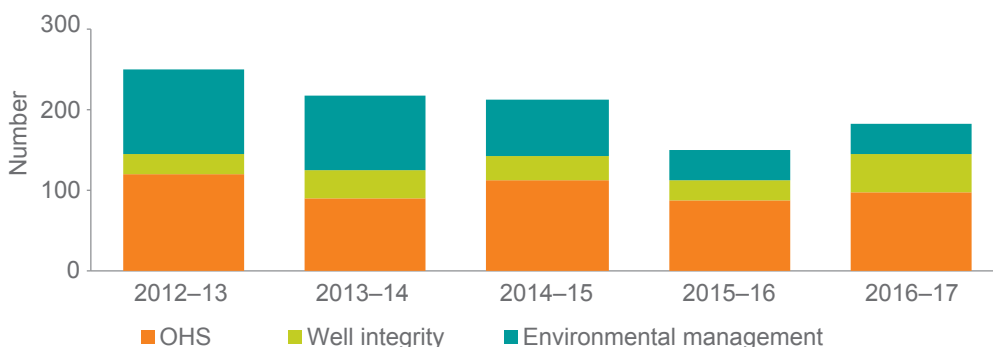


Figure 4

Note: Key permissioning documents include safety cases, diving safety management systems, diving project plans, well operations management plans, offshore project proposals, and environment plans.

Regulatory submissions by category	2012-13	2013-14	2014-15	2015-16	2016-17
Environmental management					
Environment plan	106	93	71	37	37
End of environment plan	-	3	13	19	44
Offshore project proposal	-	-	-	-	1
OHS					
Diving safety management system	8	3	11	1	5
Diving project plan	-	-	-	-	2
Diving start-up notice	23	20	10	11	12
Safety case	113	87	102	86	90
Scope of validation	50	40	54	49	56
Petroleum safety zone					
Area to be authorised access application	4	1	1	10	-
Petroleum safety zone application	8	8	5	3	11
Petroleum safety zone access application	1	-	-	-	1
Well integrity					
Well activity application	127	103	143	68	60
Well operations management plan	25	35	30	27	49
Final abandonment report	-	-	-	-	11
Request to undertake a well activity in a specified manner	-	-	-	-	1
Other					
Request for title related information from the National Offshore Petroleum Titles Administrator	14	46	30	31	44
Total	479	439	470	342	424

Table 1

Inspection

During the reporting period, NOPSEMA conducted 128 inspections across a range of facility types and petroleum activities. From these inspections, 1349 recommendations for improvement were issued.

In 2016–17, NOPSEMA conducted 84 OHS inspections, five well integrity inspections and 39 environmental management inspections. From these inspections, NOPSEMA issued 1005, 22 and 322 recommendations for improvement, respectively.

The number of inspections across OHS, well integrity and environmental management has declined since 2014–15. This decline is due to a variety of factors including reduced industry exploration activity as a result of falling global petroleum prices. Also, at times, it may have been difficult for NOPSEMA to access construction and diving vessels for inspection as these vessels are only facilities for a short period of time due to the type of work they often undertake.

NOPSEMA also made the decision to defer some well integrity inspections so that it could commit all available well integrity staff to the assessment of the increased number of WOMP submissions.

During the reporting period, NOPSEMA focused a portion of its inspections on several compliance areas, specific risk areas and focus topics. This included maintenance management, position-keeping systems for floating facilities, management of change, planned waste discharges and oil spill response arrangements and capability.

Inspections

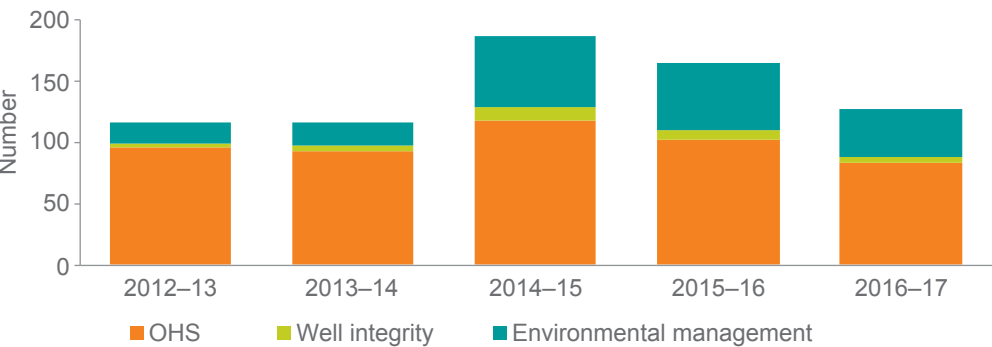


Figure 5

Inspections by category	2012-13	2013-14	2014-15	2015-16	2016-17
Environmental management	16	20	59	54	39
OHS	96	93	118	102	84
Well integrity	4	4	11	9	5
Total	116	117	188	165	128

Table 2

Investigation

During the reporting period, NOPSEMA received 301 reports of notifiable incidents and complaints from which it referred 130 for investigation.

NOPSEMA conducts investigations to determine what went wrong, share lessons learnt and where necessary, hold the responsible parties to account through enforcement action.

The number of investigations NOPSEMA conducted in 2016–17 decreased by 25% from the previous year. This is commensurate with the decrease in the number of reported notifiable incidents and complaints.

Investigations

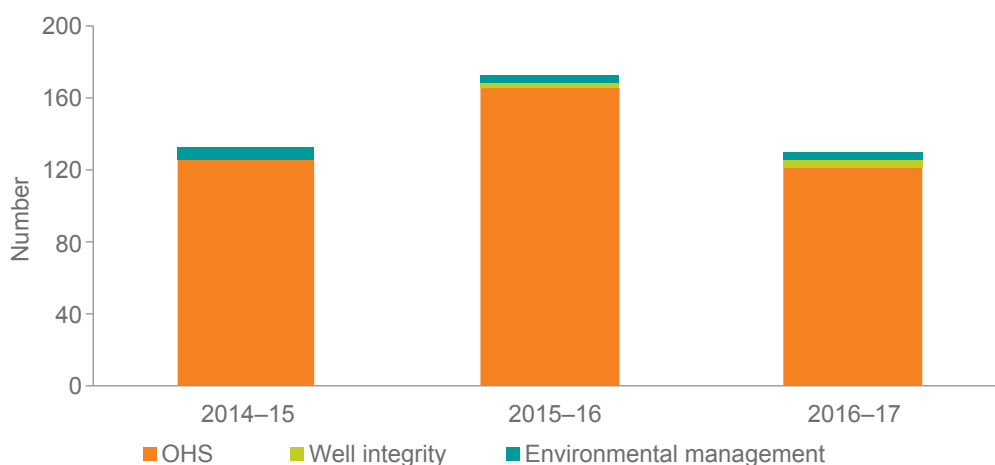


Figure 6

Investigations by category	2014-15	2015-16	2016-17
Environmental management	6	4	4
OHS	126	166	122
Well integrity	-	3	4
Total	132	173	130

Table 3

Enforcement

In 2016–17, NOPSEMA issued 41 enforcement actions comprising one direction, two prohibition notices, 23 improvement notices, ten written advice/warnings, one intent to withdraw a safety case acceptance, and four requests for a revision to an accepted environment plan.

While the number of prohibition notices decreased during the reporting period, the number of improvement notices significantly increased. This is primarily the result of NOPSEMA issuing the same or similar improvement notices in relation to a single incident across multiple facilities or responsible parties. It does not reflect increased or systemic non-compliance with the legislation. For example, NOPSEMA issued one operator an OHS improvement notice 12 times to address the same gas lift well configuration risk across 12 of the operator’s facilities.

This followed NOPSEMA’s investigation into a single uncontrolled gas release incident that occurred on just one of the operator’s facilities. NOPSEMA also issued three OHS improvement notices to multiple responsible parties (the titleholder, supplier and rig operator) for a single incident in which all three were found to have failed to adequately control maintenance of safety-critical equipment which could have led to a loss of containment and a major accident event.

Further details about improvement and prohibition notices issued in 2016–17 are published on NOPSEMA’s website at www.nopsema.gov.au/resources/published-notices.

Achieving compliance through enforcement action

Where enforcement action is necessary to achieve compliance with the legislation, NOPSEMA uses its powers in a transparent, efficient and consistent manner according to the principles of procedural fairness.

NOPSEMA considers a range of possible enforcement actions when pursuing a breach of the legislation. The selected enforcement action will have regard to factors such as the compliance history of the relevant duty holder and the potential to influence broader industry compliance.

Having a range of enforcement actions to consider enables NOPSEMA to select an appropriately proportionate, targeted and effective measure to pursue.

Statutory enforcement actions	
Withdraw acceptance	Numerous failings within health, safety or environmental management systems that would otherwise require multiple enforcement notices
Recommend prosecution	Serious and repeated non-compliance
Prohibition notice	Immediate threat to the health and safety of any person or the environment
Improvement notice	Identified non-compliance with legislation
Non-statutory compliance actions	
Written advice/warning	Suggestions to address non-compliance
Verbal advice/warning	Potential area of improvement to bring activities in line with best practice
Education and awareness	Encourage and maintain cooperate compliance

Enforcement actions

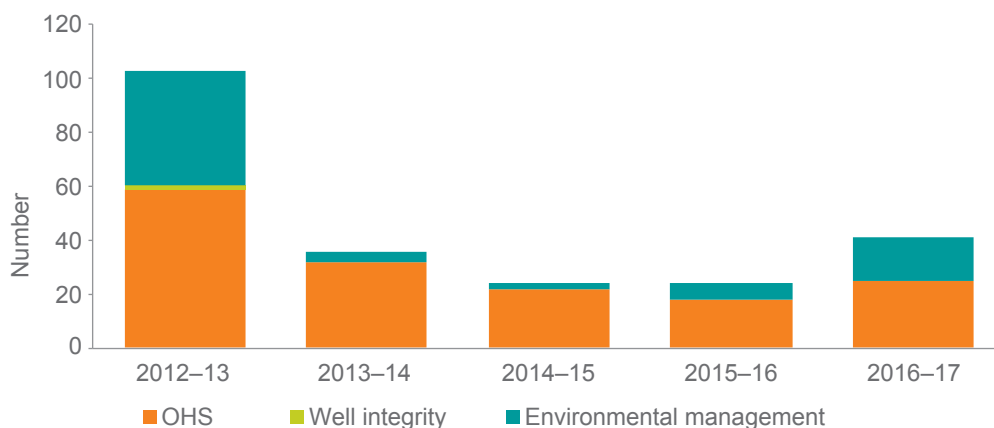


Figure 7

Enforcement actions by category	2012-13	2013-14	2014-15	2015-16	2016-17
Environmental management					
Direction – general	-	-	-	1	1
Improvement notice	-	-	-	1	3
Prohibition notice	-	-	-	1	1
Written advice/warning	10	2	1	2	7
Intent to withdraw environment plan acceptance	-	1	-	-	-
Request for a revision to an environment plan	33	1	1	1	4
OHS					
Improvement notice	47	21	19	14	20
Prohibition notice	3	3	1	3	1
Written advice/warning	6	5	2	-	3
Prosecution brief	-	3	-	-	-
Request for a revised safety case	3	-	-	1	-
Intent to withdraw safety case acceptance	-	-	-	-	1
Well integrity					
Intent to withdraw well operations management plan acceptance	1	-	-	-	-
Total	103	36	24	24	41

Table 4

Promote and advise

NOPSEMA proactively seeks to engage with stakeholders through liaison meetings, hosting workshops and information sessions, delivering presentations, participating in conferences and forums and publishing regulatory guidance and information on its website.

Through its advice and promotional activities NOPSEMA aims to:

-  Enhance stakeholder understanding of regulatory requirements and obligations.
-  Encourage and promote compliance with regulatory requirements and obligations.
-  Encourage and promote continuous improvements in safety, well integrity and environmental management outcomes.
-  Communicate emerging safety, well integrity and environmental management issues.
-  Encourage the adoption of best practice safety and environmental management systems.
-  Supplement and support broader compliance and enforcement activities and initiatives.

Stakeholder engagement activities

As part of NOPSEMA's commitment to maintain open, accountable and robust relationships with stakeholders, NOPSEMA hosted or participated in a variety of workshops, forums and conferences attended by representatives from industry, government, non-government organisations and the community both in Australia and internationally. In 2016–17 NOPSEMA:

- conducted 672 liaison meetings with duty holders, government, industry and other stakeholders on a range of safety, well integrity and environmental management matters
- participated in an industry and government workshop on decommissioning
- participated in an industry workshop to provide further insight into NOPSEMA's deliberative processes and showcase NOPSEMA's regulatory management system in support of increased transparency
- participated in the Australian Petroleum Production & Exploration Association (APPEA) HSE forum, the 2016 APPEA CEO safety leadership forum and DrillSafe forum
- exhibited alongside the Department of Industry, Innovation and Science; Geoscience Australia; National Energy Resources Australia and the National Offshore Petroleum Titles Administrator under a Commonwealth offshore petroleum banner at the 2017 APPEA conference and exhibition in Perth
- presented at the Offshore technology conference in Kuala Lumpur and the 2016 Aquatic noise conference in Dublin
- delivered keynote addresses at the Asia Pacific Oil & Gas conference and exhibition; the INSTOK Drilling, downhole and reservoir technologies conference and the 2017 International oil spill conference
- hosted a series of open days held in Perth and Melbourne that provided the community with an opportunity to learn more about the offshore petroleum environmental management approvals process through direct engagement with NOPSEMA's regulatory specialists.

Stakeholder engagement and transparency work program

Throughout 2016–17, NOPSEMA continued to implement initiatives as part of its Stakeholder engagement and transparency work program to improve community confidence in the offshore petroleum regime and the consultation practices of petroleum companies.

During the reporting period, NOPSEMA launched a dedicated community information section on its website. The new section aims to provide interested stakeholders with direct access to information about the offshore petroleum approval process, consultation requirements and frequently asked questions. Brochures and fact sheets were also published to provide clear and succinct information to the public about the approval process. NOPSEMA also published a decision-making guideline to provide more information about what it takes into consideration when assessing environment plans.

Throughout the work program, NOPSEMA has continuously sought feedback from stakeholders on the program's effectiveness. Mechanisms used to obtain feedback included face-to-face meetings, information sessions, open days, round-table discussions, collaborative forums and stakeholder surveys.

NOPSEMA formally closed the work program in July 2017, following the establishment of the Transparency taskforce. The taskforce comprises representatives from NOPSEMA, Commonwealth and state government agencies and APPEA and will further develop and improve environmental management practices in the offshore petroleum industry.

International collaboration

Throughout 2016–17, NOPSEMA continued its active involvement in the International Regulators' Forum (IRF) and International Offshore Petroleum Environment Regulators (IOPER) group. These collaborative networks provide a valuable opportunity for offshore petroleum regulators to come together and share global industry performance data, discuss current trends and identify emerging issues.

During the reporting period, NOPSEMA attended the IRF mid-year meeting in Houston and the IOPER annual general meeting (AGM) in Santa Barbara to share insights about the performance of the Australian offshore petroleum industry. The meetings also provided an opportunity to discuss the impact of lower oil prices, the subsequent downturn in industry activity and how these circumstances have the potential to impact on safety and environmental performance.

Updates were also provided during the meetings on working groups, including the IRF working group on international standards which is chaired by NOPSEMA. This group is focused on identifying leading international well integrity standards, observing duplication between existing standards and highlighting any gaps in existing coverage.

Government relations

Over the course of the year, NOPSEMA 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 aligning regulatory processes and efforts on transparency in relation to environmental management.

Key focus areas for collaboration between NOPSEMA and the Department of Industry, Innovation and Science are stakeholder consultation and regulatory transparency under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 and developing a framework for decommissioning.

NOPSEMA also worked closely with the Department of the Environment and Energy to update the administrative arrangements which set out responsibilities for each agency under the streamlined arrangements for offshore petroleum environmental approvals. The revised arrangements reflect key learnings and current agency practices for administering the endorsed program.

Further, NOPSEMA participated in a series of upstream petroleum resources working group meetings and met regulators from the state and Northern Territory governments to discuss conferral of powers.

Corporate communications and regulatory guidance

During 2016–17, NOPSEMA published a series of corporate publications and regulatory guidance for industry and other stakeholders, including:

- four issues of *The Regulator* and the 2016 *Annual offshore performance report*
- a compliance strategy outlining the framework and principles applied by NOPSEMA in undertaking its regulatory activities
- environment alerts on oil spill sampling and source identification and failure to comply with the legislation due to titleholder asset ownership changes
- safety alerts on the quality assurance of diving system audits, the use of collared eye bolts as lifting equipment, and common risks in some gas lift well configurations
- a policy outlining how NOPSEMA assess OPPs
- guidance notes on well integrity matters
- information papers on human factors relevant to the offshore petroleum industry.



**Management and
accountability**

Corporate governance

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

The OPGGS Act requires NOPSEMA to report on its investigations, as appropriate, to the responsible Commonwealth, state and Northern Territory ministers. Under streamlined environmental authorisation arrangements, endorsed under the *Environment Protection and Biodiversity Conservation Act 1999*, NOPSEMA is also required to report to the Minister for the Environment and Energy on its compliance with streamlining commitments.

The responsible Commonwealth minister, after consulting with relevant state or Northern Territory ministers, may issue policy principles to NOPSEMA to direct the manner in which it fulfils its responsibilities. These policy principles do not extend to NOPSEMA's regulatory decision-making.

