



Annual Report 2011/12

This document is the Annual Report of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) covering operations conducted during the year ending 30 June 2012. NOPSEMA's Annual Report is made available to the Commonwealth Minister for Resources and Energy, the relevant state and Northern Territory ministers, the Standing Council on Energy and Resources (SCER), the offshore petroleum industry, its workforce and the public.

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

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This Annual Report is available for downloading from the NOPSEMA website, along with further information and documents about the authority and its activities, at nopsema.gov.au.

Letter to the Hon. Martin Ferguson AM MP, Minister for Resources and Energy

In accordance with Section 690 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, I have pleasure in submitting the National Offshore Petroleum Safety and Environmental Management Authority's Annual Report for the year ending 30 June 2012.

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



Jane Cutler
Chief Executive Officer
NOPSEMA
5 October 2012

Glossary of NOPSEMA Annual Report and NOPSEMA Advisory Board Report abbreviations

AAT	Administrative Appeals Tribunal
ALARP	as low as reasonably practicable
AMSA	Australian Maritime Safety Authority
APPEA	Australian Petroleum Production and Exploration Association Ltd.
APSC	Australian Public Service Commission
ATBA	area to be avoided
AAUWA	application for approval to undertake well activity
AWA	Australian Workplace Agreement
CLC	Common Law contract
CSTP	common safety training program
DA	designated authority
DSMS	diving safety management system
EL	executive level
EP	environment plan
EM	environmental management
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMOs	Finance Minister's orders
FOI Act	<i>Freedom of Information Act 1982</i>
FPSO	floating production, storage and offloading vessel
GST	goods and services tax
HAZOP	hazard and operability study
HSC	health and safety committee
HSR	health and safety representative

ICT	information communication technology
IPS	Information Publication Scheme
IRF	International Regulators' Forum
ISO	International Organization for Standardization
LNG	liquefied natural gas
MODU	mobile offshore drilling unit
MoU	Memorandum of Understanding
NABERS	National Australian Built Environment Rating System
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NOPTA	National Offshore Petroleum Titles Administrator
NT	Northern Territory
OHS	occupational health and safety
OPGGSA	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>
PNG	Papua New Guinea
PPI	petroleum project inspector(s)
PS Act	<i>Public Service Act 1999</i>
PSMP	pipeline safety management plan
PSZ	petroleum safety zone
RET	Department of Resources, Energy and Tourism
SEWPaC	Department of Sustainability, Environment, Water, Population and Communities
WA	Western Australia
WHS Act	<i>Work Health and Safety Act 2011</i>
WOMP	well operations management plan



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A respected and competent
safety regulator





Chief Executive Review

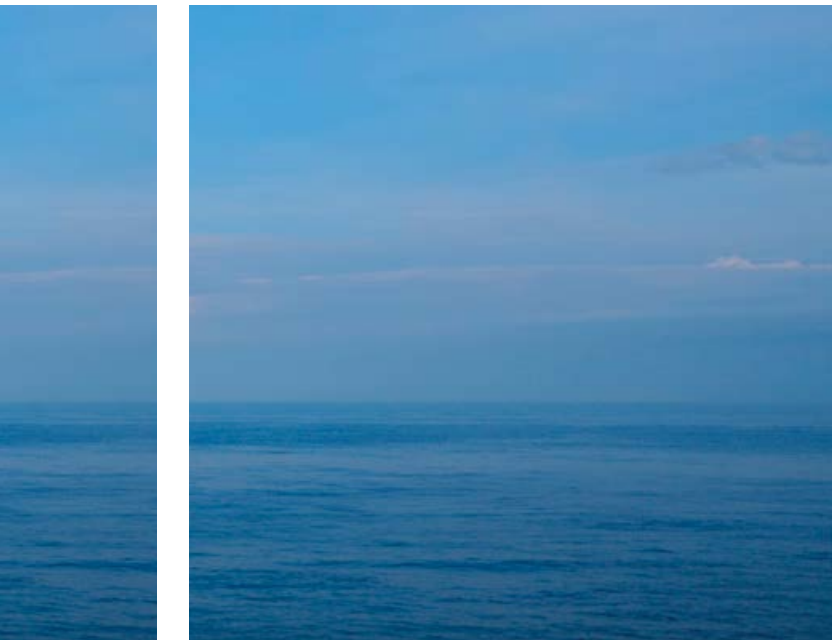
2011-12 has been a period of transition and growth for NOPSEMA.

The authority commenced the reporting period as the National Offshore Petroleum Safety Authority (NOPSA) and concluded it as the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA). Amendments to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and Regulations saw the authority's remit expanded while continuing as a single, independent regulatory body.

From 29 April 2011, NOPSA became the regulator for well integrity in Commonwealth waters. A good deal of the year was focused on engagement with industry to ensure a national understanding of the authority's proposed regulatory approach, while building a new regulatory team with the necessary specialist skills.

From 1 January 2012, NOPSEMA became Australia's national regulator for offshore safety, well integrity and environmental management of offshore petroleum activities in Commonwealth waters, and in coastal waters where functions have been conferred by states and the Northern Territory. NOPSEMA incorporates the regulatory and business functions of NOPSA, in addition to new functions and responsibilities for environmental management regulation, administration of petroleum safety zones, appointment of petroleum project inspectors and the authority to issue directions.

Maintaining regulatory oversight of offshore petroleum activities during a period of significant change and expansion is, of course, not without its challenges. The authority has achieved this through capable and experienced staff and rigorous processes designed to incorporate the additional regulatory functions and maintain existing functions to world's best practice.



The authority has remained focused on the robust, independent regulation of Australia's offshore petroleum industry

NOPSEMA's continued delivery of assessment, monitoring, inspection and compliance functions has relied on the authority's complement of specialists in occupational health and safety, well integrity and environmental management.

To help achieve this, a key task for the authority was to recruit a team of qualified environment specialists ready to perform environmental management regulation immediately on NOPSEMA's commencement date. This enabled the transfer of responsibility for regulatory oversight of environment plans and oil spill contingency plans from the previous state and territory designated authorities (DAs) to NOPSEMA.

The reporting period also covered a second independent triennial review of the authority's operations. Of note was a conclusion that NOPSA had "firmly established itself as a respected and competent safety regulator among stakeholders and peers." The review also highlighted the improvement in the authority's resources, procedures and 'early engagement' initiatives in the three years since the inaugural independent review in 2008.

The review panel's observations reflect, in part, NOPSEMA's targeted liaison and consultation with key stakeholders and early engagement processes for operators of new complex facilities prior to submission of a safety case.

Building on these achievements, and in respect of continuous improvement in its processes, NOPSEMA has retained its ISO 9001:2008 Quality Management System certification for all corporate and regulatory processes. NOPSEMA will also continue to work with the Department of Resources, Energy and Tourism to progress legislative amendments aimed at further enhancing the effectiveness of the offshore petroleum regulatory regime.

In assuming responsibilities for occupational health and safety, well integrity and environmental management as a single national regulator, the authority has remained focused on the robust, independent regulation of Australia's offshore petroleum industry. This outcome is achieved through the application of a regulatory framework that is consistent with internationally-recognised best practice.

The authority executes its compliance, improvement and governance functions in order to build industry awareness. NOPSEMA continues to collect, analyse and distribute offshore petroleum industry performance data to industry and the wider community to assist in achieving the authority's strategic priorities, undertaking regulatory processes and securing improved industry performance.

For example, in May 2012, NOPSEMA published the *Offshore Health and Safety Performance Report*, containing statistics, trends, observations and analysis of the offshore petroleum industry based on data collected to 31 December 2011. The report highlights areas of progress in industry safety performance, as well as areas where there is room for improvement. It was encouraging to note a downward trend in injury frequency and that no work-related fatalities were reported in 2011. In future, the industry performance report will be published annually and will include data covering offshore occupational health and safety, structural integrity and environmental management.