As a Commonwealth statutory authority and corporate entity, NOPSEMA 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 these obligations through its performance management framework and corporate governance structure.

Corporate governance structure

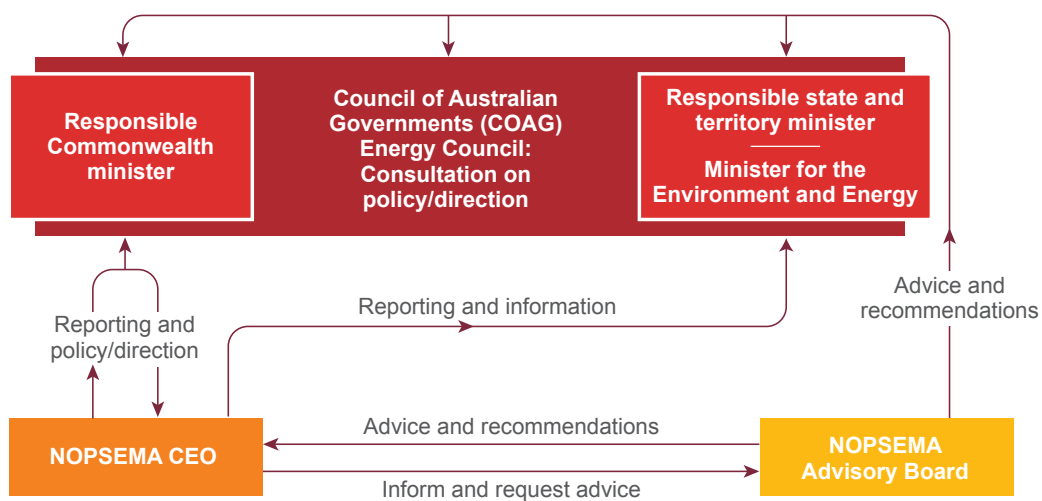


Figure 8

Performance management framework

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

	Develop and implement effective monitoring and enforcement strategies to secure compliance.
	Investigate accidents and dangerous occurrences and circumstances.
	Promote safety, well integrity and environmental management.
	Advise on safety, well integrity and environmental matters.
	Report to the Commonwealth minister and each responsible state and Northern Territory minister.
	Cooperate with other agencies performing functions relating to offshore petroleum operations and activities.
	Maintain corporate support and governance to facilitate delivery of regulatory functions in accordance with statutory requirements¹.

1 Not a legislated function under the OPGGS Act.

Planning and performance management model

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	Information, communications and technology (ICT) systems	Measurement, monitoring, improvement and consultation
Executive management leadership and involvement	Procurement and contract management	Investigation		
Risk management		Enforcement		
Business continuity		Advice and promotion		
Process improvement		Project management		
Data management		Interagency activities		
		Consultation and communication		

Table 5



Business risk and fraud control

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

Throughout the reporting period, NOPSEMA maintained a Risk management framework that conforms to *AS/NZS ISO 31 000:200 Risk management – principles and guidelines* and aligns with the Commonwealth risk management policy. The framework facilitates the management of all reasonably foreseeable organisational risks (so far as it is reasonably practicable) so that NOPSEMA can continue to carry out its statutory functions and meet the expectations of the responsible Commonwealth minister and its stakeholders.

NOPSEMA's results in the annual Comcover risk management benchmarking survey, which is aligned with the nine elements of the Commonwealth risk management policy continued to be very positive in 2016–17 with NOPSEMA achieving an overall 'advanced' rating on its risk maturity model.

NOPSEMA continued to implement its Fraud and corruption control plan which is designed to reduce the overall risk of fraud and corruption and reflects 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.

In 2016–17, NOPSEMA's Risk Committee continued to assist the organisation in carrying out its duties and meeting its statutory obligations in relation to risk management and control systems as outlined under the PGPA Act. The committee has three members: the Chief Financial Officer; the General Counsel; and the Risk, Planning and Improvement Manager.

NOPSEMA's Audit Committee continued to provide independent assurance and advice to the CEO about the organisation'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. The committee also provided a forum for communication between senior management and the internal and external auditors. The committee has three members: 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 auditor, PricewaterhouseCoopers, and its external auditor, Ernst and Young (on behalf of the Australian National Audit Office) act as advisers to the Audit Committee.

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 Privacy Commissioner.

NOPSEMA operational review

Every five years, NOPSEMA is subject to an independent operational review of its regulatory performance and its performance as the sole environmental regulator in Commonwealth waters.

The first operational review, which was conducted in 2015, made a number of recommendations. NOPSEMA's CEO took responsibility for the implementation of ten recommendations and joint responsibility for the implementation of a further five.

On 31 August 2016, a report detailing the work to progress the recommendations was provided to the responsible Commonwealth minister and published online at www.industry.gov.au.

The next independent operational review is scheduled for 2020.

Parliamentary oversight

Inquiry into oil or gas production in the Great Australian Bight

From 13 September 2016 to 11 May 2017, the Commonwealth Environment and Communications References Committee held an Inquiry into oil or gas production in the Great Australian Bight.

NOPSEMA provided a submission to the inquiry and appeared at public hearings to provide information, promote its role and give strength to the offshore petroleum regulatory regime.

NOPSEMA supports the inquiry's recommendations for greater transparency of the regulatory regime and the environmental assessment processes.

Senate estimates

NOPSEMA appeared before the Economics Legislation Committee for Senate Estimates on 20 October 2016, 2 March 2017 and 1 June 2017. Transcripts for these appearances are published online at www.aph.gov.au.

Freedom of information

NOPSEMA is subject to the *Freedom of Information Act 1982* and as such is required to consider the objectives of the act in performing functions and exercising powers under the act. These objectives encourage proactive disclosure and transparency of government decisions and contribute to promoting public participation and scrutiny of government operations. Under the act, NOPSEMA is also required to publish information as part of the information publication scheme. NOPSEMA publishes this information on its website at www.nopsema.gov.au/resources/foi/publication-scheme.

Workplace health and safety

Management of OHS

NOPSEMA recognises that good OHS performance contributes to the overall success of an organisation. As such, NOPSEMA is committed to maintaining OHS so that it may provide a safe workplace for all staff, contractors and visitors.

To achieve this, NOPSEMA has put an OHS management system in place, manages and reviews hazards and risks annually, and monitors and reports on the organisation's OHS performance. All new staff undergo an OHS induction and this includes permanent, ongoing, non-ongoing, secondment and temporary staff. NOPSEMA has the required resources in place to comply with the *Work Health and Safety Act 2011* (WHS Act). This includes the development and implementation of relevant policies, the management of hazards and incident reports.

NOPSEMA OHS Committee

The NOPSEMA OHS Committee was established to ensure effective consultation between management and staff in relation to OHS. Membership comprises the Chair, at least one staff representative from each division and a Safety Officer. The committee meets quarterly and publishes its meeting minutes on NOPSEMA's internal website.

Governance

Comcare, the national regulator for OHS, conducts program of management system audits (on all federal employers) to assess OHS policies and practices. These audits ensure the employer's officers can meet and maintain their responsibilities under section 27 (5) of the WHS Act. From 27-28 March 2017, Comcare conducted an audit of NOPSEMA and concluded that the organisation effectively implements its OHS management system. It commended NOPSEMA on its management commitment, consultation, transparency, induction processes, emergency response plans, records management and incident management. Comcare did not identify any non-conformances.

Incidents

In 2016–17, there were no notifiable OHS accidents or dangerous incidents reported to NOPSEMA. Since 2012–13, NOPSEMA has had six notifiable incidents which were reported to Comcare.

As a step towards achieving its national vision of Australian workplaces being free from death, injury and disease, the Australian Work health and safety strategy 2012–2022 has set three national targets to be achieved. In 2016–17, NOPSEMA met all three targets (see Table 6). NOPSEMA aims to continue to reduce all work-related accidents and dangerous incidents.

Investigations and other matters

Under the WHS Act, NOPSEMA is required to report any OHS investigations conducted during the year relating to businesses or undertakings conducted. This includes details of all notices given to the entity during the year under Part 10 of the WHS Act. In 2016–17, no investigations were conducted and no notices were issued to NOPSEMA.

Notifiable workplace incidents

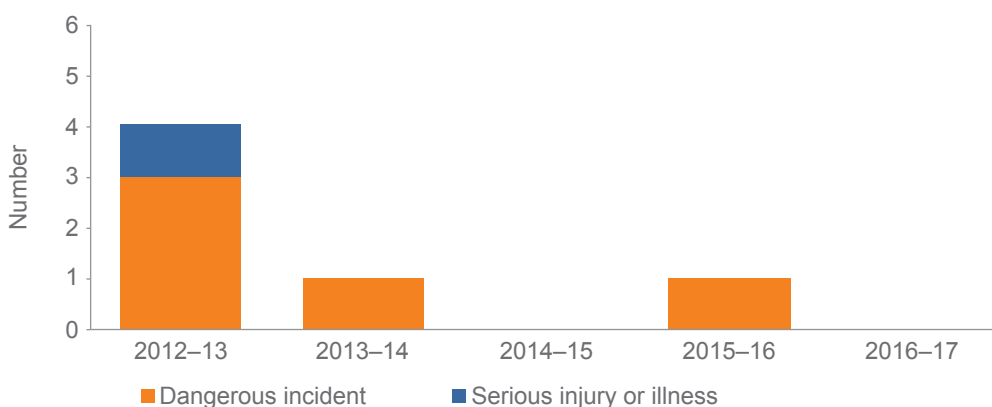


Figure 9

Achievement of national work health and safety targets

National targets		NOPSEMA 2016–17 result
1	A reduction of at least 20% in the number of worker fatalities due to injury	✓
2	A reduction of at least 30% in the incidence of claims resulting in one or more weeks off work	✓
3	A reduction of at least 30% in the incidence of claims for musculoskeletal disorders resulting in one or more weeks off work	✓

Table 6

OHS policy statement

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

Programs and initiatives

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

Regular workplace hazard inspections are undertaken.

Ergonomic assessments are provided for:

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

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

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

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

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



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.



Figure 10

The five building blocks of our human resources strategy

Throughout the reporting period, NOPSEMA continued to implement its Human resources strategy with the aim of building a high performance and values-based culture; of attracting, recruiting and retaining a highly skilled workforce; proactively planning for future workforce needs and providing high quality and timely learning and development opportunities to all employees.

A values-based organisational culture

In 2016–2017, NOPSEMA continued to progress initiatives to build and embed a collegiate organisational culture. This included presentations to raise awareness of team and individual contributions to the agency, celebrating organisational achievements and promoting greater staff involvement in suggesting improvements at NOPSEMA. All staff were provided with the opportunity to attend a two-day personal development program which aimed to provide participants with the tools needed to create NOPSEMA's preferred culture.

A focus on high performance

During the reporting period, NOPSEMA continued to develop and implement policies and procedures to support high performance. Staff performance is measured through our employee performance management process. NOPSEMA reviewed this process in 2016–17 to:

- simplify the process
- integrate a competency framework as an integral part of the process
- provide managers and staff an opportunity to provide input into the process
- afford greater focus on development, areas of strength and areas for improvement
- introduce quarterly check-ins and formal review meetings
- clarify agreed actions regarding on-the-job training, coaching and training programs.

Effective attraction, recruitment and retention strategies

In 2016–17, NOPSEMA sought to attract and recruit experienced professionals into ongoing and non-ongoing vacancies critical to maintaining operations. NOPSEMA also sought to retain staff by encouraging and facilitating career development opportunities and leadership pathways for employees including interdepartmental government secondments and transfers.

A proactive approach to workforce planning

During the reporting period, NOPSEMA continued to align the needs and priorities of the organisation with those of its workforce to ensure it can meet all legislative, regulatory, strategic and operational objectives. NOPSEMA's leadership team focused on assisting staff in planning for and managing change; in the context of the variability of industry activity and potential legislative change and the resultant impact on NOPSEMA.

A targeted, evidence-based approach to learning and development

During 2016–17, NOPSEMA continued to encourage and support its staff to actively pursue opportunities for professional development. Regulatory staff members also attended mandatory training to ensure they maintain the relevant certifications required to inspect offshore petroleum activities. This included, but is not limited to, basic offshore safety induction and emergency training, further offshore emergency training and compressed air emergency breathing system training.

Roles by function



Figure 11

Staffing

As of 30 June 2017, NOPSEMA had a headcount of 110 staff and a full-time equivalent of 108.0857 comprising ongoing, non-ongoing, seconded and temporary staff.

Employee benefits

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

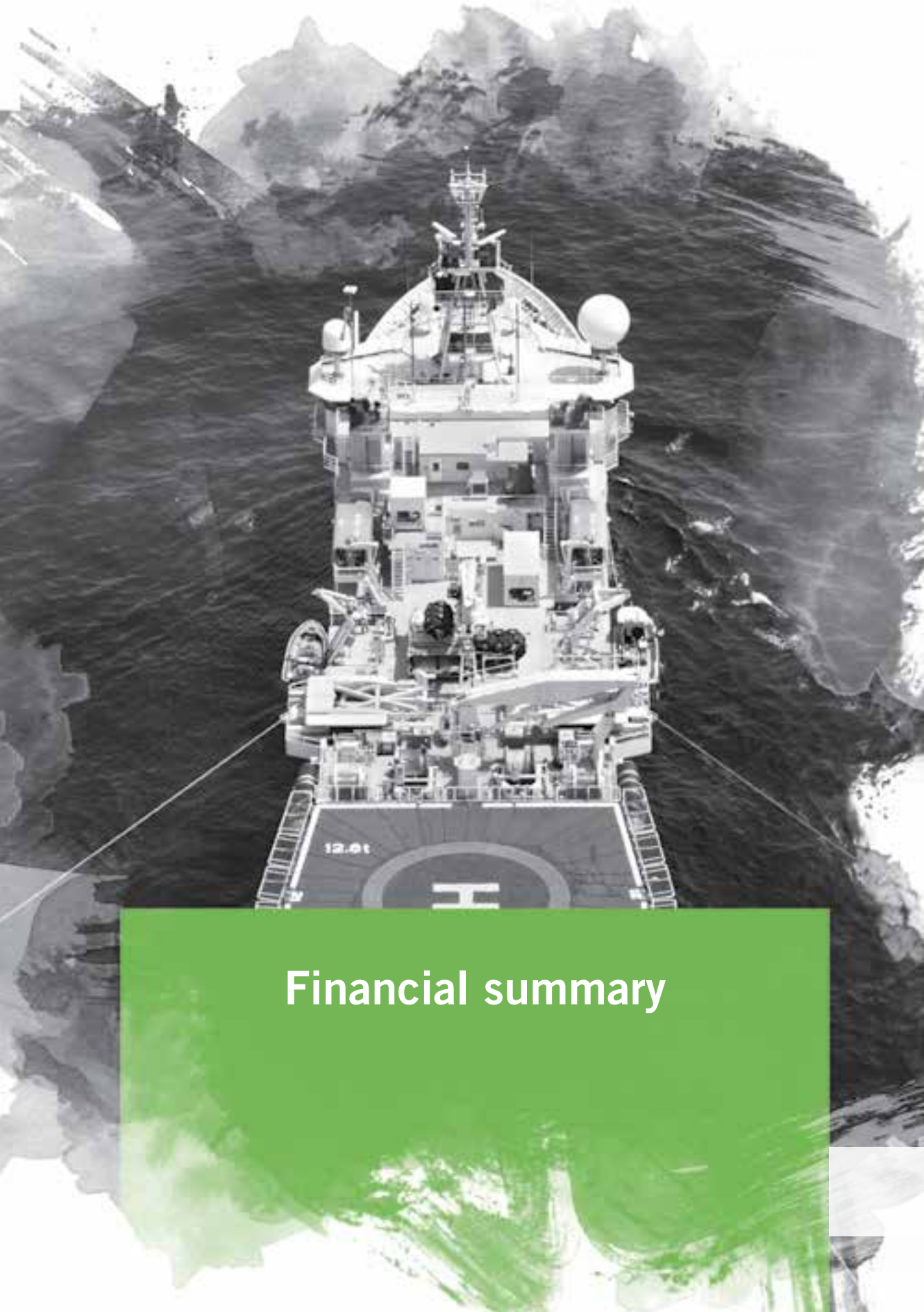
- competitive employer superannuation contributions at 15.4%
- 25 days of annual leave and 15 days of personal leave
- ability to purchase additional leave
- professional and career development opportunities
- flexible working arrangements
- free counselling service available to staff and their immediate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

Workplace diversity

NOPSEMA is committed to a fair, flexible, safe and rewarding workplace which allows for diversity among its employees. This means we have a workplace free from discrimination and harassment. Furthermore, NOPSEMA actively promotes a work environment which recognises and values the individual differences of staff and fosters the contributions of people with different backgrounds, experience and perspectives.

Code of conduct

In 2016–17, NOPSEMA continued to actively support and uphold the Australian Public Service (APS) values and code of conduct. NOPSEMA informs and educates staff on the APS values and code of conduct through an induction process and access to APS policy and guidance material. Any potential breaches of the code of conduct are investigated and any findings are dealt with appropriately. As a condition of employment, all staff are required to declare potential conflicts of interest.



Financial summary

In 2016–17, notwithstanding the continued decline in industry exploration activity, NOPSEMA's financial result was positively impacted by a non-recurring levy revenue of \$7.7 million, contributing to an operating surplus of \$5.1 million for the reporting period.

Since July 2014, there has been a steady decrease in the international commodity price for petroleum. The impact on the Australian offshore petroleum industry is reflected in the continued decline of activity and a shift in focus from exploration to production. As a result, NOPSEMA's levy revenue decreased to \$28.5 million² in 2016–17.

With levy revenue reduced to below the budgeted operating expenditure, NOPSEMA's budget for 2016–17 continued the deficit theme of the preceding financial year. NOPSEMA continued to implement cost-control strategies, which resulted in a further \$2.3 million reduction of operating costs compared to the previous year. Taking into consideration the non-recurring levy revenue of \$7.7 million, NOPSEMA's expected budget deficit was reversed into a surplus of \$5.1 million.

The non-recurring levy revenue was split across safety, environment and well integrity. Safety generated \$3.8 million in revenue due to a backdated safety case and the five-year revision of 36 pipelines for two operators. Unbudgeted annual compliance and environment plan submissions generated a further \$2.4 million in revenue.

Changes to the Offshore Petroleum and Greenhouse Gas Storage (Resource Management and Administration) Regulations 2011 generated an additional \$1.5 million of revenue, primarily due to a significant increase in WOMP submissions before the December 2017 deadline.

In 2017–18, NOPSEMA does not expect the international commodity price for petroleum to significantly change and is forecasting levy revenue similar to 2016–17, at \$30 million. As expenditure cannot be reduced to fully absorb reduced levies without impacting NOPSEMA's regulatory requirements, NOPSEMA has budgeted for a deficit in 2017–18. The deficit will be funded from prior years' retained earnings.

NOPSEMA expects its financial position to improve in the years beyond 2017–18. Nevertheless, NOPSEMA remains financially viable as cash balances are sufficient to meet future commitments.

2 The levy revenue figure of \$28.5 million has been 'normalised' by subtracting the non-recurring levy revenue of \$7.7 million.

Financial outcome

An operating surplus of \$5.1 million was recorded in 2016–17. Compared to the \$2.8 million deficit reported in 2015–16, this reflects a net increase of \$7.9 million in NOPSEMA’s operating results over the previous year. This movement of \$7.9 million over the previous year comprised \$5.6 million of increased revenue in addition to expenditure savings of \$2.3 million.

Operating result

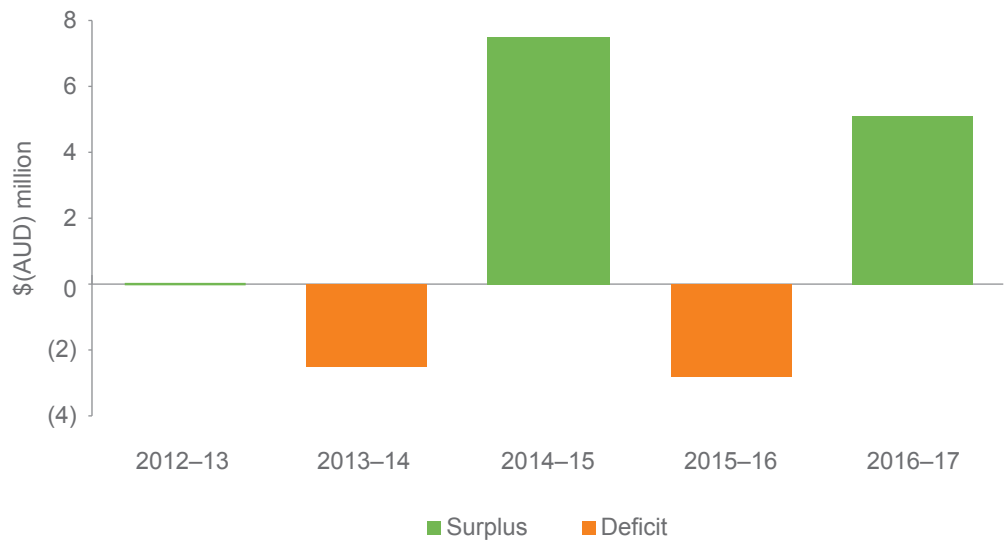


Figure 12



Revenue

Total revenue for 2016–17 was \$36.2 million, which was an increase of \$5.6 million from 2015–16.

The increase in revenue was primarily due to \$7.7 million of non-recurring levy revenue. When including this levy revenue, NOPSEMA’s revenue for 2016–17 was 12% higher than budget estimates of \$32.4 million, which falls just outside of NOPSEMA’s targeted budget variance of 10%.

As of 30 June 2017, NOPSEMA held \$0.5 million in deferred revenue, compared to \$0.9 million in 2015–16. This deferred revenue relates to levies for environment plans submitted but still under assessment at the end of the financial year. The revenue for these plans will be recognised once the assessment process is completed.

Revenue by source

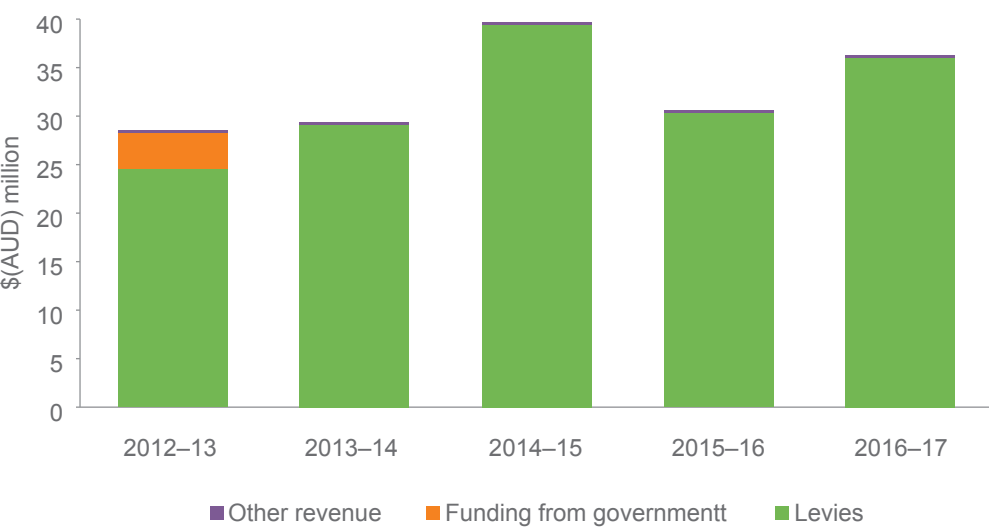


Figure 13

Source of revenue

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

Expenses

Total expenditure in 2016–17 was \$31.2 million, which was a decrease of \$2.3 million from 2015–16.

Employee expenses (which includes salaries, allowances, superannuation and leave) and supplier expenses have decreased by \$1.2 million and \$1.1 million respectively from 2015–16, while amortisation and depreciation expenses remained constant at \$1.8 million.

Total expenditure was 16% lower than the budgeted amount of \$37 million for 2016–17 due a range of cost-control strategies implemented during the year.

During the reporting period, 75% of expenditure was for employee expenses, 19% for supplier costs, and 6% for amortisation and depreciation. Compared to the expenditure breakdown of 74%, 21% and 5% respectively for 2015–16, this reflects a stable cost structure between financial years.

Breakdown of expenses

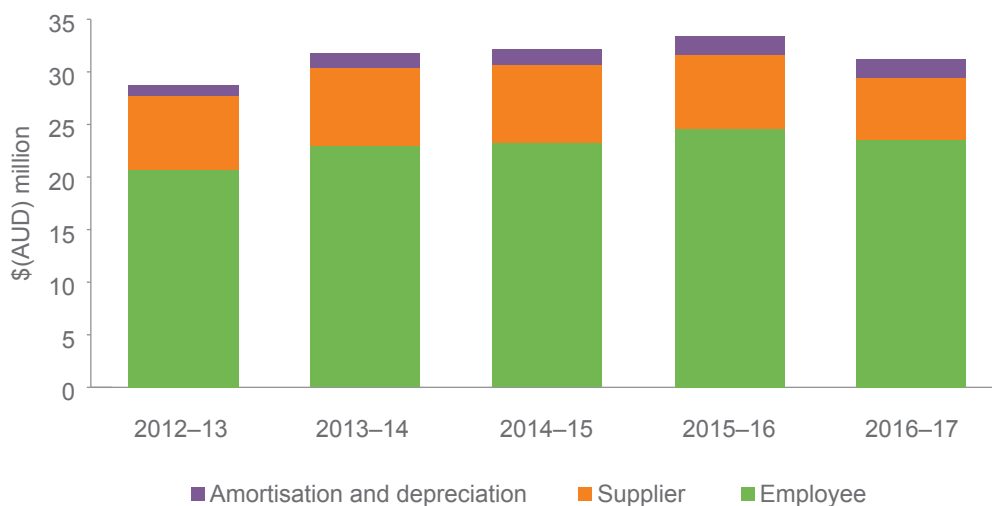


Figure 14

Assets

During 2016–17, NOPSEMA undertook asset management in accordance with the Commonwealth procedure guidelines, and the requirements of the Accountable authority instructions and authorisations and procedural rules. NOPSEMA assessed all assets for impairment, in accordance with the Australian accounting standard AASB 136 impairment of assets, to ensure appropriate book values. No indicators of impairment were found.

Assets under management include non-financial assets with the net value of \$2.5 million and include fit-out, valued at \$2.1 million; property, plant and equipment, valued at \$0.4 million; and intangible assets, valued at \$0.03 million.

In 2016–17, NOPSEMA paused further development of its regulatory management system software to assist in reducing operating expenditure. The development will be reactivated during 2017–18 to improve the system's functionality.

Following a two year deferral, NOPSEMA continued to rollout new desktop computers to staff during 2016–17, for which resources had been allocated in previous years.

NOPSEMA's cash on hand at 30 June 2017 was \$12.3 million, an increase of \$3.1 million compared to the previous financial year.



Purchasing

In 2016–17, NOPSEMA and the Australian Antarctic Division (AAD) agreed to a contract of service whereby NOPSEMA may seek AAD's services to support its functions while maintaining its independence and objective decision-making.

The contract value during the reporting period was \$70 000, with \$18 306 of this amount actually spent. For the 2017–18 financial year, the estimated contract value is \$70 000.

The AAD is uniquely positioned to provide NOPSEMA with expert scientific advice about environmental risks and impacts of marine seismic surveys.

The contract of service 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 the Environment and Energy to provide NOPSEMA with expert advice from the AAD about marine mammals and acoustic disturbance on a fee-for-service basis as agreed in writing between NOPSEMA and the Chief Scientist of the AAD.

Consultants

During 2016–17, NOPSEMA spent \$189 654 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 organisation's decision-making.

Prior to engaging consultants, NOPSEMA takes into account the skills and resources required for the task, the skills available internally, and the cost-effectiveness of engaging external expertise. The decision to engage a consultant is made in accordance with the PGPA Act and 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). This meant that the Auditor-General did not need to have access to the contractor's premises.

Contracts exempt from 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 www.tenders.gov.au. The plan is published to give advanced notice to potential providers and private sector businesses of the scope and timing of works that NOPSEMA anticipates will be available.

A black and white photograph of a rocket launch. The rocket is angled upwards from the bottom right towards the top left. A large plume of smoke and fire is visible at the base of the rocket. The image has a high-contrast, grainy quality. A teal-colored rectangular overlay is positioned at the bottom of the image, containing the text "Annual performance statements" in white.

Annual performance statements

The Annual Performance Statements incorporate the performance results for the corporate plan and the Regulator Performance Framework (RPF).

NOPSEMA has aligned the corporate plan and RPF reporting requirements into the Annual Performance Statements 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 Public Governance, Performance and Accountability Rule 2014. The Annual Performance Statements also serve as our self-assessment report under the RPF 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.

Program 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 or substantially met all 23 key performance indicators (KPIs) identified on the corporate plan.

These results support the fulfilment of NOPSEMA's purpose to be an independent and professional regulator.

I, Mr Stuart Smith, CEO, as the accountable authority of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA), present the 2016–17 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* (OPGGs Act), and the RPF.

In my opinion, the 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
5 September 2017

Key performance indicators (KPIs) – 2016–17 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 (EMM).
KPI 4	Regulatory assessment and enforcement decisions should include reasons for decisions where appropriate.
KPI 5	Incidents are investigated in accordance with investigation policies.
KPI 6	Analyse and publish industry-wide performance data each quarter.
KPI 7	Demonstrated feedback is sought from stakeholders on guidance provided where relevant.
KPI 8	Action items in the stakeholder engagement implementation plan are completed as scheduled.
KPI 9	All relevant stakeholder events where NOPSEMA has actively participated are published.
KPI 10	Reports are sent to relevant ministers.
KPI 11	The NOPSEMA Advisory Board receives quarterly information reports.
KPI 12	An externally validated self-assessment of performance against the Regulator Performance Framework KPIs is performed.
KPI 13	Comply with NOPSEMA's commitments in its forward work program 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	ICT project business cases are reviewed and evaluated to measure their performance in delivering objectives and value for money.
KPI 19	Resourcing levels and skills are maintained within establishment requirements.
KPI 20	All feedback and complaints are processed in compliance with the Regulatory Service Charter.
KPI 21	An annual environment scan and risk review is completed.
KPI 22	Independent audit verifies compliance with the PGPA Act.
KPI 23	A cost-effectiveness review of operations is undertaken and presented to industry.

 Target met
 |
  Target substantially met
 |
  Target not met

Details of KPIs

All corporate plan KPIs are included on relevant team annual operating plans which are routinely monitored and updated each quarter. The corporate plan KPIs are reported internally to executive management every six months. KPIs and targets are reviewed as part of the annual corporate planning process.

The KPI results data is sourced from the regulatory management system (RMS) database and the electronic document records management system, and may include email transcripts, meeting minutes, reports and worksheets.

Results are consolidated from team and divisional annual operating plan integrated worksheets which are linked to the corporate plan functions, objectives and strategies.

Data quality

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

KPIs with methodology, results and discussion

Legislated assessment timeframes are published and meet policy targets

KPI number and sources			Annual target	2015–16	2016–17	2016–17 status
CP 1	PBS 1	RPF 1, 2	92%	98%	100%	Met

The legislated timeframes for assessment notifications are stated in the safety, well integrity and Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009.

Assessment policies and related information is published on NOPSEMA's website for safety, well integrity and environmental management.

The assessment notification due dates and actual notification dates are compared to identify the percentage of assessments that were notified within the legislated timeframes.

Assessment data is regularly published in a number of formats (tables, charts and reports) each quarter and available on the website.

The following are key permissioning documents with legislated assessment timeframes and are included in the results for this performance measure:

Diving safety management systems	Petroleum safety zone applications
Environment plans	Safety cases
Offshore project proposals	Well operations management plans

NOPSEMA made 190 assessment notifications in relation to the key permissioning documents listed above during 2016–17. All 190 were notified within the legislated timeframe.

Data is available on the website resources page:

- NOPSEMA has met this target since 2012.
- This is an improvement on last year's results.

Inspections are conducted to meet policy targets

KPI number and sources			Annual target	2015–16	2016–17	2016–17 status
CP 2	PBS 2	RPF 3, 4	90%	95%	97%	Met
<p>The planned number of inspections are identified at the start of the year by the regulatory divisions and adjusted accordingly throughout the year as offshore activity varies.</p> <p>The targets are determined utilising a risk-based model.</p> <p>Vessel inspections are not included in this data as they are conducted on an opportunistic basis, based on their presence in the jurisdiction (in Commonwealth waters undertaking petroleum-related activities).</p> <p>NOPSEMA's inspection policy is available at www.nopsema.gov.au/about/our-regulatory-activities.</p>			<p>A record of inspections completed was entered into NOPSEMA's RMS database, and this number (124) was compared to the planned number (128) to determine the overall percentage completed.</p> <p>Ninety-seven per cent of planned inspections were undertaken.</p> <p>The reasons for not undertaking an inspection may include the following:</p> <ul style="list-style-type: none"> • NOPSEMA operational requirements • duty holder operational requirements • facility/activity not in jurisdiction. 			

Enforcement actions are undertaken in accordance with the Enforcement Management Model (EMM)

KPI number and sources			Annual target	2015–16	2016–17	2016–17 status
CP 3	PBS 3	RPF 3, 4	100%	100%	100%	Met
<p>NOPSEMA inspectors are guided by NOPSEMA policy when choosing appropriate enforcement action(s) to obtain a responsible party's compliance with the legislation.</p> <p>Enforcement action is taken if it is warranted to address non-conformances and threats to health, safety, integrity or the environment.</p> <p>In all enforcement actions, the ultimate intent is to meet the objectives of the relevant legislation. Where enforcement is necessary to achieve compliance, NOPSEMA uses its powers in a transparent, efficient and consistent manner and according to the principles of procedural fairness.</p> <p>NOPSEMA's enforcement policy (PL0067) is available at www.nopsema.gov.au/about/compliance-strategy.</p>			<p>Duty holder breaches are analysed using the EMM to determine the appropriate type and level of enforcement action to be pursued.</p> <p>As part of the EMM, any proposed enforcement action is subject to team and/or management review. The results of the EMM review are saved as records. NOPSEMA checks that the enforcement action types approved and entered in RMS are accurate and in alignment with the EMM outcome.</p> <p>Of the 41 enforcement actions issued in 2016–17, all were issued in accordance with the EMM.</p>			

Regulatory assessment and enforcement decisions should include reasons for decisions where appropriate³

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 4	RPF 2, 3, 5	100%	100%	100%	Met
Regulatory assessment decisions in this instance are defined as assessment finalisation decisions to refuse (not accept or reject) a submission, and decisions to issue enforcement actions.		NOPSEMA's Statement of Reasons policy (PL1666) under the <i>Administration Decisions (Judicial Review) Act 1977</i> was revised and published at www.nopsema.gov.au/resources .			
NOPSEMA has established an internal compliance committee with responsibility for the oversight of the agency's activities to fulfil its regulatory responsibilities.		In 2016–17, NOPSEMA made 77 regulatory decisions. All of these regulatory decisions included reasons and identified issues where relevant.			
In August 2016, the committee released a compliance strategy (PL1696) to industry for comment to help drive continuous improvement and higher levels of industry compliance.		No appeals against regulatory decisions were received.			