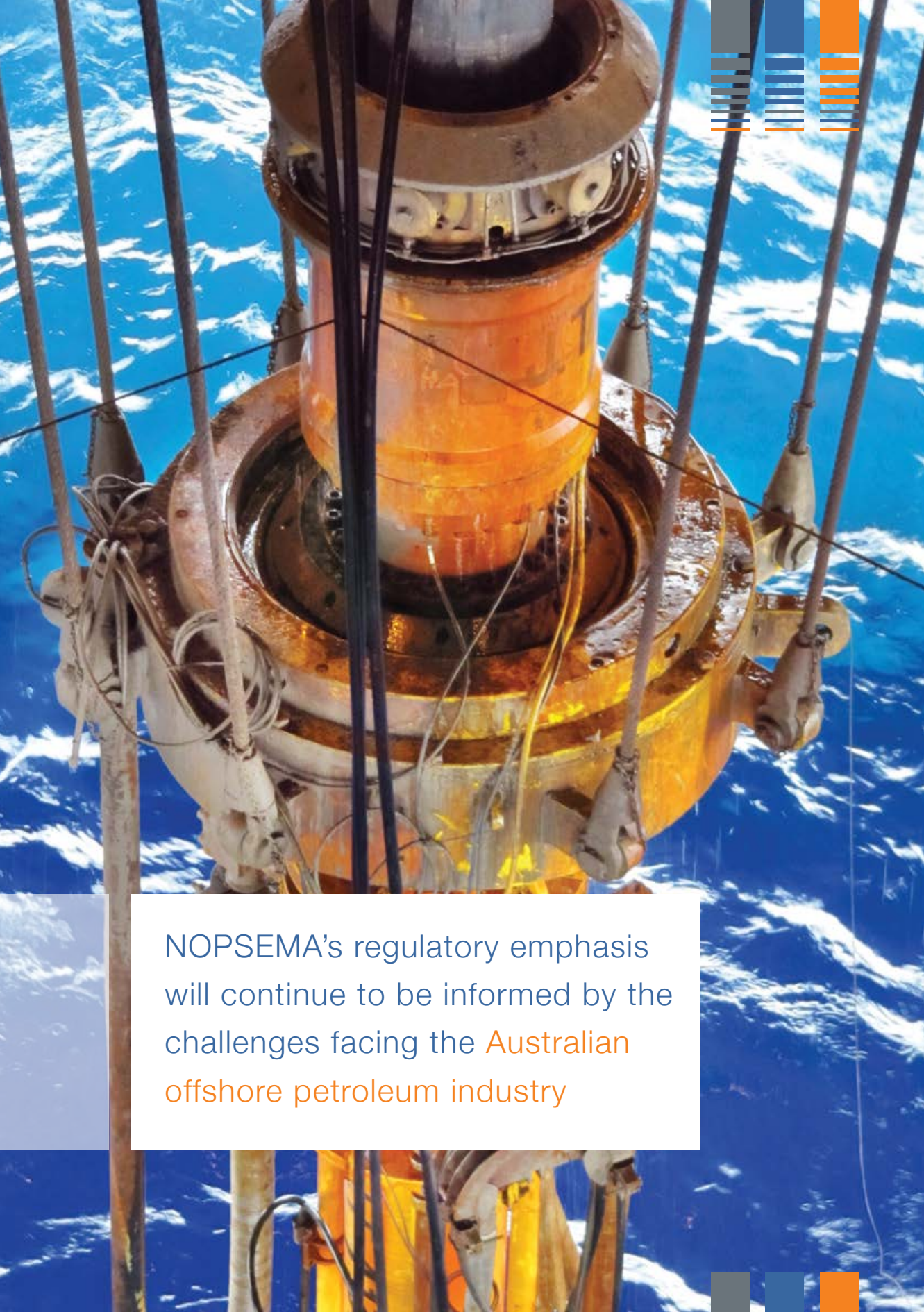
NOPSEMA's operations continue to be funded by cost recovery from industry through safety case, well operations management plan and environment plan levies, as detailed in the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003*, and in accordance with the Commonwealth Cost Recovery Guidelines.

NOPSEMA's regulatory emphasis will continue to be informed by the challenges facing the Australian offshore petroleum industry, including: maintenance of ageing infrastructure, employment of new technologies such as floating LNG production facilities, aligning workforce competency with the pace of activity, and meeting community expectations for responsible and sustainable practices.

As the national regulator, NOPSEMA is committed to consolidating the progress of the past year by continuing to perform its regulatory functions professionally, competently, independently and with respect for due process.



Jane Cutler
Chief Executive Officer



NOPSEMA's regulatory emphasis will continue to be informed by the challenges facing the **Australian offshore petroleum industry**





1. Overview of NOPSEMA

The National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) is the independent national regulator of health and safety, well integrity and environmental management of offshore petroleum industry activities in Commonwealth waters, and in coastal waters where state and Northern Territory functions have been conferred.

NOPSEMA is a Commonwealth independent statutory agency originally established as NOPSA in 2005 to regulate the health and safety of members of the workforce at Australian offshore petroleum facilities.

In 2009, the Productivity Commission commenced a review of Australian offshore petroleum regulation to consider ways to reduce the regulatory burden on industry.



In September 2009, while the report of the Productivity Commission was being considered, PTTEP Australasia's Montara platform located off Australia's northern coast experienced a sequence of events that compromised the well's integrity. This led to a blowout, which later ignited, causing a fire which engulfed the facility, and an oil spill that took more than 70 days to bring under control.

The Montara incident was Australia's most significant offshore petroleum industry accident in terms of its impact on community confidence, expectations for environmental management, and reform to Commonwealth offshore petroleum industry regulation.

A formal inquiry into the event and the subsequent publication of *The Montara Commission of Inquiry Report (2010)* produced 105 recommendations, 102 of which were accepted or noted by the Minister for Resources and Energy in 2011.

The recommendation that a single, national regulator be established to regulate offshore occupational health and safety, structural integrity of wells and environmental management in Commonwealth waters resulted in the establishment of NOPSEMA.

NOPSEMA commenced operations on 1 January 2012, assuming the regulatory functions of NOPSA, and establishing its new regulatory functions and responsibilities for environmental management regulation.

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





1.1 Our vision

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

1.2 Our mission

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

1.3 Our values

Leadership of the highest quality:

Provide high quality leadership through: shaping strategic thinking, encouraging productive working relationships, communicating with influence, motivating and exemplifying personal drive, integrity and ethical behaviour.

Valuing our staff:

Valuing staff by: promoting effective development and our organisational capability, commitment to our vision and mission, recognising achievements, and balancing work and personal commitments.

Effective consultation with stakeholders:

Effective consultation with stakeholders to develop shared commitment and purpose and encourage a collaborative working environment that fosters respect and acknowledges diversity.

Continuous improvement:

Foster a culture that encourages and values continuous improvement by objectively challenging ideas and practices, with emphasis on risk management and maintaining ISO certification.

1.4 Role and legislated functions

Role of NOPSEMA

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

The Commonwealth Minister for Resources and Energy's *Statement of Expectations* and NOPSEMA's *Statement of Intent* embody the guiding principles for, and commitment to, performing these functions.



THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY

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

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

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

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

Guiding principles

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

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

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

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

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

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

Specifically, NOPSEMA's responsibilities and functions are to:

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



Martin Ferguson



Statement of Intent

National Offshore Petroleum Safety and Environmental Management Authority

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

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

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



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

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

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

Legislated functions

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

- To promote the OHS of persons engaged in offshore petroleum operations or offshore greenhouse gas storage operations
- To develop and implement effective monitoring and enforcement strategies to secure compliance under the 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/state/NT minister
- To cooperate with other Commonwealth/state/NT agencies or authorities having functions relating to regulated operations.

1.5 Changes to the legislative regime

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

The Offshore Petroleum and Greenhouse Gas Storage Amendment (National Regulator) Act 2011

The Act established NOPSEMA through the expansion of NOPSA's former functions to include the regulation of environmental management. The Act also provides for certain operational matters to be performed by NOPSEMA including the management of petroleum safety zones around structures, the issuing of directions and the appointment of petroleum project inspectors. These were previously functions and powers held by the DAs.

The Act also established the National Offshore Petroleum Titles Administrator (NOPTA).

Amendments to Environment Regulations consequential to the National Regulator Act

The Federal Executive Council made four sets of amendment regulations that are consequential to the 'National Regulator Package of Amendments' to the OPGGSA and associated Acts. These included minor technical, machinery and transitional amendments. In addition to establishing NOPSEMA as the regulator, the amendments to the Environment Regulations include new consultation provisions.