3 This KPI was modified this year to better align with the RPF principles and recommended KPIs. The 2015–16 result has also been updated to reflect the new KPI.

Incidents are investigated in accordance with investigation policies						
KPI number and sources			Annual target	2015–16	2016–17	2016–17 status
CP 5	PBS 4	RPF 3	100%	95% ⁴	100%	Met
<p>NOPSEMA conducts investigations where information is obtained through any of its own activities, or by other means, or provided to NOPSEMA, that justifies seeking evidence of non-compliance with the relevant legislation as a basis for enforcement.</p> <p>The decision to conduct a major investigation is based on suspected legislation breaches where established threshold(s) are met, and may result in prosecution.</p> <p>NOPSEMA conducts other (non-major) investigations with the primary aim of non-prosecutorial enforcement action or identifying and sharing lessons learnt with the broader industry and stakeholders generally.</p> <p>NOPSEMA may investigate individual events or series of related events. These non-major investigations are undertaken in conjunction with planned inspections where viable to do so.</p> <p>An initial decision to investigate or not is made for each notifiable incident and reviewed by managers. The level and priority (major or non-major) of an investigation is determined and the investigation⁵ scope and date planned.</p>			<p>NOPSEMA received notification of 340 incidents, information and complaints during 2016–17. Forty-two of these were categorised as not notifiable.</p> <p>No major investigations were undertaken during 2016–17.</p> <p>Of the 298 notifiable incidents:</p> <ul style="list-style-type: none"> One hundred and thirty (44%) were identified as requiring a non-major investigation: <ul style="list-style-type: none"> non-major investigations were completed on 125 of these incidents a further five investigations were planned but yet to occur. Ten of the 130 investigations were required within 45 days, nine of which were undertaken in time. <p>The two-yearly non-major incident investigation process review and audit was conducted in 2015–16. This review concluded that the implementation of the procedure was resulting in appropriate and proportionate responses to incident notifications.</p> <p>The 2016–17 result is an improvement on last year.</p>			

4 The 2015–16 result has been adjusted following a comprehensive data review.

5 For major investigations, a separate immediate investigation occurs. For non-major investigations, investigation scope items are added to planned inspections where viable to do so.

Analyse and publish industry-wide performance data each quarter

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 6	RPF 5	Quarterly	✓	✓	Met

Datasets are published on NOPSEMA's website each quarter. These comprise a series of tables and charts regarding industry performance and NOPSEMA core regulatory activities.

NOPSEMA's quarterly magazine *The Regulator* is published on the website and sent electronically to over 1500 subscribers. Each edition contains numerous articles of lessons learnt provided from across the agency to cover a broad scope. The magazine also contains links to quarterly datasets.

The NOPSEMA *Annual offshore performance report* is published annually and includes comprehensive safety, integrity and environmental management performance information and data trends.

The above resources are all available at www.nopsema.gov.au/resources.

NOPSEMA continues to undertake ongoing research and data analyses to inform regulatory decisions and industry performance.

In 2016–17, datasets of quarterly and annual trends were published in July 2016, October 2016, January 2017 and April 2017.

Additional specific data analyses were used to inform and support lessons learnt articles and other liaison and promotional activities.

On 15 May 2017, NOPSEMA published its *Annual offshore performance report*, covering the 2016 calendar year.

Demonstrated feedback is sought from stakeholders on guidance provided where relevant

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 7	RPF 2	100%	100%	100%	Met
<p>NOPSEMA seeks feedback on performance via various methods, including:</p> <ul style="list-style-type: none"> quarterly meetings with the independent NOPSEMA Advisory Board to provide relevant industry feedback to the CEO regular meetings with industry associations, e.g. Australian Petroleum Production & Exploration Association (APPEA) and International Association of Drilling Contractors regular meetings with duty holders annual meetings with industry CEOs other stakeholder meetings requests via NOPSEMA's website quarterly magazine to 1500 subscribers including a feedback request the development of industry guidance notes educational sessions implementing new government initiatives. <p>NOPSEMA also meets with community stakeholders such as the Australian Council of Trade Unions, environmental groups and fishing interests. Each year NOPSEMA participates in APPEA's annual HSE conference.</p> <p>NOPSEMA inspectors regularly meet with the workforce on offshore facilities during inspection activities, and receive feedback.</p> <p>NOPSEMA periodically reviews the adequacy of the published guidance notes and communication mechanisms to ensure industry maintain an understanding of NOPSEMA assessment processes, particularly with respect to risk assessment.</p> <p>NOPSEMA conducts workshops and consults with relevant stakeholders as appropriate.</p>		<p>NOPSEMA released the compliance strategy for stakeholder comment and feedback in August 2016. NOPSEMA's Compliance Committee considered the stakeholder comments received, responded to those stakeholders individually, and made a number of updates to key NOPSEMA policies.</p> <p>NOPSEMA contributed to an issues paper prepared by the Department of Industry, Innovation and Science to examine concerns in relation to broader consultation and transparency requirements under the OPGGS Act and propose potential improvements to these requirements.</p> <p>In December 2016, NOPSEMA hosted three offshore petroleum open days in Perth and one in Melbourne to discuss the offshore petroleum environmental management approvals process.</p> <p>On 7 February 2017, NOPSEMA participated in APPEA's connect series workshop to provide further insight into NOPSEMA's deliberative processes and showcase NOPSEMA's RMS in support of increased transparency. Responses from APPEA and other industry participants were positive.</p> <p>NOPSEMA produced 26 guidance-related documents during 2016–17, all of which included elements of stakeholder liaison, workshops or other feedback mechanisms.</p> <p>NOPSEMA offered numerous opportunities for regulated entities and other stakeholders to provide feedback or complaints to the agency, and as such, elected not to undertake any additional formal survey in 2016–17.</p>			

Action items in the stakeholder engagement implementation plan are completed as scheduled

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 8	RPF 1, 4, 5	100%	100%	100%	Met
<p>NOPSEMA has implemented a stakeholder engagement and transparency initiative.</p> <p>The objective of the initiative is for NOPSEMA to continue to drive improvements that aim to maintain its social licence to regulate and to improve community confidence in the offshore petroleum regime.</p> <p>This is being achieved through:</p> <ul style="list-style-type: none"> disclosing more information to the public focusing regulatory effort on areas of poor consultation practice increasing the frequency of community input to better understand their views increase transparency of the regulator's decision-making processes. <p>NOPSEMA will continue to progress initiatives to improve engagement and transparency through a newly established transparency taskforce.</p>		<p>Since January 2016, NOPSEMA has published enhanced information on its website regarding the status of petroleum activity environment plan submissions and assessment decisions.</p> <p>In May 2017, NOPSEMA published a community information section on its website to provide stakeholders affected by petroleum activities guidance on how to participate in the environmental approval process.</p> <p>NOPSEMA contributed to an issues paper prepared by Department of Industry, Innovation and Science to examine concerns in relation to consultation and transparency requirements under the OPGGS Act and draft proposed improvements.</p> <p>NOPSEMA published a suite of resources for stakeholders during 2016–17, including the following brochures:</p> <ul style="list-style-type: none"> <i>Introducing NOPSEMA</i> <i>Offshore petroleum environmental approvals</i> <i>Decommissioning offshore petroleum facilities in Commonwealth waters.</i> 			

All relevant stakeholder events where NOPSEMA has actively participated are published

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 9	RPF 2, 3	Quarterly	✓	✓	Met

NOPSEMA maintains a stakeholder engagement and liaison register. The register is used to track and record the details of the agency's regulatory and promotional activities.

The register contains details such as the attendees, date, location and type of engagement. It also identifies those events where NOPSEMA has made presentations, and whether these require publication to the website.

The NOPSEMA website also includes upcoming events notices where the agency will be hosting or participating in the near future.

NOPSEMA recorded 670 engagement activities for 2016–17.

These 2016–17 engagements were varied, and included over 450 with duty holders, 38 with industry and trade associations and 28 with state and territory government agencies.

Seventy-five per cent of the engagements were undertaken by the regulatory divisions.

There were eight presentations published on the website.

Reports are sent to relevant ministers

KPI number and sources		Annual target	2015–16	2016–17	2016–17 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 divisions and teams. Reports and transmittal letters are saved as records.

Team annual operating plans record the completion of these reporting tasks each quarter. Oversight of the plan's KPIs occurs regularly and a status report is delivered to the NOPSEMA leadership team (executive management) every six months.

Quarterly reports (national and state snapshots) were submitted to the relevant Commonwealth, state and territory ministers in July 2016, October 2016, January 2017 and April 2017. The snapshots included information and data trends on both industry performance and NOPSEMA performance.

NOPSEMA also submitted specific departmental reports to appropriate ministers and departments as per legislated or governmental requirements. These included, but were not limited to: Australian Public Service Commission quarterly reports; finance and budget reports; information, communications and technology (ICT) security reports; legal expenditure reports; and agency contracts reports.

The NOPSEMA Advisory Board receives quarterly information reports

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 11	RPF 1, 6	Annually	✓	✓	Met
<p>NOPSEMA submits regular quarterly reports to the NOPSEMA Advisory Board (the Board) comprising information, data and trends for both industry and NOPSEMA performance.</p> <p>Information is sent to the Board with the meeting papers prior to each meeting.</p> <p>The Board can request additional ad hoc data and information for any of its quarterly meetings, and NOPSEMA provides this accordingly.</p>		<p>In 2016–17, NOPSEMA provided the following to the Board:</p> <ul style="list-style-type: none"> • copies of the ministerial quarterly reports (national and state snapshots) • quarterly team operational reports. <p>The reports were submitted for the meetings in August 2016, November 2016, February 2017 and May 2017.</p> <p>The snapshot reports included information and data trends on both industry performance and NOPSEMA performance with regard to petroleum-related activities in Commonwealth waters and also specifically by state and territory offshore regions.</p> <p>The quarterly team operational reports detailed the activities undertaken at NOPSEMA by each team, division and/or functional department.</p>			

An externally validated self-assessment of performance against the Regulator Performance Framework KPIs is performed

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 12	RPF 4, 6	Annually	✓	✓	Met
<p>NOPSEMA's identified Ministerial Advisory Council, the Growth Centres Advisory Committee (GCAC), validated the initial selection of NOPSEMA's KPIs for the RPF during the implementation phase in 2015–16.</p> <p>The Annual Performance Statements also comprise the RPF KPIs self-assessment of performance due to NOPSEMA's alignment of performance reporting requirements.</p> <p>The GCAC unconditionally endorsed NOPSEMA's 2015–16 RPF self-assessment and the report is published on NOPSEMA's website at www.nopsema.gov.au/about/people-planning-and-performance.</p>		<p>The GCAC identified two opportunities for improvement for inclusion in this year's RPF self-assessment.</p> <p>These stated that NOPSEMA should:</p> <ul style="list-style-type: none"> include extra high level details of the completed PESTLE⁶ and SWOT⁷ analyses provide comment on future strategic training needs analysis. <p>NOPSEMA has addressed these identified opportunities. Please refer to the annual performance statements for KPI 19 and KPI 21 in this annual report.</p> <p>The 2016–17 RPF self-assessment of performance has been submitted for validation to the GCAC.</p>			

6 PESTLE: political, economic, social, technological, legal and environmental

7 SWOT: strengths, weaknesses, opportunities, and threats

Comply with NOPSEMA's commitments in its forward work program under the portfolio regulation reform

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 13	RPF 4, 6	100%	100%	100%	Met
<p>As per the Australian Government's reform agenda, NOPSEMA developed flexible work program documents. The current work program commitments covered the calendar years from 2015 to 2017 and included the following actions:</p> <ul style="list-style-type: none"> • Action 1: Streamlining occupational safety, environmental approvals and planning in offshore areas • Action 2: Progressing the conferral of environmental approvals to NOPSEMA for South Australia and the Northern Territory • Action 3: Online reporting and incident notification. 		<p>NOPSEMA continues to review its work program commitments regularly and has updated them as relevant according to operational requirements.</p> <p>Action 1 has been progressed, with the following streamlining improvements achieved:</p> <ul style="list-style-type: none"> • implementation of the EPBC Act streamlining review recommendations • publication of additional guidance notes. <p>Action 2 has continued to be actively pursued with good progress achieved.</p> <p>Action 3 was deferred due to budgetary and resource constraints. Some ICT developments were also put on hold during 2016–17. The project has been re-instated for consideration in 2017–18.</p>			

NOPSEMA has established cooperative mechanisms in place with identified relevant agencies

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 14	RPF 4	100%	100%	100%	Met
<p>NOPSEMA's divisions and teams regularly and variously interact with a range of relevant agencies. Each division and team establishes cooperative mechanisms to conduct these interactions on an individual basis in collaboration with the agencies.</p> <p>The cooperative mechanisms include working groups, forums, online correspondence and attendance at regular or ad hoc meetings as agreed.</p>		<p>NOPSEMA has Memoranda of Understanding (MOUs) in place with some agencies as required.</p> <p>Records of MOUs and all related documents from meetings were saved, and where relevant, recorded on appropriate registers.</p>			

Legislative change liaison with portfolio department

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 15	RPF 6	Quarterly	✓	✓	Met

NOPSEMA has a legislative change management framework in place. Within this framework, NOPSEMA proposes key priorities and contributes to legislative change, collaborating frequently with its portfolio department, the Department of Industry, Innovation and Science.

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

Throughout 2016–17, NOPSEMA participated in the following legislation-related liaison activities with the department:

- fortnightly meetings were conducted via teleconference
- one quarterly face-to-face meeting was attended in May 2017.

Participation at annual general meetings for IRF and IOPER

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 16	RPF 1, 4, 6	100%	100%	100%	Met

NOPSEMA is a member of the International Regulators Forum (IRF) which comprises 10 member countries. The IRF focuses on offshore safety for the international petroleum industry and exists to drive improvements in health and safety in the sector through collaboration on joint programs and information sharing.

NOPSEMA is one of four regulatory authorities (with Norway, the United Kingdom and the United States) to comprise the IRF management committee.

NOPSEMA's environmental credentials have been recognised through its membership and role with the International Offshore Petroleum Environment Regulators (IOPER) group. The IOPER group comprises eight member countries and exists to drive improvements in environmental management in the international petroleum industry.

NOPSEMA recorded 12 engagements with international government agencies during 2016–17. This was a slight increase compared to the ten engagements recorded during 2015–16.

During 2016–17, six of the 12 international engagements were with the IRF and IOPER. These focused on:

- IOPER's progress on oil spill preparedness and response
- IOPER's AGM and Aquatic noise conference
- IRF management committee meetings and the IRF AGM.

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

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 17	RPF 1, 6	100%	100%	100%	Met
<p>NOPSEMA's quality management system (QMS) comprises over 50 topical groups (series) of policies and procedures, including a series regarding management of the QMS.</p> <p>Each series has an identified audit frequency (typically two to four years) and an audit schedule is used to manage and plan these audits.</p> <p>In addition to audits, improvement projects are undertaken where opportunities are identified, via audits or from stakeholder engagement.</p>			<p>During 2016–17, the NOPSEMA internal audit team progressed audits and system improvements on a range of series.</p> <p>The work resulted in:</p> <ul style="list-style-type: none"> • recommendations and opportunities for improvement being raised and closed out • stakeholders being consulted • QMS documents being created, corrected or withdrawn. <p>The NOPSEMA 2016–17 audit report provided details on the above and demonstrated that audits were conducted in compliance with the established procedures.</p>		

ICT project business cases are reviewed and evaluated to measure their performance in delivering objectives and value for money

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 18	RPF 6	100%	n/a ⁸	100%	Met
<p>This is the first year that this performance measure has been included in NOPSEMA's corporate plan. It coincided with a year in which NOPSEMA implemented cost-saving measures that reduced the number of ICT projects established in the period.</p> <p>Criteria for inclusion in this measure are:</p> <ul style="list-style-type: none"> • significant project costing over \$20 000 • qualifies as a project under NOPSEMA's project management system (as compared to a simple procurement) • business case created within report period • project completed. 			<p>Five relevant ICT project business cases were created in 2016–17.</p> <p>One project met the criteria as being completed.</p> <p>The vendor was selected based on an open tender. The quote received was lower than NOPSEMA's previous arrangement and offered the best value to the agency.</p> <p>An evaluation of the delivery concluded that the project met the objectives.</p>		

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

Resourcing levels and skills are maintained within establishment requirements

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 19	RPF 1	90%	100%	100%	Met
<p>NOPSEMA's human resources team provides regular reports to the relevant minister, the NOPSEMA Advisory Board and the APS Commission. These reports include staffing levels, vacancies and recruitment data.</p> <p>NOPSEMA maintains an establishment register and vacancies are filled according to approved operational requirements that are reviewed on an ongoing basis. Resources are allocated proportional to risk.</p> <p>NOPSEMA monitors and maintains staff skill levels through its employee performance management process which includes the consideration and review of demonstrated core competencies.</p> <p>NOPSEMA has built a critical mass of regulatory specialists with the necessary broad skill set.</p> <p>NOPSEMA's leadership team analyses future strategic training needs analysis each quarter as part of NOPSEMA's human resources strategy and as included in the corporate plan.</p>		<p>Indicative of industry activity, NOPSEMA held recruitment to critical positions. Of the 131 established positions, at 30 June 2017:</p> <ul style="list-style-type: none"> • 111 positions were approved • 100% of approved positions were filled • 20 (not currently approved) positions remained vacant. <p>The 2016–17 result reflected the resource levels at the financial year end (30 June 2017). The number of approved positions decreased as a result of a planned resource management initiative in line with the decreased industry activity levels and the resultant budgetary constraints from reduced levies.</p> <p>Skill levels were maintained in the filled positions, with all staff completing required training where relevant, and having satisfactorily met expectations with regard to performance management.</p>			

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

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 20	RPF 2, 5, 6	100%	100%	83%	Substantially met
<p>NOPSEMA's regulatory services charter is published on the NOPSEMA website at www.nopsema.gov.au/contact.</p> <p>The charter states that NOPSEMA will provide a formal process to receive, consider and act on stakeholder feedback and complaints.</p> <p>NOPSEMA maintains a feedback and complaints register that includes references to relevant documents and completion/ finalisation dates to ensure the agency acknowledges all complaints received and responds in a timely manner.</p>		<p>There were six complaints in 2016–17, compared to one in 2015–16.</p> <p>These complaints were regarding offshore incidents or potential incidents. Four were adequately resolved and were subsequently closed; two of these remain open.</p> <p>Of the six complaints, five were acknowledged within the specified three-day timeframe, while one was acknowledged within seven days (i.e. four days overdue).</p> <p>There was no feedback items recorded for 2016–17.</p>			

An annual environment scan and risk review is completed

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 21	RPF 1, 3	Annually	✓	✓	Met
<p>NOPSEMA undertakes an annual environmental scan as part of the annual risk review process. This includes PESTLE⁹ and SWOT¹⁰ analyses.</p> <p>The environment scan results inform NOPSEMA's corporate planning and annual operating planning processes.</p> <p>The environment scan may identify new risks to be considered during NOPSEMA's annual risk review, and/or cause a change to how NOPSEMA assesses and controls an existing risk.</p>		<p>Examples of some opportunities NOPSEMA identified include:</p> <ul style="list-style-type: none"> • conferrals from states and territories • redistribution of skills to support activity changes (e.g. less drilling submissions and inspections) • increased oversight through the compliance committee • data analyses to gain better insights • collaboration with other agencies. <p>Examples of some threats NOPSEMA identified include:</p> <ul style="list-style-type: none"> • reduced industry activity • less revenue • ageing/retirement of workforce. 			

9 PESTLE: political, economic, social, technological, legal and environmental

10 SWOT: strengths, weakness, opportunities and threats

Independent audit verifies compliance with the PGPA Act

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 22	RPF 5	Annually	✓	✓	Met

The Australian National Audit Office undertake an audit on financial statements to verify financial systems, records, and results of the agency each financial year.

The audit outcome (independent auditor's report) is included in NOPSEMA's annual report each year.

The report for 2016–17 stated that the financial statements of NOPSEMA:

- comply with Australian Accounting Standards and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015
- present fairly the financial position of NOPSEMA as at 30 June 2017.

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

KPI number and sources		Annual target	2015–16	2016–17	2016–17 status
CP 23	RPF 5, 6	Annually	✓	✓	Met

NOPSEMA was established on 1 January 2012, as a statutory agency under the *Financial Management and Accountability Act 1997*. On 1 July 2014, NOPSEMA became a corporate Commonwealth entity under the PGPA Act.

NOPSEMA operates on a full cost-recovery basis, funded by the offshore petroleum industry.

NOPSEMA's financial report on cost-effectiveness is provided in accordance with Regulation 62 of the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004.

NOPSEMA's 2015–16 cost-effectiveness review report was published on NOPSEMA's website on 3 March 2017.

NOPSEMA's CEO delivered a presentation of the report to industry and other stakeholders on 5 April 2017. This was held in Perth and teleconferenced to industry attendees in the NOPSEMA Melbourne office.

The report is available at: www.nopsema.gov.au/about/cost-recovery-and-levies.

Analysis of performance against entity purpose

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

(a)	Purpose	Nil
	Activities	Well integrity legislative amendments impacted some assessment activity: <ul style="list-style-type: none"> • transition from old to new WOMPs.
	Organisational capabilities	Resource management: some specialist vacancies (both regulatory and corporate) positions remained unfilled.
(b)	Operating environment	There was a decrease in industry activity in general, including: <ul style="list-style-type: none"> • decrease in number of active operators and facilities • decrease in assessment submissions • decrease in total hours worked.

PBS KPIs

A subset of four regulatory activity-based KPIs is selected from the 23 corporate plan KPIs for inclusion in the annual PBS.

These performance measures are used to indicate NOPSEMA's achievement of the program.

Results summary

PBS KPI	Results discussion	2015 -16	2016 -17	Corporate plan KPI
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 KPI 1
PBS 2 Inspections are conducted to meet policy targets	NOPSEMA effectively monitors industry via planned inspections based on risk-based models.	✓✓	✓✓	CP KPI 2
PBS 3 Enforcement actions are undertaken in accordance with the EMM	Effective enforcement activity is maintained through adherence to the EMM, which is subject to audit, management oversight and peer review.	✓✓	✓✓	CP KPI 3
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.	✓	✓✓	CP KPI 5

RPF

NOPSEMA is a Commonwealth regulator that administers, monitors and enforces regulation and as such is required to implement the RPF as prescribed. Information on the RPF is available at: www.cuttingredtape.gov.au/resources/rpf.

The framework consists of six outcomes-based KPIs that are measured/assessed by all Commonwealth regulators. The KPIs cover the following broad areas: communication, risk-based and proportionate approaches, transparency, reducing regulatory burden and continuous improvement. Regulators must consider how they operate and the regulatory burden created when administering regulation. The framework is also expected to drive cultural change and encourage them to adopt appropriate regulatory risk-based approaches.

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 while still ensuring accountability and transparency is maintained.

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

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

Summary of RPF results

The primary KPI details and results are included in the results tables commencing on page 52.

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

RPF performance statement

Key

- CP KPI:** Corporate plan key performance indicators
- RPF KPI:** Regulator performance framework key performance indicators

The 23 CP KPIs are grouped to align with the six RPF KPIs as indicated on the results tables.

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

There was one CP KPI that was substantially met regarding the response to a stakeholder complaint that was not acknowledged within three days (it was four days overdue). KPI results and details are discussed in the corporate plan annual performance statement results tables above.

RPF KPIs

RPF 1																							
Regulators do not unnecessarily impede the efficient operation of regulated entities																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: assessments, stakeholder engagement, risk awareness, process improvement, maintaining skills													2016–17 All targets met										
													2015–16 All targets met										

NOPSEMA continues to ensure that regulatory burden and impact is minimised for regulated entities, while still maintaining regulatory objectives. Examples include:

- assessments are completed within legislated timeframes
- the annual risk review includes an environment scan that identifies risks
- improved consultation practices for advice (guidance notes) are implemented
- compliance costs are minimised where appropriate
- continues to maintain and improve ongoing professional development of staff
- continues to control regulatory processes (QMS)
- processes are regularly reviewed and audited
- timely and efficient operational performance continues to be illustrated through various performance metrics and reports available on the website
- continues to allocate resources proportional to risk.

NOPSEMA identified seven corporate plan KPIs that are relevant to this performance measure. The relevant KPIs were all met (KPI 1, 8, 11, 16, 17, 19, 21).

RPF 2																							
Communication with regulated entities is clear, targeted and effective																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: publishing information and results, transparency, consultation, feedback													2016–17		Targets substantially met								
													2015–16		Targets substantially met								

NOPSEMA continues to place stakeholder engagement as a priority. This is demonstrated through NOPSEMA's formalisation of an ongoing Stakeholder Engagement and Transparency Work Program. The program is designed to systematically and comprehensively improve consultation processes and build community confidence in offshore petroleum environmental management.

In addition:

- Regulatory decisions continue to be communicated to duty holders with reasons where appropriate, and in a timely manner.
- NOPSEMA continues 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 were conducted as appropriate.

NOPSEMA identified five corporate plan KPIs that are relevant to this performance measure.

The relevant KPIs were all met (1, 4, 7, 9) or substantially met (KPI 20).

Note: For KPI 20, a stakeholder complaint was responded to four days later than the agency's target.

RPF 3																							
Actions undertaken by regulators are proportionate to the regulatory risk being managed																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: risk-based regulatory actions, workshops and promotion, stakeholder feedback													2016–17 All targets met										
													2015–16 Targets substantially met										

NOPSEMA developed an overarching compliance strategy incorporating the following principle:

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

NOPSEMA sought stakeholder feedback on the compliance strategy. It is available on NOPSEMA's website at www.nopsema.gov.au/about/compliance-strategy.

Examples of some proportionate compliance actions include the following:

- NOPSEMA continues to use a risk-based approach for regulatory activities that considers the relevant risk factors, previous performance and compliance history.
- NOPSEMA continues to liaise with duty holders to inform them of the risk-based approach to regulatory actions.
- Risk management and regulatory risk-based policies and procedures are available to staff and stakeholders.
- Relevant staff continue to be trained in risk management policies, processes and procedures.
- NOPSEMA's enforcement policy includes options for graduated compliance actions consistent with the regulator's powers and legislation.
- The relevant minister's Statement of Expectations and NOPSEMA's Statement of Intent are updated as relevant and published on NOPSEMA's website at www.nopsema.gov.au/about/people-planning-and-performance.

NOPSEMA identified six corporate plan KPIs that are relevant to this performance measure.

The relevant KPIs were all met (2, 3, 4, 5, 9, 21).

RPF 4																							
Compliance and monitoring approaches are streamlined and coordinated																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: reducing regulatory burden, working collaboratively, stakeholder engagement														2016–17 All targets met									
														2015–16 All targets met									

NOPSEMA's compliance strategy outlines approaches and principles relevant to compliance and monitoring (also see RPF 3 above).

In addition, the examples below indicate streamlining and coordination approaches:

- NOPSEMA communicates its expectations to duty holders to assist in effective and efficient inspections.
- Annual planning processes across divisions continue to 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 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.
- Requests for information from duty holders are specific and necessary, and minimise impact.
- Compliance activities are based on risk and consider the operational requirements of duty holders.

NOPSEMA identified seven corporate plan KPIs that are relevant to this performance measure.

The relevant KPIs were all met (KPIs 2, 3, 8, 12, 13, 14, 16).

RPF 5																							
Regulators are open and transparent in their dealings with regulated entities																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: reporting and publishing information, transparency, stakeholders presentations, feedback													2016–17 Targets substantially met										
													2015–16 Targets substantially met										

NOPSEMA continues to increase openness and transparency, and 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 as indicated below.

NOPSEMA has:

- published a regulatory service charter that describes the agency's approach to stakeholder interactions
- regularly engaged with duty holders to inform them of NOPSEMA's expectations, and provided numerous feedback opportunities
- formalised a stakeholder engagement and transparency work program that is designed to systematically and comprehensively improve consultation processes and build community confidence in offshore petroleum environmental management
- promptly responded to stakeholder requests for information
- made guidance readily available to stakeholders on the NOPSEMA website
- regularly published performance measurement results on the NOPSEMA website.

The 2015 operational review 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 identified six corporate plan KPIs that are relevant to this performance measure.

The relevant KPIs were all met (4, 6, 8, 10, 22, 23) or substantially met (KPI 20).

Note: For KPI 20, a stakeholder complaint was responded to four days later than the agency's target.

RPF 6																							
Regulators actively contribute to the continuous improvement of regulatory frameworks																							
CP KPIs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
Focus areas: reporting, auditing and evaluation, legislative change, liaison, strategic planning														2016–17		Targets substantially met							
														2015–16		All targets met							

NOPSEMA encourages a high performance culture and identifies improvements through its internal audit, review, evaluation, collaboration and analysis processes.

Further examples of the agency’s active contributions to continuous improvement include the following.

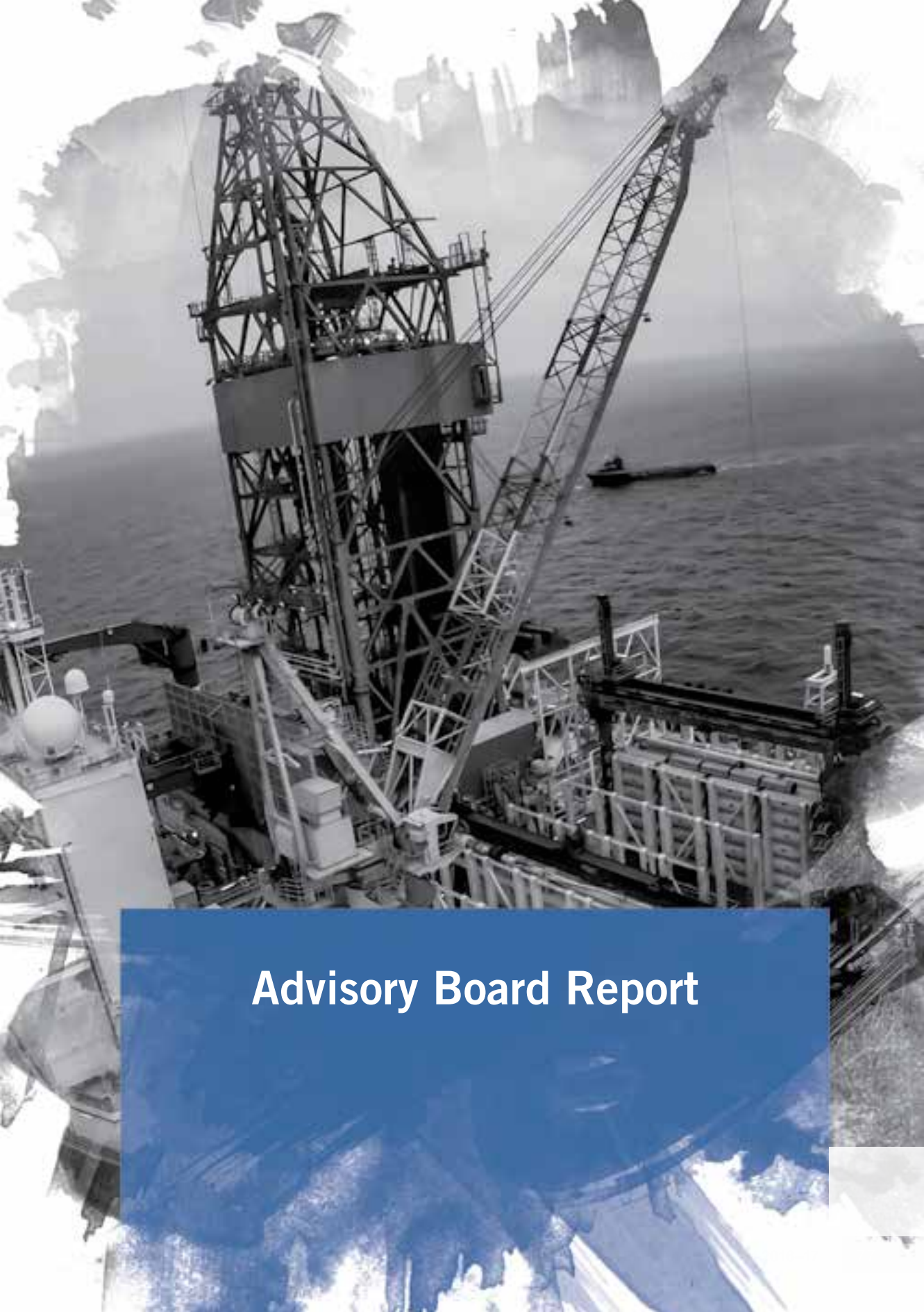
NOPSEMA continues to:

- produce and publish expansive datasets and reports that include both industry and agency performance and serve to help identify areas for improvement
- collaborate with APPEA and the NOPSEMA Advisory Board (the Board) in the development of process safety indicators
- 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
- be appointed to the Australian Maritime Safety Authority Industry Advisory Board
- collaborate with the relevant portfolio department on legislative changes
- be a member country of the management committee of the IRF
- be a member country of the IOPER.

NOPSEMA identified 10 corporate plan KPIs that are relevant to this performance measure.

The relevant KPIs were all met (10, 11, 12, 13, 15, 16, 17, 18, 23) or substantially met (KPI 20).

Note: For KPI 20, a stakeholder complaint was responded to four days later than the agency’s target.



Advisory Board Report

During the course of the reporting period, there were several changes to the NOPSEMA Advisory Board, with the terms of Keith Spence and Jan Hayes expiring in March 2017. I wish to acknowledge the significant contribution made by Keith and Jan during their terms and thank them sincerely on behalf of the Advisory Board. In March 2017, I commenced as Chair, and Anthony Evans and Melinda Hodkiewicz were also appointed for three-year terms.