The Offshore Petroleum and Greenhouse Gas Storage Amendment (Significant Incident Directions) Act 2012

This amendment to the OPGGSA specifically enables NOPSEMA to issue a direction to a petroleum titleholder in the event of a significant offshore petroleum incident occurring within the title area that has caused, or might cause, an escape of petroleum.

The Offshore Petroleum and Greenhouse Gas Storage Regulatory Levies Legislation Amendment (2011 Measures No.2)

The *Offshore Petroleum and Greenhouse Gas Storage Regulatory Levies Legislation Amendment (2011 Measures No.2) Act 2011* provides for NOPSEMA to impose levies on holders of offshore petroleum titles (in respect of environment plans) to recover the costs associated with NOPSEMA's administration of the Environment Regulations.

The Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Regulations 2004 were amended to provide details on the calculation and application of the new annual titles administration levy and environment plan levy.

Other

The WA Government has amended its *Petroleum (Submerged Lands) Act 1982* and associated Regulations, removing the conferral of powers on NOPSEMA. As such, NOPSEMA is no longer the regulator of occupational health and safety in Western Australian designated coastal waters.

1.6 Organisational structure, outcome and program structure of NOPSEMA

Further to recommendations arising from the *Commonwealth Government's Final Response to the Montara Commission of Inquiry Report* and coinciding with the *Miscellaneous Measures Bill* passing through Parliament in November 2010, NOPSA's regulatory remit was expanded during the reporting period, resulting in the authority's transition from NOPSA to NOPSEMA on 1 January 2012.

As a result of these legislative changes there was a re-structure of the organisation to provide for effective oversight of the authority's new areas of responsibility.

In August 2011, an environment division was established under a general manager, briefed to recruit and manage a team of specialists in preparation for NOPSEMA to commence environmental management regulation from 1 January 2012.

In April 2012, the former regulatory division was divided to create a safety and integrity division, which is focused on the key activities of assessments and inspections for health and safety and well integrity. The regulatory division continues to provide regulatory support across NOPSEMA with responsibilities for investigations, operational strategy and improvement, technical services and petroleum safety zone administration.

The new organisational structure established the three regulatory divisions, in addition to the corporate services teams, reporting to the Chief Executive Officer. The structure is designed to provide clarity and focus and meet corporate and regulatory best practice in the delivery of NOPSEMA's legislated functions.



NOPSEMA organisational structure

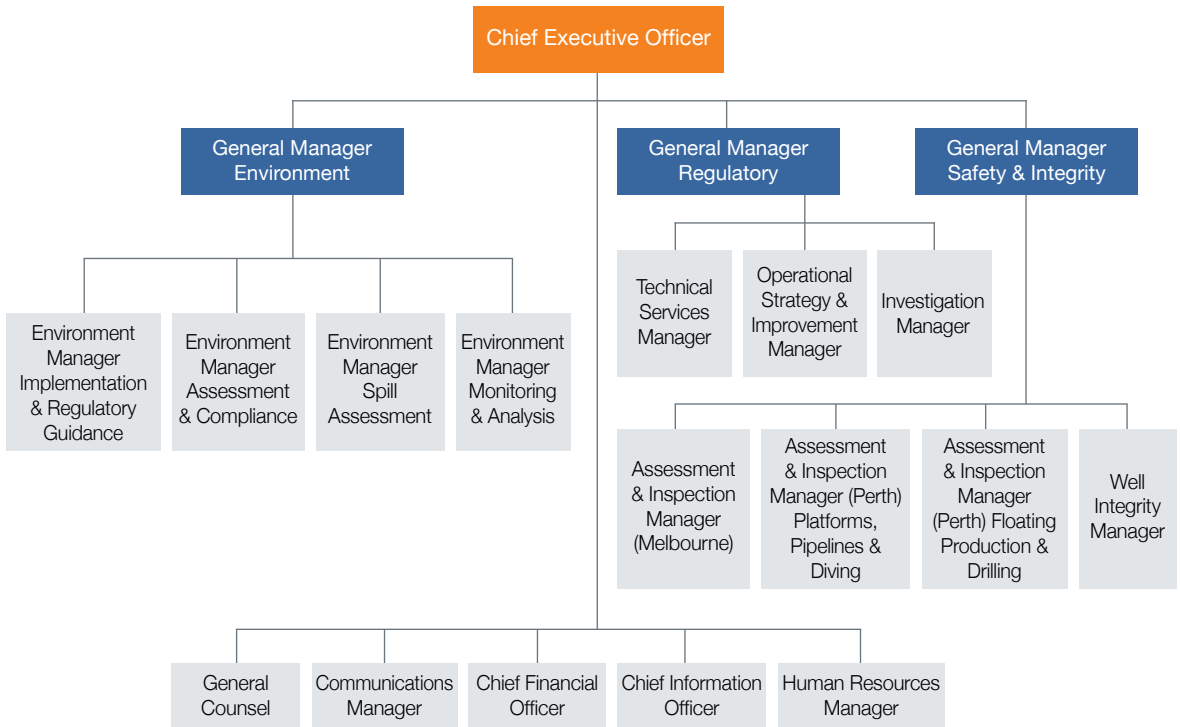


Figure 1: NOPSEMA organisational chart

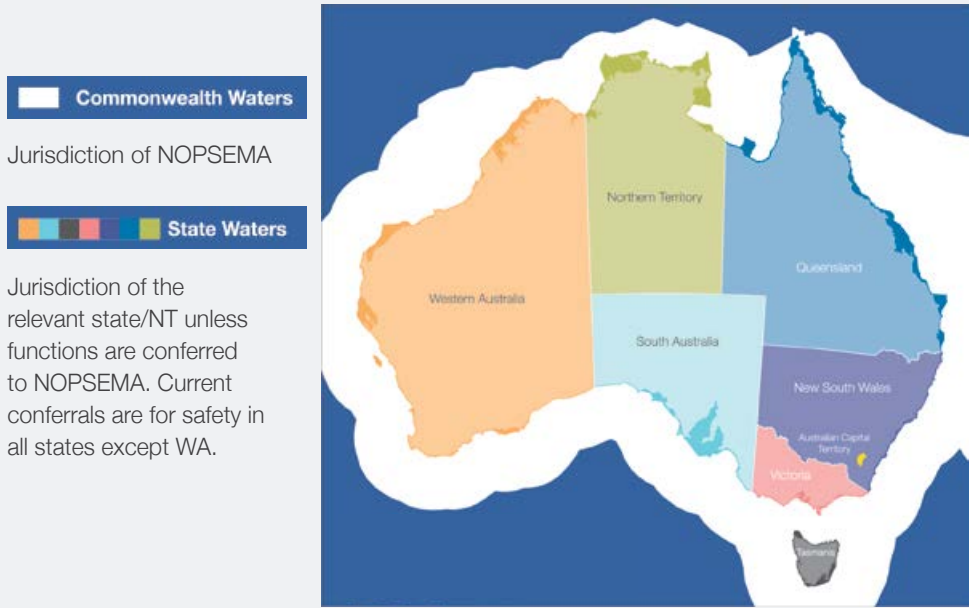
1.7 Our jurisdiction

NOPSEMA is charged with regulating health and safety, well integrity and environmental management in Commonwealth waters, as well as designated coastal waters where a state/territory has conferred regulatory functions. Jurisdictions where powers to regulate are not conferred remain the responsibility of the relevant state or territory.

At 30 June 2012, no state or territory had conferred its functions for well integrity or environmental management to NOPSEMA; however the previous conferrals for OHS (excluding WA) remain in place. The relevant state or territory legislation should be consulted to ascertain the current status within each jurisdiction.

The Joint Petroleum Development Area in the Timor Sea is regulated by the Autoridade Nacional do Petroleo of Timor-Leste.

Jurisdiction for safety, well integrity and environmental management



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

Figure 2: Jurisdiction in coastal/Commonwealth waters

During the reporting period, there were 209 offshore petroleum facilities comprising 72 facilities that were either floating or fixed (mainly platforms), 28 mobile facilities and 109 pipelines (where each distinct pipeline licence is counted as a single facility) in NOPSEMA's jurisdiction. In addition, there were a number of activities covered under NOPSEMA's environmental management function, such as seismic and other surveys.

Platforms	58
FPSO / FSOs	14
Vessels	13
MODUs	15
Pipelines	109

Table 1: Facilities under NOPSEMA's jurisdiction 2011-12





2. Report on performance

During the reporting period, NOPSEMA continued to operate in accordance with its Corporate Plan 2010-13.

NOPSEMA is required by legislation to develop and implement effective monitoring and enforcement strategies to secure compliance with OHS, structural integrity and environmental management obligations under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and its relevant Regulations.

The authority maintained regulatory oversight of offshore petroleum activities through the assessment of facility safety cases, diving safety management systems, well operations management plans, and environment plans, and by conducting planned inspections and undertaking investigations and enforcement action as necessary.

NOPSEMA also processed applications for: the establishment of petroleum safety zones, consent to enter and be present in petroleum safety zones and, authorisation to enter and be present in the 'area to be avoided' (ATBA).

2.1 Legislated functions, strategic priorities and performance indicators

The table below outlines how NOPSEMA performed its legislated functions as specified in its corporate plan 2010-13.

Legislated function:	Strategic priority:	Performance indicators:	Progress 2011-12
Promote occupational health, safety and structural integrity	<ul style="list-style-type: none"> early engagement with industry regarding proposed facilities appropriate risk-based programs, guidance and workshops to foster best practice 	<ul style="list-style-type: none"> agreed framework for early engagement implemented 	✔
		<ul style="list-style-type: none"> feedback from stakeholders 	✔
		<ul style="list-style-type: none"> communications strategy developed 	⚠
Develop and implement effective monitoring and enforcement strategies to secure compliance	<ul style="list-style-type: none"> leadership and best practice in assessment, inspection and enforcement independent challenge to industry 	<ul style="list-style-type: none"> improved industry performance 	✔
		<ul style="list-style-type: none"> increased frequency of inspection regulatory performance measures developed and implemented 	✔
		<ul style="list-style-type: none"> increased ratio of inspector time against core regulatory activities 	✔
Investigate accidents, occurrences and circumstances	<ul style="list-style-type: none"> enhanced emergency response framework enhanced investigation framework communication of lessons learnt 	<ul style="list-style-type: none"> cooperation with the Department of Resources, Energy and Tourism 	✔
		<ul style="list-style-type: none"> recommendations of external inquiries, reviews and audits incorporated in framework 	✔



Legislated function:	Strategic priority:	Performance indicators:	Progress 2011-12
Advise on occupational health, safety and integrity matters	<ul style="list-style-type: none"> independent and transparent advice to industry and international regulators 	<ul style="list-style-type: none"> at least four key presentations to industry functions per year meet with industry annually to review NOPSA cost effectiveness feedback from stakeholders current and timely information available 	<p>✔</p> <p>✔</p> <p>✔</p> <p>✔</p>
Report to the Commonwealth minister, and each responsible state or Northern Territory minister	<ul style="list-style-type: none"> active engagement with ministers and the NOPSEMA Advisory Board to provide strategic advice to enhance the efficiency and effectiveness of Australia's occupational health, safety and structural integrity regulatory regime 	<ul style="list-style-type: none"> meet ministerial <i>Statement of Expectations</i> meet with key stakeholders consistent with communications strategy reports delivered within agreed time frames 	<p>✔</p> <p>⚠</p> <p>✔</p>
Cooperate with other agencies having functions relating to offshore petroleum operations	<ul style="list-style-type: none"> reduced regulatory burden on industry support legislative framework integration of new responsibilities and functions that deliver independent regulatory oversight 	<ul style="list-style-type: none"> agreed protocol and procedures feedback from stakeholders 	<p>⚠</p> <p>✔</p>
✔	The performance indicator is proceeding as planned, or requires only adjustment to achieve planned outcomes.		
⚠	The performance indicator outcome is not being met, however planned outcome can still be achieved if detailed implementation is managed effectively and adequate attention is given to implementation.		
✘	The performance indicator outcome will not be achieved as planned.		

Table 2: NOPSEMA legislated functions, strategic priorities and performance indicators for the reporting period



2.2 Assessments

During the reporting period, NOPSEMA received a total of 546 submissions of the following assessment types:

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

A total of 94% of all assessment decisions were notified within legislated time frames.

Early engagement and safety cases

Of the safety cases submitted, five were 'early engagement' safety cases relating to facilities that were proposed to be, or being, constructed at a place outside Commonwealth waters. These submissions were made during the design stage of the facility's lifecycle and the purpose of the submission was to facilitate dialogue with the regulator. The timing of these submissions precluded operators from being able to fully describe aspects of the facility, formal safety assessments or, in particular, safety management systems and therefore precluded decision-making by the regulator.

Well integrity

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



A total of 94% of all assessment decisions were notified within legislated time frames

Notified (by 30 June 2012)

Assessment type	Assessment subtype	Number submitted	Number notified	Number notified within specified time	% Notified within specified time
Safety case	New submission	33	31	27	87%
	Revised submission	127	154	147	95%
Diving	DSMS - new submission	2	3	3	100%
	DSMS - revised submission	3	2	2	100%
	Diving start-up notices submission	21	20	18	90%
Pipelines	PSMP - new submission	1	1	1	100%
	PSMP - revised submission	9	6	5	83%
	Scope of validation*	59	58	49	84%
Well integrity	WOMP - new submission	40	39	38	97%
	WOMP - variation of submission	3	3	3	100%
	AAUWA - application	191	177	170	96%
Petroleum safety zones	PSZ application - new submission	3	3	3	100%
	PSZ application - renewal of submission	2	2	2	100%
	ATBA - access application	5	4	4	100%
Environment plans	New submission	46	40	39	98%
	Proposed revision	1	1	1	100%
Total		546	544	512	94%

Table 3: Number of safety, well integrity and environmental management assessments completed within the statutory time frames 2011- 2012

* In the absence of any legislated time frames for notification of a decision, NOPSEMA established appropriate time frames in documented policies. NOPSEMA imposed its own time frames for assessment of 30 days for 'scope of validation'.

NB: Some notifications were made for submissions prior to the 2011-12 financial year.



The authority received 43 submissions for well operations management plans (WOMPs) and 191 applications for approval to undertake well activity (AAUWA) for assessment during the reporting period. A total of 96% of well integrity assessments were notified within legislated time frames.

Environment plans

The authority received 47 environment plan submissions during the 2011-12 financial year, which included six environment plans that were submitted to a designated authority prior to 1 January 2012, but were subsequently taken to have been submitted to NOPSEMA under Regulation 41 of the OPGGS (Environment) Regulations 2009, as no decision had been made by the DA prior to 1 January 2012.

The authority assessed 98% of environment plans within legislated time frames.

2.3 Inspections

Safety

The 2011-12 program of topic-based safety inspections focused on maintenance management, ageing facilities, contractor management, operator auditing and human factors - quality of procedures. The authority delivered its target of 31 topic-based inspections across a range of facility types and operators.

Other focus areas of inspections included: loss of containment, monitoring, auditing and review, emergency management, dropped objects, hazardous substances, noise management and consultation with health and safety representatives (HSRs). In addition, NOPSEMA conducted four safety inspections jointly with the Australian Maritime Safety Authority (AMSA).

The frequency of inspections undertaken and inspection scope selection is based on a number of factors including safety case assessment findings and risk-based assessment. NOPSEMA set a target to conduct two inspections per routinely attended production or drilling facility in 2011-12. For drilling facilities, this target was adjusted on a pro-rata basis to take into account the fact that drilling rigs often do not operate in the regime for the entire year. The inspection target for 'not normally manned' facilities and vessels was one per year. During the reporting period, 127 facilities were inspected at a frequency in line with the targets.

Well integrity

The target of five risk-based inspections of titleholders' well-related regulatory compliance at facilities was achieved during the reporting period.



Environment

In accordance with the OPGGSA, NOPSEMA's functions include the implementation of effective monitoring and enforcement strategies to ensure compliance by persons with their obligations under an environmental management law. During 2011-12, NOPSEMA met its target of developing and implementing fit for purpose systems and processes to enable commencement of environmental management compliance inspections.

Two environmental management inspections were undertaken during the reporting period as part of an environmental management compliance inspection program, which will be implemented in stages. Compliance inspections will be introduced gradually across the range of petroleum activities with environment plans in force through the 2012-13 and 2013-14 financial years.