The world is continuing to experience low oil prices and offshore operators are under increasing pressure to maintain ageing infrastructure. It is pleasing to see operators working closely together to ensure safety and the environment are not compromised. A joint industry workshop with NOPSEMA and the APPEA in November 2016 resulted in a joint working group preparing new mobile offshore drilling unit (MODU) guidelines: *Mooring guidelines in tropical waters*. It is promising to see operators and contractors actively discussing health, safety and environmental best practice, with a focus on process safety and preventing major hazard events, in forums such as the APPEA annual conferences, Drillsafe and Safeops.

It is encouraging to note that there were no reported fatalities or major injuries during 2016. This is the first time this has been achieved for a calendar year since the inception of NOPSA in 2005. In addition, the total number of injuries recorded by industry continued the downward trend observed since 2010. This result may be partly attributed to reduced activity (as represented by a decline in total hours worked) but it is notable that the rate of injury also fell during the year.

Measurements such as injury rates are lagging indicators which have limited value as predictors of future performance, so positive trends should be treated with caution. It is also noted, for example, that measures for process safety are not as positive in regards to industry safety performance. Some process safety measures, such as hydrocarbon releases, suggest deterioration in industry performance, while other measures such as dangerous occurrences improved.

NOPSEMA's inspection program continues to target areas of high potential impact with the aim of increasing safety and reducing environmental damage. Importantly, case studies are now published in NOPSEMA's *The Regulator*, so that real examples can build continuous improvement through sharing lessons from past failings and experiences with leading industry practice. This aligns with NOPSEMA's strategic intent to enhance the transparency of its processes, with the full support of the Advisory Board.

NOPSEMA has increased its effort to analyse available data to better understand underlying trends and inform its inspection program. This analysis has identified that the top three reported causes of damage to safety-critical equipment are: lack of preventive maintenance (37%), design (24%), and equipment parts/defects (18%). In addition, NOPSEMA's review of reported incidents suggests that material degradation, mechanical fatigue and corrosion account for 78% of all reported uncontrolled gas or liquid releases.

The Advisory Board continues to believe that there is considerable benefit in rewriting the OPGGS Act and has again raised this issue with the Department of Industry, Innovation and Science.

The Advisory Board continues to support the conferral of state and Northern Territory powers to NOPSEMA in relation to petroleum safety, integrity and the environment, viewing this as a significant opportunity to improve offshore regulatory outcomes and efficiency. It appears progress is being made.

The Advisory Board is aware of the magnitude of the tasks the industry will need to address over the next 40 years in the decommissioning of offshore infrastructure. NOPSEMA has participated in discussions with industry and government organisations to ensure as low as reasonably practicable principles operating in Australia are better defined and implemented in this area. It is recognised that research is needed to better understand the short-, medium- and long-term impacts of the various options available and that a one-size-fits-all solution is not imposed on the industry.



Erica Smyth
Chair



Functions

The NOPSEMA Advisory Board is established under Part 6.9, Division 3 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGS Act) and is established as a separate legal entity to NOPSEMA. It does not have a role in decision-making matters, nor may it direct the operations or individual decisions of NOPSEMA. Section 654 of the OPGGS Act sets out the functions of the Advisory Board in full.

The Advisory Board may provide advice and recommendations to the CEO of NOPSEMA about operational policies and strategies to which the CEO must have regard.

The Advisory Board also 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: OHS of persons engaged in offshore petroleum operations, well integrity, the environment and the performance of NOPSEMA.

Stakeholder engagement

Ministers

During the reporting period there was a change of responsible Commonwealth minister from the Hon. Josh Frydenberg MP to the Hon. Matthew Canavan MP.

The Advisory Board and CEO met with the Hon. Matthew Canavan MP, Minister for Resources and Northern Australia, in November 2016 and in May 2017, and briefed him on issues such as:

- industry safety performance
- continuing progress towards conferral of powers and functions in designated state and coastal waters
- the importance of continuing NOPSEMA involvement in COAG Energy Council meetings
- improving transparency
- the use of big data.

NOPSEMA CEO (Stuart Smith)

Mr Smith attended and participated in all Advisory Board meetings during the reporting period. At each meeting, the CEO provided an update on corporate governance and risk issues arising during the preceding quarter, data on industry and NOPSEMA's performance, and recent and forthcoming changes to the legislation and regulations administered by NOPSEMA. The Advisory Board also responded to one formal request for advice from the CEO.

Focus areas and strategic themes

Based on its deliberations, the Advisory Board provided general advice on the topics noted below to the Minister for Resources and Northern Australia following each meeting.

Change of ownership

Due to the increasing trend of offshore petroleum asset sales, the Advisory Board discussed whether a change of ownership should be a trigger for a review or rewrite of the safety case, for the following reasons:

- The nature and magnitude of risks change with time. For a more mature asset, the existing safety case may no longer be appropriate.
- The new owner may introduce a new operating model (possibly low-cost as the assets for sale tend to be mature) which may change the nature and magnitude of risks.
- It is important that the new owner 'owns' the safety case.

The Advisory Board considered whether the current regulations should be modified to require the submission of a new safety case. As a first step, it was suggested that NOPSEMA be proactive in providing advice to potential purchasers by issuing a guidance note on change of ownership and the safety case. If inspections suggest that there is a need for a safety case revision, a legislative response would then be considered.

Industry performance

There were no fatalities or major injuries reported during 2016, which is the first time this has been achieved for a calendar year since the inception of NOPSA in 2005. Accident rates also continued on a downward trend with the total number of injuries also decreasing. Measures for process safety were less definitive with hydrocarbon releases increasing while dangerous occurrences decreased overall. From 2015 to 2016, there was a 28% increase in the total number of hydrocarbon releases reported to NOPSEMA. The majority of these releases were in the lowest category (> 1–300 kg), but any uncontrolled hydrocarbon release warrants attention due to the risk of ignition and potential damage. Conversely, the number of dangerous occurrences reported fell by 17%, with the majority relating to unplanned events.

Analysis indicates that the majority of dangerous occurrences which required the implementation of emergency response plans were the result of false alarms or inadvertent manual activation due to human activities. These causes may provide reassurance to some, but NOPSEMA is concerned about the frequency of the occurrences and the risk of workforce complacency.

Inspections have also raised concerns regarding the proper application of management of change control measures. NOPSEMA has found that companies are changing practices, such as the need for third-party validation for certain practices, based on a reassessment of the risk. These changes have often been associated with initiatives designed to reduce cost or improve performance. Some companies have then used their management of change processes after the event to justify the revised practices, rather than during the reassessment. Inspections suggest that some personnel may not be as focused as they were previously. It is expected that, where possible, titleholders implement management of change processes prior to a change occurring, to allow management options to be fully explored. NOPSEMA has raised the use of management of change processes with the relevant companies and taken compliance action where appropriate.

Liaison with APPEA

The Advisory Board met with senior representatives from APPEA in 2017 to exchange views on upcoming safety and environmental issues. A key issue discussed was the joint initiative on MODU mooring. Following NOPSEMA's investigation into the Atwood Osprey mooring system failure in 2015, NOPSEMA and APPEA organised a joint industry workshop on the implications. This resulted in an APPEA working group preparing new MODU mooring guidelines for tropical waters. The guidelines were presented in November 2016 and were viewed as an effective collaboration by NOPSEMA and APPEA.

The Advisory Board sees this as an excellent example of NOPSEMA raising the bar on safety and environmental performance. It also provides an effective model for future initiatives, whereby NOPSEMA's insights (gained through regulatory activities) can be linked to the industry promotion mandate and used to focus industry attention on areas for improvement.

Trends in industry safety performance

Offshore operators are required to report incidents and events with the potential to impact safety to NOPSEMA. Reportable events include fatalities, injuries and dangerous occurrences that can be seen as leading indicators of the state of safety, such as damage to safety-critical equipment and unplanned activation of the emergency response plan. Encouraged by the Advisory Board, NOPSEMA have recently increased efforts to analyse this data in order to understand any underlying trends. This work is at a relatively early stage, but has already revealed (based on 2016 data):

- Floating production, storage and off-loading facilities are significantly over-represented in dangerous occurrences relative to the number of facilities, especially in the 'damage to safety-critical equipment' classification.
- The top three causes of damage to safety-critical equipment (as reported by companies) are preventive maintenance (37%), design (24%) and equipment parts/defects (18%).
- Fixed platforms are significantly over-represented in reporting uncontrolled gas or liquid releases relative to the number of facilities.
- Based on NOPSEMA's review of reported incidents, material degradation, mechanical fatigue and corrosion account for 78% of all reported uncontrolled gas or liquid releases.

CEO referral: raising the bar on process safety

In February 2016, the CEO asked the Advisory Board to consider how NOPSEMA could improve its identification of issues and trends that may be precursors to major accidents. The Board developed its advice during 2016 and finalised it at the November Board meeting. The CEO has accepted the report, with it becoming a key internal reference document for NOPSEMA. The report addressed five main areas:

1. **Mandatory reporting requirements:**

Current requirements could be improved by providing more information about the definition of accident and dangerous occurrence categories, as this may influence what is reported. Of particular interest is agreeing on a common definition of 'damage to safety-critical equipment', as this is the only leading indicator in the accident and dangerous occurrence definition. Implementing a common definition does not require legislative change.

2. **Development and auditing of performance standards:**

As part of legislated requirements, operators are required to monitor the performance of risk controls against defined performance standards. NOPSEMA's guidance note on control measures and performance standards (N04300-GN0271) gives advice on this topic but it is strongly focused on the initial selection of controls, rather than on monitoring controls during operation. The NOPSEMA guidance would benefit from an update.

3. **Inspections:** An inspection focus that includes determination on whether risk controls meet company-defined KPIs is likely to provide better regulatory intelligence than any modifications to the system for reporting dangerous occurrences. Inspection plans and protocols need to focus on areas of highest risk and ensure that appropriate performance standards are in place to support the management of these risks.

4. **Data trending:** In addition to looking at numerical trends, inspection data can indicate how mindful staff in specific organisations are of process safety issues. Assessing company performance across management system areas against a tool such as the safety culture maturity scale could give an insight into where a company sits in terms of 'mindfulness' of safety. Results could be used to inform NOPSEMA's inspection planning and industry feedback.

5. **Inspector competence:** The inspection focus assumes that NOPSEMA inspectors have a significant level of competency in process safety. NOPSEMA should understand the competency levels throughout their inspectorate and address gaps as necessary.

The year ahead

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

- **industry performance**, including analysis of available data to encourage 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, improving approval timelines, improving NOPSEMA's interactions with operators and reducing duplication
- **encouraging legislative action** needed from the states and the Northern Territory in relation to the ongoing conferral of functions to NOPSEMA, thus 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
- supporting NOPSEMA's **drive for greater transparency** in the regulatory regime, particularly for environmental approvals
- **clarification of NOPSEMA's expectations of industry** during the stakeholder engagement process for environmental approvals
- **ongoing advice** to the CEO at Advisory Board meetings and out of session.

Membership and attendance

Ms Anne-Marie Delahunt resigned on 17 October 2016 and the terms of Mr Keith Spence and Dr Jan Hayes expired on 17 March 2017. Ms Erica Smyth was appointed as Acting Chair on 8 November 2016 and was formally appointed as Chair on 18 March 2017. Mr Anthony Evans and Prof Melinda Hodkiewicz were appointed on 18 March 2017 and Mr James Limerick's term was extended until 30 June 2020.

There were four meetings during the reporting period: 11 August 2016, 10 November 2016, 23 February 2017 and 17 May 2017.

A senior representative of the Department of Industry, Innovation and Science attends Advisory Board meetings as an observer to ensure there is effective communication between the Advisory Board and the department, and that policy issues and their priorities are well understood.

Attendance at meetings is indicated in Table 7.

Financial statement

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

Advisory Board expenditure in 2016–17 in comparison to 2015–16 is set out in Table 8.

Meeting attendance

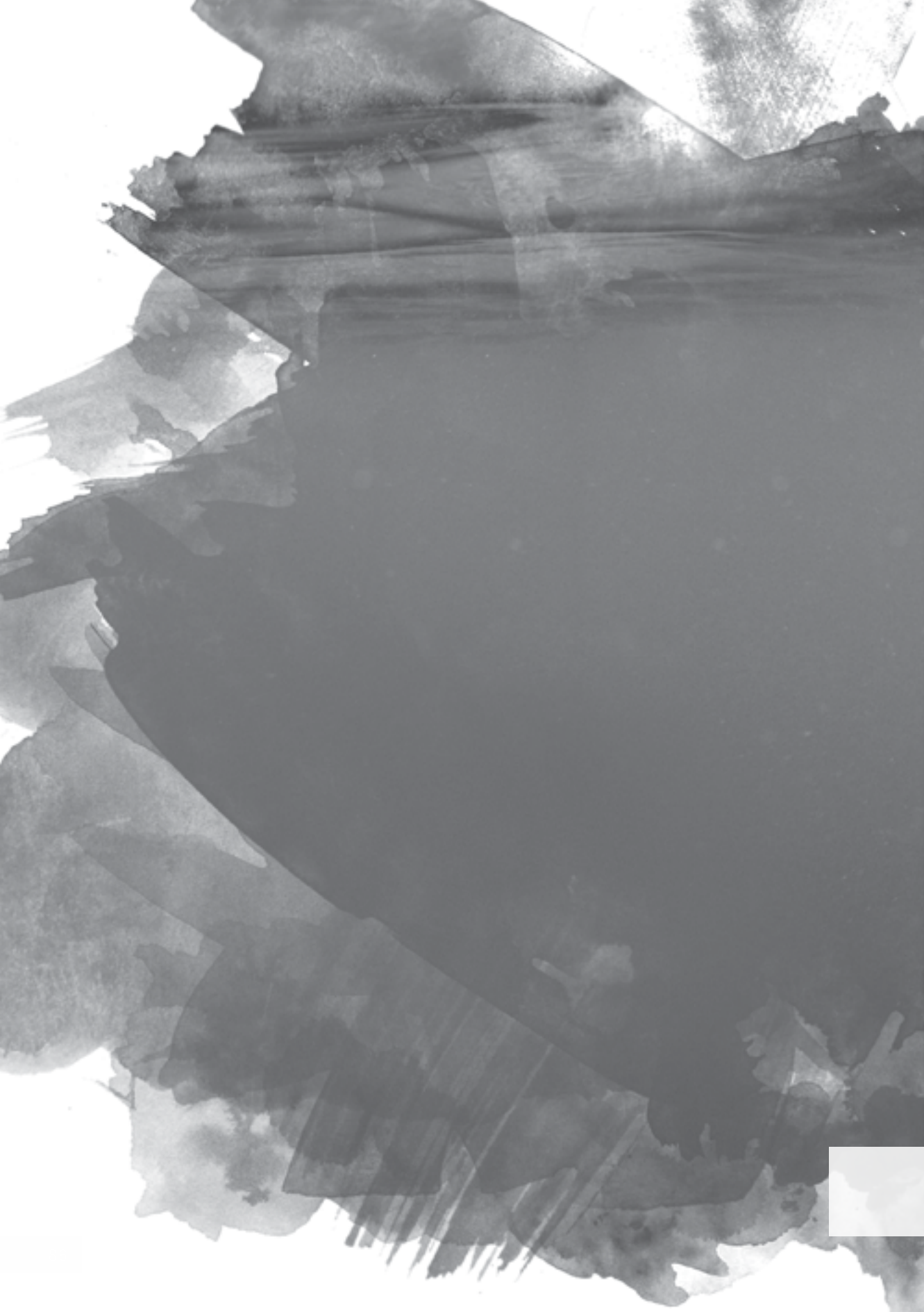
Name	11 Aug 2016 Meeting 19	10 Nov 2016 Meeting 20	23 Feb 2017 Meeting 21	17 May 2017 Meeting 22
Mr Keith Spence (Chair)	✓	✓	Apology	n/a
Dr Jan Hayes	✓	✓	✓	n/a
Dr James Limerick	✓	✓	✓	✓
Ms Anne-Marie Delahunt	✓	n/a	n/a	n/a
Ms Trish Kerin	✓	✓	✓	✓
Mr Ken Fitzpatrick	✓	✓	✓	✓
Ms Erica Smyth	n/a	Apology	✓	✓
Mr Anthony Evans	n/a	n/a	n/a	✓
Prof Melinda Hodkiewicz	n/a	n/a	n/a	✓

Table 7

Expenditure

Expenditure items	Annual budget 2016–17 (\$'000)	Actuals 2016–17 (\$'000)	Variance favourable/ (unfavourable) (\$'000)	Last year's actuals 2015–16 (\$'000)
Members' remuneration	250	249	1	246
Travel and accommodation	14	13	1	14
Other expenses	1	1	0	1
Total	265	263	2	261

Table 8





Financial statements

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of the National Offshore Petroleum Safety Environmental Management Authority for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Offshore Petroleum Safety Environmental Management Authority as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the National Offshore Petroleum Safety Environmental Management Authority, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Schedule of Contingencies; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

In preparing the financial statements, the Chief Executive is responsible for assessing the National Offshore Petroleum Safety Environmental Management Authority's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

Auditor's Responsibilities for the Audit of the Financial Statements

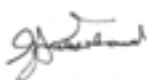
My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

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

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

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

Australian National Audit Office



Garry Sutherland
Audit Principal
Delegate of the Auditor-General
Canberra
29 September 2017

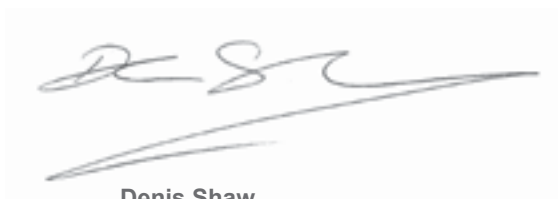
Statement by Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2017 are based on properly maintained financial records and give a true and fair view of the matters required by the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR), made under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), as amended.