In addition, activity operators are required to submit environmental performance reports in accordance with Regulation 15 of the OPGGS (Environment) Regulations. A total of 18 reports were submitted up to June 2012. NOPSEMA is implementing a process for inspecting operators' environmental performance through these reports as part of the authority's monitoring and compliance activities.

2.4 Incidents, investigations and enforcement

NOPSEMA received a total of 408 notifications, comprising OHS and EM incidents, complaints, and non-reportable incidents. The breakdown is noted below:

Safety

There were 329 notifications relating to reportable OHS matters. This figure comprised 20 accidents, 296 dangerous occurrences and 13 complaints. In total, 13 new investigations, including four major investigations, were undertaken during 2011-12.

NOPSEMA further progressed major investigations into the Montara uncontrolled hydrocarbon release in 2009 and a subsea high pressure water jetting incident in 2010, in which a diver was seriously injured.

NOPSEMA published and distributed four safety alerts to stakeholders, incorporating the background to, and lessons learnt from, accidents and dangerous occurrences investigated by the authority.

A number of inspections and investigations led to enforcement action in accordance with NOPSEMA's enforcement policy.

Environment

There were 79 environmental management incidents reported to NOPSEMA during the period 1 January - 30 June 2012, which included 10 reportable incidents and 69 recordable incidents.



Five enforcement activities in relation to environmental management were carried out within the reporting period. Two requests were made to an operator for submission of a proposed revision of an environment plan under Regulation 18 of the OPGGS (Environment) Regulations and three written warnings were issued to operators.

Type of enforcement activity	Number
Prohibition notices	5
Improvement notices	45
Written warnings	12
Intent to withdraw safety case acceptance	1
Request for revision of environment plan	2
Direction - general	4
Verbal advice/warnings	1
Total	70

Table 4: Enforcement activities 2011-12

There were no activities relating to:

- intent to remove an operator from the register
- removal of operator from register
- request for a safety case revision
- withdrawal of environment plan acceptance
- notice requiring variation of a WOMP
- prosecution briefs, or
- withdrawals of safety case acceptance

during the reporting period.



2.5 Achievement of budget targets

NOPSEMA aims to deliver within 10% of its budget forecast for each reporting period. The following result was achieved:

- revenue was higher than forecast by 4.9 % of the budget at \$28.8 million
- expenditure was lower than forecast by 3.9 % at \$23.7 million.

During the 2011-12 financial year, well levies were collected for the first time and, following an extensive consultation process, an environment plan levy was introduced from 1 January 2012 to enable NOPSEMA to fund its new function of environmental management through cost recovery. The *Cost Recovery Impact Statement* for the introduction of the environment plan levy may be accessed from NOPSEMA's website at nopsema.gov.au. In accordance with Australian Accounting Standards, NOPSEMA is required to recognise levies as revenue at the time that levies become payable. This creates a discrepancy with the expenses that are later incurred by NOPSEMA to deliver its legislated functions.

NOPSEMA also received \$8.5 million in 2011-12 from the Department of Resources, Energy and Tourism to fund capital acquisition and operating costs associated with the implementation of NOPSEMA.

2.6 Stakeholder engagement

In accordance with its legislated functions and the guiding principles outlined in the *Statement of Expectations* (March 2012), NOPSEMA pursued outreach opportunities to build stakeholder engagement that promotes effective regulation and supports regulatory independence.

In December 2011, NOPSEMA commenced work on a comprehensive stakeholder relations framework as part of its broader communications strategy, following the completion of an independent review of the authority's stakeholder engagement quality, frequency and methodology.

During the reporting period, NOPSEMA continued to interact with stakeholders through mechanisms designed to provide clear information about the authority's role and approach, and promote industry compliance and broader cooperation. This included operator liaison to communicate advice on the requirements of the OPGGS (Environment) Regulations.

NOPSEMA provided briefings to government and non-government agencies on the regulatory regime and hosted information sessions for industry to receive feedback on regulatory processes and policies.



Presentations, workshops and exhibitions

During the 2011-12 financial year, NOPSEMA hosted or participated in nine workshops, and 38 forums and conferences attended by industry and regulatory audiences in Australia and internationally. This included co-hosting the HSR forum with APPEA in August 2011 and hosting information stands at the APPEA Oil and Gas Conference (Perth, August 2011), the APPEA Environment Conference (Coomang, November 2011) and the APPEA National Conference and Exhibition (Adelaide, May 2012). The CEO and senior management delivered key presentations at most of these events. Presentations and events are published on NOPSEMA's website.

2.7 Media relations and communications

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

- developed a NOPSEMA website
- published six issues of its online newsletter, increasing subscribers by 183% to 1821 subscribers
- published and distributed six media releases on topics including the findings of the independent triennial review (Dec 2011) and the *Offshore Health and Safety Performance Report 2011* (May 2012)
- received coverage in 77 mainstream media and industry publications
- published the *Offshore Health and Safety Performance Report* (May 2012), *NOPSEMA HSR Handbook* (Jun 2012) and four safety alerts
- published a guidance note on the principles of 'ALARP', as part of a safety case guidance suite being developed in consultation with industry
- published guidance and explanatory notes on environmental regulation topics including changes to the regulatory regime (Dec 2011), environment plan levies (Dec 2011) and environment plan and oil spill contingency plan preparation (Mar 2012).



NOPSEMA provided briefings to government and non-government agencies on the regulatory regime and hosted information sessions for industry

As per NOPSEMA's legislated function to report to the Commonwealth Minister, and each responsible state or territory minister, the authority:

- produced and delivered quarterly national and state/territory reports on industry and NOPSEMA performance
- prepared a total of 77 information and action briefs for the Commonwealth Minister.

2.8 Inter-agency activities

Commonwealth and state agencies

NOPSEMA continues to provide extensive operational support to the Department of Resources, Energy and Tourism in relation to the health and safety, well integrity and environmental management regulatory regime for the offshore petroleum sector.

A Memorandum of Understanding (MoU) for cooperative arrangements between the Commonwealth and WA Government has been signed. The MoU provides ministerial agreement on the principles to guide cooperative working arrangements between NOPSEMA, NOPTA and the WA Department of Mines and Petroleum in the administration and regulation of offshore petroleum activities in Commonwealth and WA waters. These included the establishment of an Executive Liaison Committee, which held its first meeting in March 2012.

NOPSEMA maintains a collaborative arrangement with AMSA and the Department of Sustainability, Environment, Water, Population and Communities (SEWPaC). NOPSEMA is in ongoing discussions with SEWPaC regarding streamlining regulatory processes, monitoring plans and guidance materials. NOPSEMA and AMSA carried out four joint inspections during the reporting period.

NOPSEMA regularly liaises with the relevant state and Northern Territory agencies responsible for health and safety, well integrity and environmental management in offshore petroleum sector.

Designated Authorities

Before the establishment of NOPSEMA on 1 January 2012, NOPSA liaised with state and the Northern Territory government departments delegated by their respective ministers to perform the functions of the DA under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and associated Regulations.

Following the establishment of NOPSEMA, the role of the DA ceased to exist. NOPSEMA and the respective state and Northern Territory resource agencies representing the DAs worked collaboratively to ensure a smooth transition to the new regulatory arrangements.

International regulators

NOPSEMA is a member of the International Regulators' Forum (IRF), a group of 11 health and safety regulators of the global offshore upstream petroleum industry. The IRF exists to drive improvements in health and safety through shared knowledge and collaboration on joint programs. NOPSEMA attended the 2011 Summit Conference hosted by the Petroleum Safety Authority Norway, in Stavanger, Norway on 4 October 2011. The next IRF conference will be held in October 2013.

2.9 Allocation of time spent on legislated functions

During the 2011-12 reporting period, NOPSEMA staff worked a total of 134 673 hours across regulatory operations, staff development and administration.