Stuart Smith
Chief Executive Officer

27 September 2017



Denis Shaw
Chief Financial Officer

27 September 2017

Statement of Comprehensive Income

For the Year Ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
EXPENSES			
Employee benefits	3A	23,491	24,661
Suppliers	3B	5,907	7,004
Depreciation and amortisation	3C	1,771	1,769
Total expenses		31,169	33,434
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Levies	4A	35,968	30,321
Interest	4B	148	193
Other revenue	4C	116	93
Total own-source revenue		36,232	30,607
Net cost of services		5,063	(2,827)
Revenue from Government		—	—
Surplus (Deficit) on continuing operations		5,063	(2,827)
Surplus (Deficit) attributable to the Australian Government		5,063	(2,827)

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

Statement of Financial Position

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	12,338	9,205
Trade and other receivables	5B	8,757	7,202
Total financial assets		21,095	16,407
Non-Financial Assets			
Land and buildings	6A,C	2,064	2,506
Infrastructure, plant and equipment	6B,C	389	625
Intangibles	6D,E	29	709
Other non-financial assets	6F	385	88
Total non-financial assets		2,867	3,928
		23,962	20,335
LIABILITIES			
Payables			
Suppliers	7A	(177)	(575)
Other payables	7B	(678)	(1,571)
Total payables		(855)	(2,146)
Provisions			
Employee provisions	8A	(4,893)	(4,862)
Other provisions	8B	(2,540)	(2,716)
Total provisions		(7,433)	(7,578)
Total liabilities		(8,288)	(9,724)
Net Assets		15,674	10,611
EQUITY			
Parent Entity Interest			
Contributed equity		896	896
Retained surplus		14,778	9,715
Total parent entity interest		15,674	10,611
Total equity		15,674	10,611

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

Statement of Changes in Equity

For the Year Ended 30 June 2017

	Retained earnings		Contributed equity/capital		Total equity	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance						
Balance carried forward from previous period	9,715	12,542	896	896	10,611	13,438
Adjusted opening balance	9,715	12,542	896	896	10,611	13,438
Comprehensive income						
Surplus (Deficit) for the period	5,063	(2,827)	—	—	5,063	(2,827)
Total comprehensive income	5,063	(2,827)	—	—	5,063	(2,827)
of which:						
Attributable to the Australian Government	5,063	(2,827)	—	—	5,063	(2,827)
Transactions with owners	—	—	—	—	—	—
Sub-total transactions with owners	—	—	—	—	—	—
Closing balance as at 30 June	14,778	9,715	896	896	15,674	10,611

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

Cash Flow Statement

For the Year Ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		–	–
Receipts from levies		36,044	28,739
Interest		148	193
GST received		631	871
Other		110	51
Total cash received		36,933	29,854
Cash used			
Employees		(23,459)	(24,000)
Suppliers		(6,845)	(5,397)
GST paid		(604)	(824)
Accommodation		(2,484)	(2,377)
Total cash used		(33,392)	(32,598)
Net cash from (used by) operating activities	9	3,541	(2,744)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		6	–
Proceeds from sales of non-capital fitouts		–	–
Total cash received		6	–
Cash used			
Purchase of non-current assets		(414)	(1,098)
Total cash used		(414)	(1,098)
Net cash from (used by) investing activities		(408)	(1,098)
Net increase (decrease) in cash held		3,133	(3,842)
Cash and cash equivalents at the beginning of the reporting period			
		9,205	13,047
Cash and cash equivalents at the end of the reporting period	5A	12,338	9,205

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

Schedule of Commitments

as at 30 June 2017

	2017 \$'000	2016 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments ¹	1,789	2,204
Total commitments receivable	1,789	2,204
Commitments payable		
Other Commitments		
Operating leases ²	(18,505)	(21,562)
Commitments to Suppliers	(1,172)	(2,677)
Total other commitments	(19,677)	(24,239)
Net commitments by type	(17,888)	(22,035)
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	316	299
From one to five years	1,366	1,299
Over five years	–	363
Total operating lease income	1,682	1,961
Commitments to Suppliers		
One year or less	107	211
From one to five years	–	32
Total commitments to suppliers	107	243
Total commitments receivable	1,789	2,204
Commitments payable		
Other Commitments		
Operating lease commitments		
One year or less	(3,476)	(3,285)
From one to five years	(15,029)	(14,293)
Over five years	–	(3,984)
Total operating lease commitments	(18,505)	(21,562)
Commitments to Suppliers		
Represented by outstanding purchase orders which have not been completed		
One year or less	(1,172)	(2,323)
From one to five years	–	(354)
Total commitments to suppliers	(1,172)	(2,677)

Schedule of Commitments (Cont'd)

as at 30 June 2017

	2017 \$'000	2016 \$'000
Total other commitments		
One year or less	(4,648)	(5,608)
From one to five years	(15,029)	(14,647)
Over five years	–	(3,984)
Total other commitments by maturity	(19,677)	(24,239)
Net commitments by maturity	(17,888)	(22,035)

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 2017 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 2019.

Schedule of Contingencies

as at 30 June 2017

BY TYPE	2017 \$'000	2016 \$'000
Contingent assets		
Guarantees	—	—
Claims for damages or costs	—	—
Total contingent assets	—	—
Contingent liabilities		
Claims for damages or costs	—	—
Total contingent liabilities	—	—
Net contingent assets	—	—

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

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Note 1: Summary of Significant Accounting Policies

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

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

1.2 Basis of Preparation of the Financial Report

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

The financial statements have been prepared in accordance with:

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

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

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

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

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

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 2016-17 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.

Note 1: Summary of Significant Accounting Policies (Cont'd)

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.

New standards, revised standards, interpretations and amending standards, issued prior to the signing of the statements, which are applicable to future reporting periods are not expected to have a financial impact on the NOPSEMA.

NOPSEMA will apply AASB 15 Revenue from Contracts with Customers from 2018-19. The standard requires revenue from such contracts to be recognised as the entity transfers goods and services to the customer. A detailed assessment is yet to be undertaken, however, based on a preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

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

Note 1: Summary of Significant Accounting Policies (Cont'd)

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.

Due to regulatory constraints NOPSEMA is not allowed to refund customers directly. Remittal towards rejected submission were issued. During this year NOPSEMA paid \$425,520 to Department of Industry, Innovation and Science to refund customers.

Note 1: Summary of Significant Accounting Policies (Cont'd)

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.

Note 1: Summary of Significant Accounting Policies (Cont'd)

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.

Note 1: Summary of Significant Accounting Policies (Cont'd)

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.

Note 1: Summary of Significant Accounting Policies (Cont'd)

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:

	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Note 1: Summary of Significant Accounting Policies (Cont'd)

Impairment

All assets were assessed for impairment at 30 June 2017. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.17 Intangibles

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

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

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

All software assets were assessed for indications of impairment as at 30 June 2017.

1.18 Taxation / Competitive Neutrality

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

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

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

Note 2: Events after the Reporting Period

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

Note 3: Expenses

	2017 \$'000	2016 \$'000
Note 3A: Employee benefits		
Wages and salaries	16,944	17,498
Superannuation:		
Defined benefit plans	653	919
Defined contribution plans	2,561	2,866
Leave and other entitlements	3,271	3,295
Other employee benefits	62	83
Total employee benefits	23,491	24,661
Note 3B: Suppliers		
Consultants	304	367
Contractors	37	73
Communication	181	141
Consumables	145	186
Travel and accommodation	492	579
IT services	954	1,386
Insurance	60	53
Utility	101	104
Temporary staff	538	865
Training and conferences	149	457
Registration and licenses	421	307
Others	93	79
Total goods and services	3,475	4,597
Provision of goods – external parties	145	720
Rendering of services – external parties	3,330	3,877
Total goods and services	3,475	4,597
Other supplier expenses		
Operating lease rentals	2,307	2,283
Workers compensation premiums	125	125
Total other supplier expenses	2,432	2,408
Total supplier expenses	5,907	7,004
Note 3C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	356	207
Buildings	442	449
Total depreciation	798	656
Amortisation:		
Intangibles:		
Computer Software:	973	1,113
Total amortisation	973	1,113
Total depreciation and amortisation	1,771	1,769

Note 4: Income

	2017 \$'000	2016 \$'000
Own Source Revenue		
Note 4A: Levies		
Well Levy	4,259	4,774
Safety Levy	18,074	14,774
Environmental Levy	13,635	10,773
Total revenue from Levies	35,968	30,321
Note 4B: Interest		
Deposits	148	193
Total Interest	148	193
Note 4C: Other revenue		
Other revenue	115	90
Freedom of Information applications	1	3
Total other revenue	116	93

Note 5: Financial Assets

	2017 \$'000	2016 \$'000
Note 5A: Cash and Cash Equivalents		
Special Accounts	–	–
Cash at Bank	12,338	9,205
Total cash and cash equivalents	12,338	9,205
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services – external parties	5,561	5,709
Total receivables for goods and services	5,561	5,709
Other receivables:		
Accrued interest receivable	16	15
Safety case levy / accrued revenue	3,097	1,368
Travel advances	5	5
GST receivable from the Australian Taxation Office	77	104
Other	1	1
Total and other receivables	3,196	1,493
Less impairment allowances account	–	–
Total trade and other receivables (net)	8,757	7,202
Receivables are expected to be recovered in:		
No more than 12 months	8,757	7,202
More than 12 months	–	–
Total trade and other receivables (net)	8,757	7,202
Receivables are aged as follows:		
Not overdue	3,196	4,742
Overdue by:		
0 to 30 days	4,190	701
31 to 60 days	894	216
61 to 90 days	409	288
More than 90 days *	68	1,255
Total receivables (gross)	8,757	7,202

Note:

* Receivables overdue by more than 90 days consists of Receivables of \$765,038 with provision for doubtful accounts of \$696,808. 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

	2017 \$'000	2016 \$'000
Note 6A: Buildings		
Leasehold improvements:		
Fair value	4,671	4,671
Accumulated depreciation	(2,607)	(2,165)
Total leasehold improvements	2,064	2,506
Total buildings	2,064	2,506

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	1,996	1,875
Accumulated depreciation	(1,607)	(1,250)
Total infrastructure, plant and equipment	389	625

The historical cost of leasehold improvements and infrastructure, plant and equipment was deemed to represent fair value at 30 June 2017.

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 6: Non-Financial Assets (Cont'd)

Note 6C: Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2016–17)

	Buildings \$'000	Infrastructure plant & equipment \$'000	Total \$'000
As at 1 July 2016			
Gross book value	4,671	1,875	6,546
Accumulated depreciation and impairment	(2,165)	(1,250)	(3,415)
Net book value 1 July 2016	2,506	625	3,131
Additions:			
By purchase	–	125	125
Revaluations and impairments recognised in other comprehensive income	–	–	–
Impairments recognised in the operating result	–	–	–
Reversal of impairments recognised in the operating result	–	–	–
Depreciation expense	(442)	(356)	(798)
Disposals: Cost	–	–	–
Disposals: Accumulated Depreciation	–	(5)	(5)
Net book value 30 June 2017	2,064	389	2,453
Net book value as of 30 June 2017 represented by:			
Gross book value	4,671	1,996	6,667
Accumulated depreciation	(2,607)	(1,607)	(4,214)
	2,064	389	2,453

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

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

	Buildings \$'000	Infrastructure 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)
Closing net book value	2,506	625	3,131

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

	2017 \$'000	2016 \$'000
Note 6D: Intangibles		
Computer software:		
Internally developed – in progress	–	–
Internally developed – in use	6,405	6,112
Total computer software (gross)	6,405	6,112
Accumulated amortisation	(6,376)	(5,403)
Total computer software (net)	29	709
Total intangibles	29	709

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 (2016–17)

	Computer software internally developed \$'000
As at 1 July 2016	
Gross book value	6,112
Accumulated amortisation	(5,403)
Net book value 1 July 2016	709
Additions:	
By purchase	293
Revaluations and impairments recognised in other comprehensive income	–
Impairments recognised in the operating result	–
Reversal of impairments recognised in the operating result	–
Amortisation expense	(973)
Net book value 30 June 2017	29
Net book value as of 30 June 2017 represented by:	
Gross book value	6,405
Accumulated amortisation	(6,376)
	29

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

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles (2015-16) (Cont'd)

	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)
Closing net book value	709

	2017 \$'000	2016 \$'000
Note 6F: Other Non-Financial Assets		
Prepayments	385	88
Total other non-financial assets	385	88

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

Note 7: Payables

	2017 \$'000	2016 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	(177)	(575)
Total supplier payables	(177)	(575)
Settlement is usually made within 30 days.		
Note 7B: Other		
Wages and salaries	(171)	(94)
Deposits held	(507)	(1,477)
GST payable to ATO	–	–
Total other payables	(678)	(1,571)
Total other payables are expected to be settled in:		
No more than 12 months	(678)	(1,571)
More than 12 months	–	–
	(678)	(1,571)

Note 8: Provisions

	2017 \$'000	2016 \$'000
Note 8A: Employee Provisions		
Leave	(4,238)	(4,208)
Other	(655)	(653)
Total employee provisions	(4,893)	(4,862)
Employee provisions are expected to be settled in:		
No more than 12 months	(3,139)	(3,091)
More than 12 months	(1,754)	(1,771)
Total employee provisions	(4,893)	(4,862)
Note 8B: Other Provisions		
Provision for restoration obligations	(487)	(487)
Lease incentive	(2,053)	(2,229)
Total other provisions	(2,540)	(2,716)
Other provisions are expected to be settled in:		
More than 12 months	(2,540)	(2,716)
Total other provisions	(2,540)	(2,716)
	Provision for restoration \$'000	
Carrying amount 1 July 2016	(2,716)	
Additional provisions made	—	
Amounts used	176	
Unwinding of discount or change in discount rate	—	
Closing balance 2017	(2,540)	

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

	2017 \$'000	2016 \$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow Statement	12,338	9,205
Statement of Financial Position	12,338	9,205
Difference	–	–
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	5,063	(2,827)
Add revenue from government	–	–
Adjustments for non-cash items		
Depreciation /amortisation	1,771	1,769
Amounts received free of charge	–	42
Gain on assets disposal	(6)	–
Changes in assets / liabilities		
Decrease / (increase) in net receivables	(1,582)	(2,341)
Decrease / (increase) in prepayments	(297)	2
(Decrease) / increase in employee provisions	32	661
(Decrease) / increase in other provisions	(176)	(94)
(Decrease) / increase in supplier payables	(412)	316
(Decrease) / increase in accrued liabilities and levies paid in advance	(879)	(319)
Decrease / (increase) in GST receivable	27	47
Net cash from / (used by) operating activities	3,541	(2,744)

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

	2017 \$	2016 \$
Senior Executive Remuneration Expense for the Reporting Period		
Short-term employee benefits:		
Salary	1,059,625	1,180,000
Annual leave accrued	105,625	116,000
Total Short-term employee benefits	1,165,250	1,296,000
Post-employment benefits:		
Superannuation	192,265	245,895
Total post-employment benefits	192,265	245,895
Other long-term benefits		
Long-service leave	29,248	31,044
Total other long-term benefits	29,248	31,044
Termination benefits	388,001	—
Total	1,774,764	1,572,939

Notes:

- Note 11 was prepared on an accrual basis.
- The total number of senior management personnel that are included in the above table are 4 individuals (2016: 4 individuals). This year includes both a retiring HoD and new HoD for safety & integrity.

Note 12: Related Party Disclosures

Related party relationships:

NOPSEMA is an independent statutory authority established under the *Offshore Petroleum Greenhouse Gas Storage Act 2006*. Related parties to NOPSEMA are Key Management Personnel, the Portfolio Minister, and other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

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

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the entity, it has been determined that there are no related related party transactions to be separately disclosed.

Note 13: Remuneration of Auditors

	2017 \$'000	2016 \$'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	44
Total	44	44

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

Note 14: Financial Instruments

	2017 \$'000	2016 \$'000
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	12,338	9,205
Trade and other receivables	8,757	7,202
Total	21,095	16,407
Carrying amount of financial assets	21,095	16,407
Financial Liabilities		
At amortised cost:		
Trade creditors	(177)	(575)
Other	(678)	(1,571)
Total	(855)	(2,146)
Carrying amount of financial liabilities	(855)	(2,146)
Note 14B: Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	148	193
Net gain from loans and receivables	148	193
Net gain from financial assets	148	193

The interest income from financial assets at fair value through profit or loss was \$148,000 in the year ending 2017 [2016: \$193,000].

Note 14C: 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 2017 [2016: Nil].

Note 14D: Fair Value of Financial Instruments

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

Note 14: Financial Instruments (Cont'd)

Note 14E: 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 (2017: \$8,757,429 and 2016: \$7,202,000).