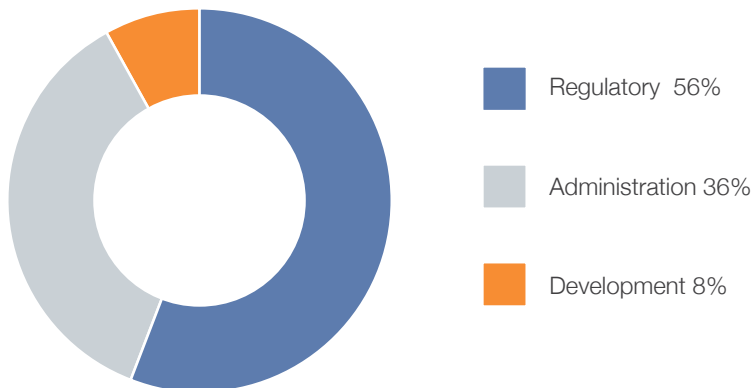


Figure 3: NOPSEMA activities 2011-12

NOPSEMA activity 2011-12

		Inspectorate hours*	%	Other staff hours	%	All staff hours	%
Regulatory activity							
	Assessment	20448	32%	1461	11%	21909	29%
	Enforcement	614	1%	24	0%	638	1%
	Industry relations and promotion	1624	3%	3557	28%	5181	7%
	Inspection	18793	30%	184	1%	18977	25%
	Investigation	4208	7%	617	5%	4825	6%
	Legislative framework	1011	2%	251	2%	1262	2%
	NOPSEMA implementation	3135	5%	2648	21%	5783	8%
	Operator registration	366	1%	130	1%	496	1%
	Other regulatory operations	10021	16%	3164	25%	13185	17%
	PPI NOPTA work	5	0%	0	0%	5	0%
	Regulatory advice and liaison	1734	3%	239	2%	1973	3%
	Well integrity implementation	1083	2%	490	4%	1573	2%
Subtotal regulatory activity		63042	100%	12765	100%	75807	100%
Regulatory		63042	79%	12765	23%	75807	56%
Administration		9697	12%	38691	71%	48388	36%
Development		7089	9%	3389	6%	10478	8%
Total		79828	100%	54845	100%	134673	100%

Table 5: NOPSEMA activity hours 2011-12

*Hours spent undertaking "core process" regulatory work.



3. Management and accountability

3.1 Corporate governance

Overall responsibility for the management of NOPSEMA is vested in the Chief Executive Officer.

The *Offshore Petroleum and Greenhouse Gas Storage Act 2006* provides that the CEO responsible for managing NOPSEMA has all the legal powers and functions that the law assigns to NOPSEMA, although authority for day-to-day operations may be delegated to managers.

Under the OPGGSA, the CEO of NOPSEMA is required to ‘have regard’ to the advice of the NOPSEMA Advisory Board and is responsible for keeping the board informed.

The OPGGSA requires NOPSEMA to report, as appropriate, to the Commonwealth Minister and responsible state and Northern Territory petroleum ministers on investigations.

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

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

The Commonwealth Minister, after consultation with relevant state or territory ministers, may issue policy principles to NOPSEMA, with which the authority must comply.

These policy principles direct the manner in which NOPSEMA fulfils its responsibilities.

NOPSEMA's planning process links the authority's vision, mission, objectives and legislated functions to the outputs that NOPSEMA delivers on behalf of the Australian Government.

The process is shown diagrammatically in the figure below.

Key reference documents are the NOPSEMA Corporate Plan 2010-13 and the Annual Operating Plan.

NOPSEMA corporate governance

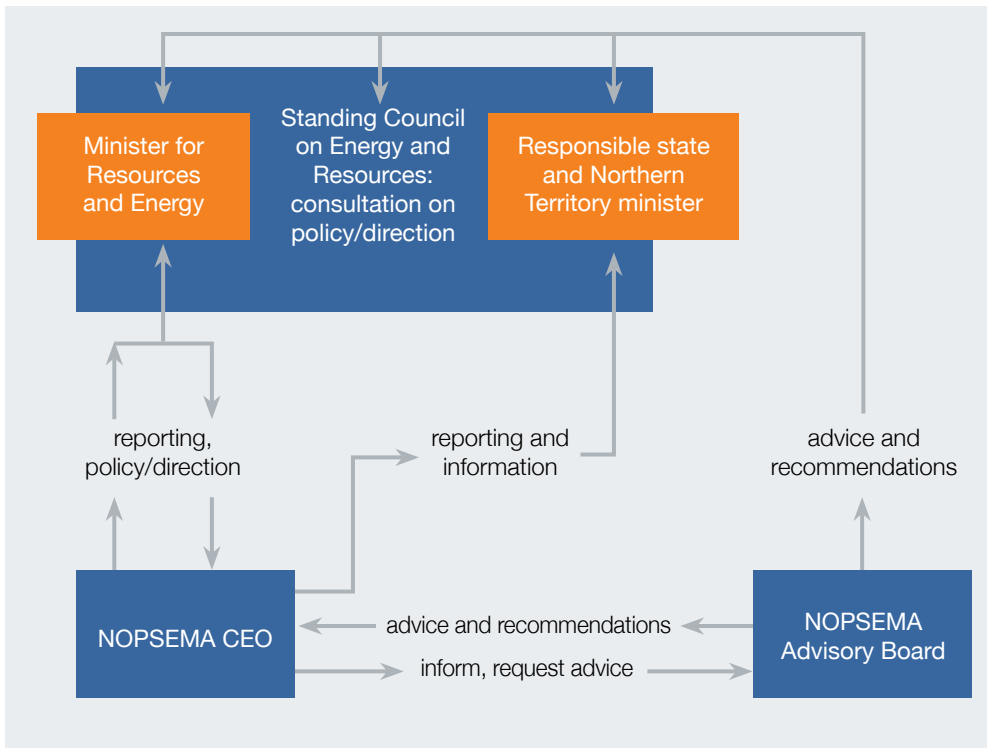


Figure 4: Governance structure

3.2 Management framework

NOPSEMA's management model is supported by an integrated planning and performance management framework, incorporating the Corporate Plan, the Annual Operating Plan, and regular team planning processes monitored through a performance scorecard.

NOPSEMA management framework

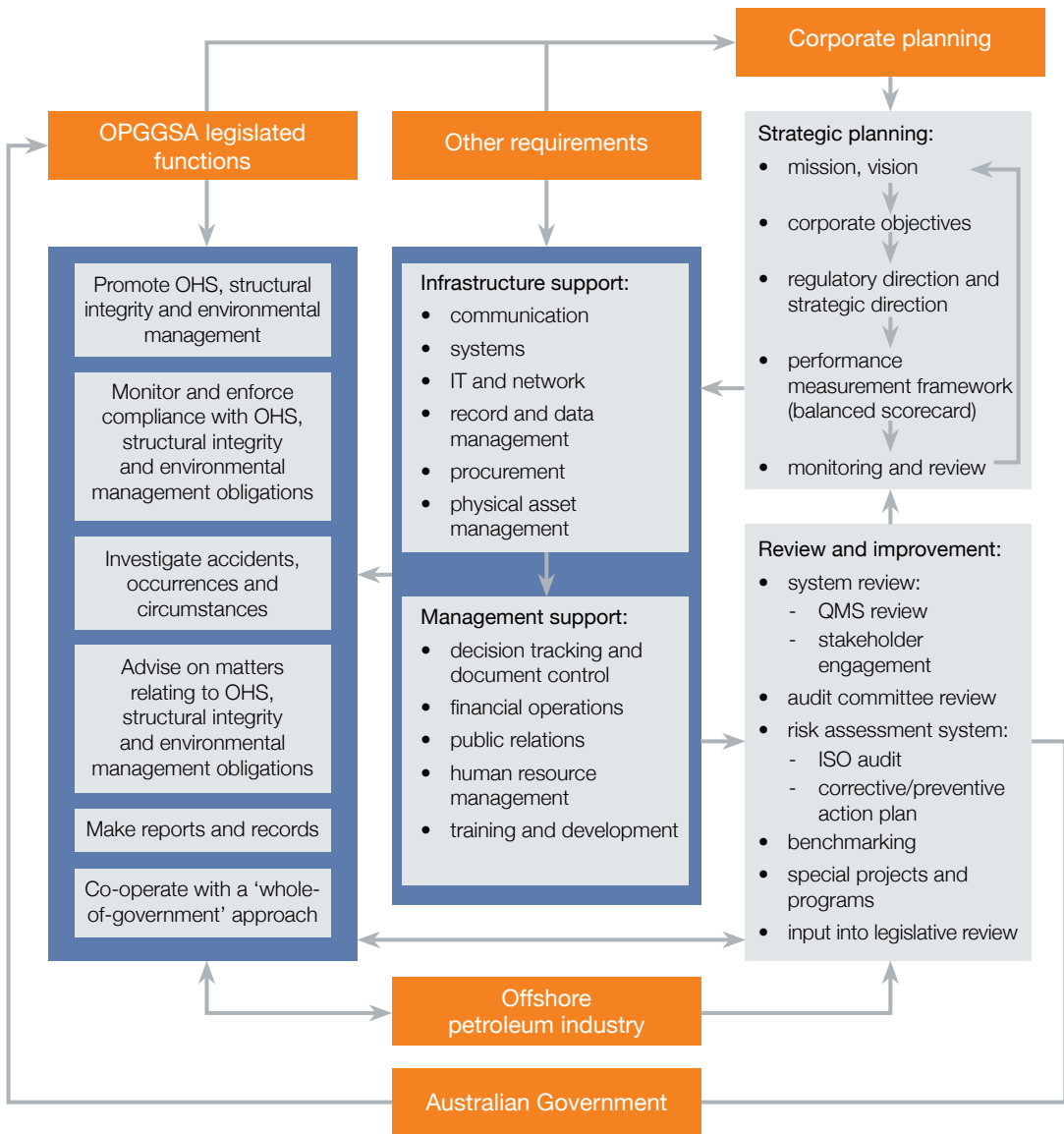


Figure 5: Planning process

3.3 Business risk and fraud management

The *Chief Executive Instructions* and *Chief Executive Financial Delegations* were revised and updated in accordance with the *Financial Management and Accountability Act (1997)* and the *Financial Management and Accountability Regulations (1997)*. The *Chief Executive Instructions* are aimed at promoting the efficient, effective, economical and ethical use of Commonwealth resources.

The *Chief Executive Financial Delegations* provide a formal line of legal authority to carry out certain actions and clarify who can make particular decisions of a financial impact on behalf of NOPSEMA. Delegates are personally liable for their actions.

NOPSEMA reviewed its Fraud Control Plan during 2011-12. As required under the *Financial Management and Accountability Regulations (1997)*, the plan includes appropriate fraud prevention, detection, investigation, reporting, and data collection procedures and processes that comply with the Commonwealth Fraud Control Guidelines.

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

NOPSEMA reviewed its Audit Committee Charter during 2011-12 for alignment with the better practice guide issued by the Australian National Audit Office for Public Sector Audit Committees. NOPSEMA's Audit Committee is chaired by an independent chairperson. NOPSEMA's internal auditors, PricewaterhouseCoopers are represented on the Audit Committee.

NOPSEMA's external audits were conducted by the Australian National Audit Office. In its closing audit letter, the office stated there were no financial control weaknesses or issues identified.

3.4 Asset management

With the establishment of NOPSEMA, an additional floor was subleased in the Alluvion building in Perth and NOPSEMA's head office address was officially changed to Level 8, 58 Mounts Bay Road in March 2012. This floor is shared with NOPTA and provides the additional office space required by NOPSEMA as well as facilities for meetings with external parties.

NOPSEMA continued to develop its Regulatory Management System software to integrate the well integrity and environmental management functions.

NOPSEMA's non-financial assets have a fair value of \$8.8 million and carrying value of \$5.7 million. During the year, significant acquisitions were made with \$4 million allocated for office fit-outs and \$1.3 million for the Regulatory Management System software development.

3.5 External scrutiny

Review of NOPSEMA's decisions on freedom of information requests

During the reporting period, NOPSEMA was involved in three applications for review of decision before the Administrative Appeals Tribunal (AAT). Each application involved a review of NOPSEMA's decisions on freedom of information requests. Two of these applications were finalised during the reporting period.

The first application also involved an application for review by an affected third party (a petroleum operator) from NOPSEMA's decision to disclose certain documents under the FOI Act. The original FOI applicant applied to be joined to the proceedings, but was unsuccessful. The AAT handed down its decision on 15 May 2012 in which it set aside NOPSEMA's decision allowing access to the documents in part.

The second application involved an application for review of NOPSEMA's decision to disclose one document by an affected third party. The original FOI applicant was joined to the proceedings and the application was resolved by agreement to make some deletions to the document and provide access by inspection. The AAT endorsed the parties' agreement by decision dated 10 May 2012 pursuant to s 42C of the *Administrative Appeals Tribunal Act 1975*.

The third application involves an application for review by an affected third party from NOPSEMA's decision to disclose two documents. The original FOI applicant has been joined to the proceedings and the AAT proceedings are currently underway, being listed for a hearing later in 2012.

Triennial review into the operational effectiveness of NOPSA (November 2011)

A three-yearly independent review into the operational effectiveness of the National Offshore Petroleum Safety Authority (NOPSA) found the agency to be “an effective regulator that was coping well with its dynamic regulatory mandate.”

Completed by an independent review panel on 29 November, the *Second Triennial Review of the Operational Effectiveness of the National Offshore Petroleum Safety Authority* found NOPSA to have markedly improved its resources, procedures and early engagement initiatives since the authority's first operational review conducted in 2008.





The panel's overall assessment of NOPSA, including recommendations for managing the safety authority's transition to NOPSEMA in 2012, was documented in a report and presented to the Minister for Resources and Energy, the Hon. Martin Ferguson AM MP for his consideration.

The Commonwealth Government released its response in May 2012 and NOPSEMA has since commenced work on implementing the recommendations.

A copy of the report, including key findings and recommendations, is available on NOPSEMA's website at: nopsema.gov.au. The main body of the report and the submissions can be downloaded separately. A review of the operational effectiveness of NOPSEMA is scheduled for 2015.





4. Management of human resources

NOPSEMA is committed to attracting, engaging and retaining a skilled workforce. The agency is challenged to recruit experienced professionals in a competitive market and maintain a focus on employee development to uphold core competencies.

During 2011-12, NOPSEMA continued to revise its human resources framework, policy and conditions, and recruited widely to attract candidates from domestic and international markets.

NOPSEMA commissioned a remuneration survey to support its strategy of ensuring that it remains competitive in attracting high calibre regulatory specialists. Facilitating the transition to NOPSEMA, recruitment to staff a new environment division in the agency was undertaken prior to 1 January 2012. During the reporting year, 42 staff commenced with NOPSEMA, of which 18 were appointed to the environment division. Of the 11 people who left the agency during the reporting period, five were OHS regulatory specialists.

4.1 Statistics on staffing and performance pay

NOPSEMA employees do not receive performance pay. Details on remuneration and staffing levels are outlined in the following table.

NOPSEMA Classification	APS 1	APS2	APS3	APS4	APS5	APS6	EL1	EL1 Regulatory	EL1 Well integrity	EL2	EL2 Lead	EL2 Regulatory (includes managers)	EL2 Well integrity	SES
Fulltime salary range (\$)	\$42,000 -\$49,000	\$49,350 -\$54,600	\$55,650 -\$60,900	\$61,950 -\$72,450	\$73,500 \$84,000	\$85,050 \$92,550	\$115,00 \$143,220	\$168,000 \$189,000	\$231,000 \$246,750	\$147,000 \$173,250	\$191,000 \$208,950	\$210,000 - \$231,000	\$252,000 \$267,750	\$241,000 \$294,000
Staff Total		4	4	9	2	14	5	39	4	2	2	7	1	2
Perth		4	4	8	2	14	5	35	4	2	2	7	1	2
Melbourne		0	0	1	0	0	0	4	0	0	0	0	0	0
Part-time		2	2	0	0	1	0	3	0	0	0	0	0	0
Full-time		2	2	8	2	13	5	36	4	2	2	7	1	2
Male		0	0	1	0	5	1	32	4	1	2	5	1	2
Female		4	4	8	2	9	4	7	0	1	0	2	0	0

Employment instrument														
Australian Workplace Agreement (AWA)		0	2	1	2	1	1	9	0	0	1	1	0	0
Common Law Contract (CLC)		4	7	1	12	4	4	30	4	2	1	6	1	2

* Information relating to the NOPSEMA CEO is included in notes to the Financial statements 2011-12

Table 6: NOPSEMA staffing and remuneration

4.2 Employee assistance program

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

4.3 Training and development

NOPSEMA is committed to the development and training of its workforce. NOPSEMA employees received development training in addition to the specific technical training related to their roles. Additional training was provided in areas such as: performance management process, first aid, freedom of information, and courses including the Australian Public Service Commission Code of Conduct, Certificate IV in Investigations and Statutory Compliance, APSC Recruitment and Selection and Writing for Government.