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.

Note 14F: Liquidity Risk

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

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

	within 1 year \$'000	Total \$'000
Maturities for non-derivatives financial liabilities 2017		
Other Liabilities		
Trade creditors	177	177
Other liabilities	678	678
Total	855	855
	within 1 year \$'000	Total \$'000
Maturities for non-derivatives financial liabilities 2016		
Other Liabilities		
Trade creditors	575	575
Other liabilities	1,571	1,571
Total	2,146	2,146

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

Note 14G: Market Risk

NOPSEMA held basic financial instruments that did not expose the entity to certain market risks. NOPSEMA is not exposed to 'Currency risk' or 'Other price risk'.

Interest Rate Risk

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

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

Note 15: Appropriations

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

2017 Appropriations						
	Annual Appropriation	Appropriations reduced ¹	AFM ²	Total Appropriation	Appropriation applied in 2016	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
DEPARTMENTAL						
Ordinary annual services	—	—	—	—	—	—
Other services	—	—	—	—	—	—
Total departmental	—	—	—	—	—	—

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

Notes:

No appropriation during the year, FY16 was also nil as comparison

Note 16: 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 *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGGS Act)*. The legal authority for appropriations from this account is Section 21 of the *Public Governance, Performance and Accountability Act 2013*. The purpose of the account is detailed in Section 684 OPGGS Act as follows:

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

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

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

NOPSEMA identified one special account being the NOPSEMA Special Account. As at 30 June 2017 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.

	2017 \$'000	2016 \$'000
National Offshore Petroleum Safety and Environmental Management Authority		
Balance carried from previous period	9,205	13,047
Costs recovered	36,044	28,739
Other receipts	895	1,115
Total increase	36,939	29,854
Available for payments	46,144	42,901
Payments made to employees	(23,459)	(24,000)
Payments made to suppliers and GST	(7,863)	(7,319)
Other payments made	(2,484)	(2,377)
Total decrease	(33,806)	(33,696)
Total balance carried to next period	12,338	9,205

Note 17: Reporting of Outcomes

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

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

Note 17A: Net Cost of Outcome Delivery

	Outcome 1	
	2017 \$'000	2016 \$'000
Expenses		
Departmental	(31,169)	(33,434)
Total	(31,169)	(33,434)
Income from non-government sector		
Departmental	35,968	30,321
Total	35,968	30,321
Other own-source income		
Departmental	264	286
Total	264	286
Net cost/(contribution) of outcome delivery	5,063	(2,827)

Note 17: Reporting of Outcomes (Cont'd)

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

	Outcome 1	
	2017 \$'000	2016 \$'000
Departmental Expenses:		
Employees	(23,491)	(24,661)
Suppliers	(5,907)	(7,004)
Depreciation and amortisation	(1,771)	(1,769)
Total	(31,169)	(33,434)
Departmental Income:		
Sale of goods and services	36,084	30,414
Income from government	—	—
Interest	148	193
Total	36,232	30,607
Departmental Assets:		
Cash and cash equivalents	12,338	9,205
Trade and other receivables	8,757	7,202
Land and buildings	2,064	2,506
Property, plant and equipment	389	625
Intangibles	29	709
Other non-financial assets	385	88
Total	23,962	20,335
Departmental Liabilities:		
Suppliers	(177)	(575)
Other payables	(678)	(1,571)
Employee provisions	(4,893)	(4,862)
Other provisions	(2,540)	(2,716)
Total	(8,288)	(9,724)

Note 18: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budgets as presented in the 2016–17 Portfolio Budget Statements (PBS) to the 2016–17 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 2017

	Actual	Budget estimate	
	2017	Original	Variance
	\$'000	2017	2017
		\$'000	\$'000
EXPENSES			
Employee benefits	23,491	26,500	3,009
Supplier	5,907	8,630	2,723
Depreciation and amortisation	1,771	1,861	90
Total expenses	31,169	36,991	5,822
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	36,232	32,406	(3,826)
Total own-source revenue	36,232	32,406	(3,826)
Net cost of services	5,063	(4,585)	(9,648)
Revenue from Government	—	—	—
Surplus (Deficit) on continuing operations	5,063	(4,585)	(9,648)
Surplus (Deficit) attributable to the Australian Government	5,063	(4,585)	(9,648)

Note 18: Budgetary Reports and Explanations of Major Variances (Cont'd)

Statement of Financial Position

as at 30 June 2017

	Actual	Budget estimate	
	2017	Original	Variance
	\$'000	2017	2017
		\$'000	\$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	12,338	6,852	(5,486)
Trade and other receivables	8,757	4,908	(3,849)
Total financial assets	21,095	11,760	(9,335)
Non-Financial Assets			
Land and buildings	2,453	2,602	149
Intangibles	29	187	158
Other non-financial assets	385	90	(295)
Total non-financial assets	2,867	2,879	12
Total assets	23,962	14,639	(9,323)
LIABILITIES			
Payables			
Suppliers	(177)	(99)	78
Other payables	(678)	(1,221)	(543)
Total payables	(855)	(1,320)	(465)
Provisions			
Employee provisions	(4,893)	(4,955)	(62)
Other provisions	(2,540)	(2,841)	(301)
Total provisions	(7,433)	(7,796)	(363)
Total liabilities	(8,288)	(9,116)	(828)
Net assets	15,674	5,523	(10,151)
EQUITY			
Parent Entity Interest			
Contributed equity	896	896	—
Retained surplus	14,778	4,627	(10,151)
Total parent entity interest	15,674	5,523	(10,151)
Total equity	15,674	5,523	(10,151)

Note 18: Budgetary Reports and Explanations of Major Variances (Cont'd)

Statement of Changes in Equity															
For the Year Ended 30 June 2017															
	Contributed equity/capital						Contributed equity/capital			Total equity					
	Actual		Budget estimate		Actual		Budget estimate		Actual		Budget estimate		Total equity		
	2017	Original	Variance	2017	Original	Variance	2017	Original	Variance	2017	Original	Variance	2017	Original	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance															
Balance carried forward from previous period	9,715	9,212	(503)	896	896	–	–	–	–	10,611	10,108	(503)			
Adjusted opening balance	9,715	9,212	(503)	896	896	(503)	–	–	–	10,611	10,108	(503)			
Comprehensive income															
Surplus (Deficit) for the period	5,063	(4,585)	(9,648)	–	–	(9,648)	–	–	–	5,063	(4,585)	(9,648)			
Total comprehensive income	5,063	(4,585)	(9,648)	–	–	(9,648)	–	–	–	5,063	(4,585)	(9,648)			
of which:															
Attributable to the Australian Government	5,063	(4,585)	(9,648)	–	–	(9,648)	–	–	–	5,063	(4,585)	(9,648)			
Transactions with owners	–	–	–	–	–	–	–	–	–	–	–	–			
Sub-total transactions with owners	–	–	–	–	–	–	–	–	–	–	–	–			
Closing balance as at 30 June	14,778	4,627	(10,151)	896	896	(10,151)	–	–	–	15,674	5,523	(10,151)			

Note 18: Budgetary Reports and Explanations of Major Variances (Cont'd)

Cash Flow Statement

For the Year Ended 30 June 2017

	Actual	Budget estimate	
	2017	Original	Variance
	\$'000	2017	2017
		\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	—	—	—
Sale of goods and rendering of services	36,933	32,406	(4,527)
Total cash received	36,933	32,406	(4,527)
Cash used			
Employees	(23,459)	(26,500)	(3,041)
Suppliers	(9,933)	(8,631)	1,302
Total cash used	(33,392)	(35,131)	(1,739)
Net cash from (used by) operating activities	3,541	(2,725)	(6,266)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	6	—	(6)
Proceeds from sales of non-capital fitouts	—	—	—
Total cash received	6	—	(6)
Cash Used			
Purchase of non-current assets	(414)	(1,000)	(586)
Total cash used	(414)	(1,000)	(586)
Net cash from (used by) investing activities	(408)	(1,000)	(592)
Net increase (decrease) in cash held	3,133	(3,725)	(6,858)
Cash and cash equivalents at the beginning of the reporting period	9,205	10,577	1,372
Cash and cash equivalents at the end of the reporting period	12,338	6,852	(5,486)

5A

Note 18: Budgetary Reports and Explanations of Major Variances (Cont'd)

Explanations of major variances	Affected line items
Operating expenses were substantially constrained by NOPSEMA in anticipation of budgetary pressures in future periods (\$3M).	Statement of Comprehensive Income: Employee benefits Statement of Financial Position: Cash Statement of Equity: Surplus. Cashflow Statement: Cash used – Employees
In 2016–17, notwithstanding the continued decline in industry activity, NOPSEMA's financial result was positively impacted by 'on off' extraordinary levy revenue (\$3.8M).	Statement of Income: Revenue Statement of Financial Position: Cash Statement of Equity: Surplus. Statement of Cashflow: Cash received – Sale of goods and rendering of services
Revenue from the Government was no longer receivable by NOPSEMA due to legislative change.	Statement of Income: Revenue from Government. Statement of Cashflow
Trade and other receivables have increased in the period. This is as a result of delaying levy billing until the end of each billing period, due to legislative restrictions on issuing credit notes.(\$3.8M).	Statement of Financial Position: Cash and Receivables Statement of Cashflow: Sale of goods and rendering of services
Capital purchases decreased. This is as a result of planned reduction in infrastructure upgrade and consultants cost on intangible assets (\$0.3M).	Statement of Income: Depreciation Statement of Financial Position: Intangibles Statement of Cashflows: Purchase of non-current assets
Other Non-financial assets increased mainly due to prepayment of rent (\$ 0.2M).	Statement of Income: Statement of Financial Position: Other Non-Financial Assets Statement of Financial Position: Intangibles Statement of Cashflows: Purchase of non-current assets
Non-receipt of invoice towards internal audit fee and for ongoing IT support resulted in increased accrued expenses against budget (\$0.07M).	Statement of Financial Position: Suppliers Statement of Cashflow: Cash used – Suppliers
Increased environmental plan submission pending approval increased other payable. (\$.5M).	Statement of income: Sale of goods and rendering of services Statement of Financial Position: Other Payables
Other provisions relate to Lease incentives and Makegood provisions and were in line with budget.	Statement of income: Supplier Statement of Financial Position: Other Provisions
Effective management of employee leave balances resulted in reduction of employee leave provisions (\$0.06M).	Statement of Financial Position: Employee Provisions



Appendices

Appendix 1: CEO biography

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

As Director General of the Department of Fisheries, recently amalgamated to form the Department of Primary Industries and Regional Development, Stuart managed the sustainable use of aquatic resources in Western Australia and in adjacent Commonwealth waters. This included developing and regulating commercial fishing, aquaculture, recreational fishing, aquatic biosecurity and selected aquatic safety and marine park compliance functions.

Stuart has also worked as a Deputy Director General and Acting Director General for the Department of Industry and Resources in Western Australia. As Deputy Director General for State Development, he was responsible for facilitating major mining and petroleum projects, attracting investment and promoting trade and economic expansion opportunities in Western Australia. 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 petroleum activity including onshore and offshore safety and environmental management.

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

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

Appendix 2: Statistics for ongoing and non-ongoing staff

NOPSEMA staffing and remuneration 2016–2017											
NOPSEMA classification	APS3	APS4	APS5	APS6	EL1 regulatory	EL1 regulatory integrity	EL2 regulatory lead	EL2 regulatory managers	EL2 well integrity	SES	
Full-time salary range (\$)	\$62 832	\$69 944	\$82 984	\$96,025	\$130 405	\$192 945	\$265 299	\$165 970	\$219 475	\$241 181	\$289 417
	—	—	—	—	—	—	—	—	—	—	\$292 863
	\$68 760	\$81 800	\$94 840	\$107 879	\$161 703	\$217 063	\$283 388	\$195 606	\$239 974	\$265 299	\$307 506
Staff total	2	12	5	9	3	46	6	5	3	10	1
Perth	2	12	5	9	3	41	5	5	3	9	1
Melbourne	0	0	0	0	0	5	1	0	0	1	0
Part-time	1	0	0	2	1	3	0	0	0	0	0
Full-time	1	12	5	7	2	43	6	5	3	10	1
Male	1	0	1	4	0	33	6	3	3	8	1
Female	1	12	4	5	3	13	0	2	0	2	0
Indigenous	0	0	0	0	0	0	0	0	0	0	0
Employment instrument											
Common law contract	2	12	5	9	3	46	6	5	3	10	1
											3

Appendix 3: EPBC Act streamlining performance report 2016–17

NOPSEMA is the sole regulator for environmental management of petroleum activities in Commonwealth waters, effectively eliminating the duplication of environmental authorisations that existed prior to February 2014.

In February 2014, NOPSEMA's environmental management authorisation process was endorsed by the Federal Minister for the Environment as a program that meets the requirements of Part 10, section 146 of the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act).

Following program endorsement, NOPSEMA entered into administrative arrangements with the then Department of the Environment. The administrative arrangements set out NOPSEMA and DoE responsibilities for program administration, including NOPSEMA's reporting of compliance with the endorsed program as described in the Streamlining offshore petroleum environmental approvals – program report.

Under the program, NOPSEMA cannot accept an environment plan that will result in unacceptable impacts to matters protected under Part 3 of the EPBC Act. The specific protected matters in the act that are relevant to the program are:

- World Heritage properties
- National Heritage places
- wetlands of international importance
- listed threatened species and ecological communities
- listed migratory species
- the Commonwealth marine area.

In 2015, the EPBC Act streamlining independent review found that NOPSEMA met all commitments under the program and that the required processes and procedures are in place for the program commitments to continue to be met in the future. The next review of the program is scheduled for 2020 as part of NOPSEMA's independent operational review.

In May 2017, the administrative arrangements were updated to reflect key learnings and current agency arrangements and practices for administering the program. These arrangements will be reviewed again in 2020.

In May 2017, NOPSEMA also published a guideline on environment plan decision-making (GL1721). The guideline explains how NOPSEMA makes a decision to accept an environment plan under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 and the requirement for impacts on matters protected under the EPBC Act to be of an acceptable level.

NOPSEMA has also been working closely with Parks Australia to revise NOPSEMA's guidance note on petroleum activities within Commonwealth marine reserves (GN1565) to reflect contemporary expectations for titleholder consultation with the Director of National Parks. NOPSEMA will continue to ensure all guidance relevant to matters protected under the EPBC Act remains up-to-date and clear.

NOPSEMA will continue to report annually to the Minister for the Environment and Energy in this manner until the next review is completed.

Environmental management submissions and NOPSEMA decisions under the program

1 July 2016 to 30 June 2017

Category	Number
Environment plan submissions ¹	38
Environment plan submissions in progress ¹	11
Offshore project proposal submissions in progress ¹	1
Decisions to accept offshore project proposals	0
Decisions to accept environment plans ²	33
Decisions to refuse to accept environment plans ²	1
Environment plans stopped/cancelled ²	3
Environment plan submissions accepted that pose unacceptable impacts to matters protected under Part 3 of the EPBC Act	0

1 Based on year of submission (1 July 2016 – 30 June 2017)

2 Based on year of completion (1 July 2016 – 30 June 2017)

Appendix 4: List of requirements

PGPA rule reference	Description of the requirement	Page of this report
17BE (a)	Details of the legislation establishing the body.	13
17BE (b)	A summary of the objects and functions of the entity as set out in the legislation.	13
17BE (c)	The purposes of the entity as included in the entity's corporate plan for the period.	11
17BE (d)	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 (e)	Any directions given to the entity by a minister under an act or instrument during the period.	n/a
17BE (f)	Any government policy orders that applied in relation to the entity during the period under section 22 of the PGPA Act.	n/a
17BE (g)	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 (h)	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.	50
17BE (i)	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 (j)	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 (k)	Information on the accountable authority, or each member of the accountable authority, of the entity during the period, including: <ul style="list-style-type: none"> the name of the accountable authority or member the qualifications of the accountable authority or member the experience of the accountable authority or member. 	135
17BE (l)	An outline of the location (whether or not in Australia) of major activities or facilities of the entity.	n/a
17BE (m)	Information in relation to the main corporate governance practices used by the entity during the period.	31

PGPA rule reference	Description of the requirement	Page of this report
	The decision making process undertaken by the accountable authority for making a decision if:	
17BE (n)	<ul style="list-style-type: none"> 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 the entity, and the other Commonwealth entity or the company, are related entities the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, is more than \$10 000 (inclusive of GST). 	49
	If the annual report includes information under paragraph (n):	
17BE (o)	<ul style="list-style-type: none"> if there is only one transaction—the value of the transaction if there is more than one transaction—the number of transactions and the aggregate of value of the transactions. 	n/a
17BE (p)	Any significant activities and changes that affected the operations or structure of the entity during the period.	44
17BE (q)	Particulars of judicial decisions or decisions of administrative tribunals made during the period that have had, or may have, a significant effect on the operations of the entity.	n/a
	Particulars of any report on the entity given during the period by:	
17BE (r)	<ul style="list-style-type: none"> 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) a Committee of either House, or of both Houses, of the Parliament the Commonwealth Ombudsman the Office of the Australian Information Commissioner. 	n/a
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

PGPA rule reference	Description of the requirement	Page of this report
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).	34
17BE (u)	An index identifying where the requirements of section 17BE and section 17BF (if applicable) are to be found.	139







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