4.4 Code of conduct

NOPSEMA continues to actively support and uphold the Australian Public Service Code of Conduct. Potential breaches are investigated fully and any findings dealt with appropriately. As a condition of employment, all staff are required to declare potential conflicts of interest. All NOPSEMA staff receive APSC Code of Conduct training.





5. Purchasing

5.1 Consultants

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

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

In the previous financial year, NOPSEMA entered into 15 new consultancy contracts, totalling an actual expenditure of \$909,558. In addition, ongoing consultancy contracts that remained active during the 2011-12 year accrued a total expenditure of \$25,115.



5.2 Australian National Audit Office access clauses (Absence of provisions in contracts allowing access by the Auditor-General)

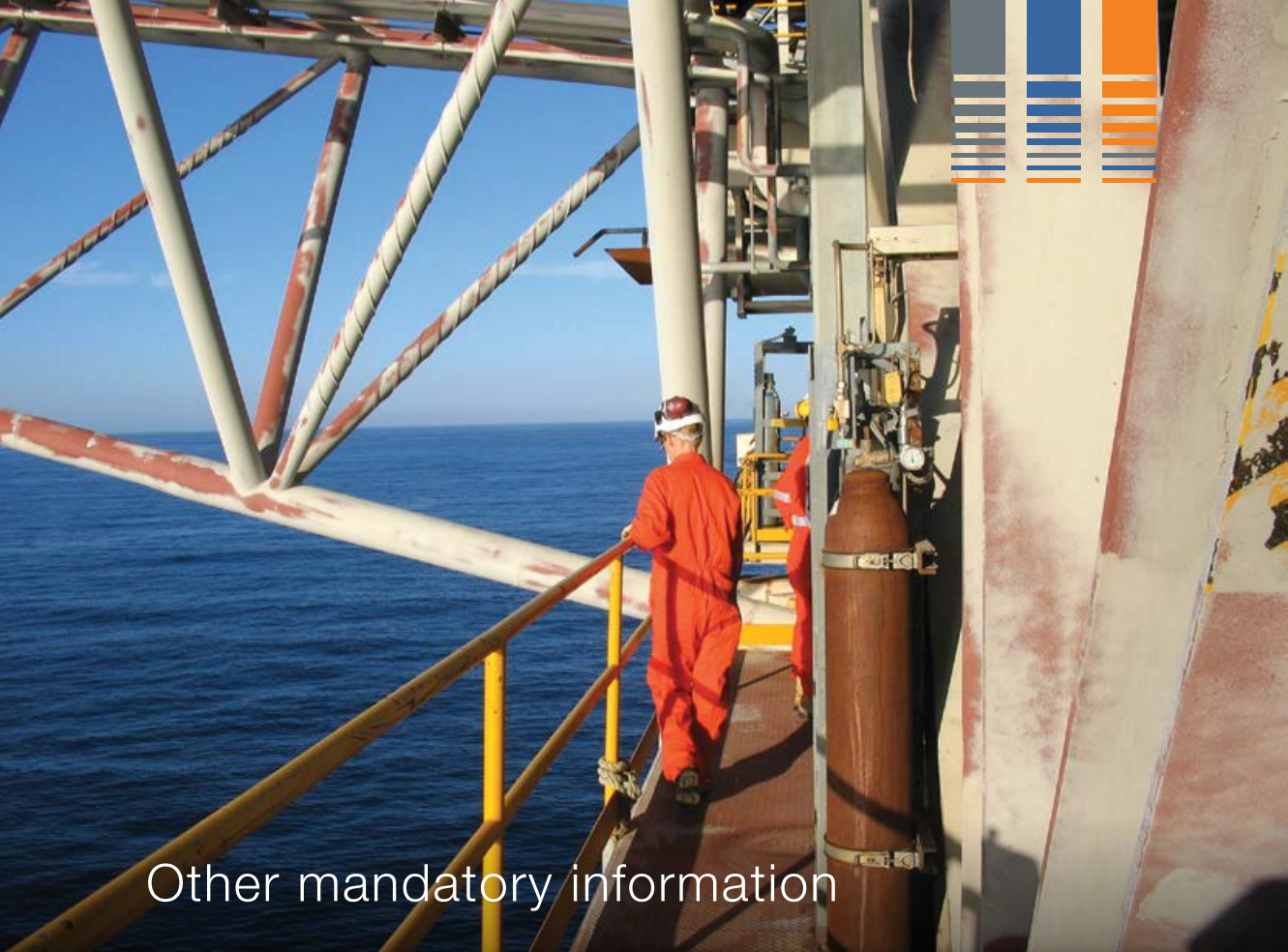
During the reporting period, NOPSEMA did not undertake any contracts of \$100,000 or more (inclusive of GST) which did not provide for the Auditor-General to have access to the contractor's premises.

5.3 Contracts exempt from the AusTender

NOPSEMA did not undertake any competitive tendering and contracting out of any activities previously performed by NOPSEMA during the reporting period.

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





Other mandatory information

6.1 Work health and safety (*Work Health and Safety Act 2011*)

Health and Safety Committee

NOPSEMA's health and safety committee (HSC) was renewed during the reporting period, with a new team, an extension to incorporate the new environmental management division and new chairperson. The HSC continues to make a positive contribution to workplace health and safety at NOPSEMA.

The HSC has adapted to the changes brought about by the new *Work Health and Safety Act 2011*, encouraging greater consultation on OHS risk assessments throughout the organisation. The committee was instrumental in raising awareness of, and devising a solution to address the hazards associated with a point of access to the Alluvion building.

Committee members coordinated evacuation drills and office inspections following NOPSEMA's office relocation, and were active participants in an offshore industry safety awareness campaign.

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



NOPSEMA OHS incidents

Type of notice	Number
Notices given under the WHS Act	0
Total	0
Type of incident	Number
Serious injury or illness of a person	1
Dangerous incident	0
Death of a person	0
Total	1

Table 7: OHS statistics as at 30 June 2011

No directions were given under section 45 of the *Occupational Health and Safety Act 1991* and Comcare issued no notices under sections 30, 46 and 47, nor under the WHS Act.

Worker's compensation

One worker's compensation claim was initiated during the reporting period.

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

During 2011-12, NOPSEMA conducted numerous national and international recruitment campaigns. These were conducted through Adcorp. The total sum paid during the period was \$175,313.

NOPSEMA also commissioned Linc Integrated to conduct its stakeholder engagement survey. The total expenditure for this service during the reporting period was \$75,557.79.

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

Given NOPSEMA's largely office-based workforce, the environmental risk profile is for the most part limited to the leased office premises that NOPSEMA occupies in Perth and Melbourne. Recognising that it is part of NOPSEMA's core business to travel to locations of petroleum activities in order to conduct inspections, and that there are environmental impacts associated with this, the authority's other day-to-day operations have minimal impact on the environment.

Given the increase in the number of NOPSEMA employees, the authority is in the process of updating its environmental management program with an objective to minimise the use of office consumables, generation of greenhouse gas emissions and usage of water and electricity.


This program requires an annual review of the measures taken by NOPSEMA to minimise its environmental impact, including:

1. Use of electronic solutions as the primary records management systems.
2. Travel policies that promote the use of video conferencing in preference to air travel, where possible.
3. Selection of NOPSEMA's head office in Perth to be located in a building that has a five star NABERS energy rating, which is in excess of design expectations and represents excellent energy efficiency in a commercial building.
4. Maintenance of contracts with recycling service providers for the recycling of paper, cardboard, plastics, toner ink cartridges.
5. A project to replace old data servers with more energy efficient models.

NOPSEMA reports on its annual energy use by inputting data into the Online System for Comprehensive Activity Reporting (OSCAR), administered by the Department of Climate Change and Energy Efficiency.

6.4 Disability strategy and disability reporting mechanisms

The National Disability Strategy sets out a ten-year national policy framework for improving life for Australians with disability, their families and carers. A high-level report to track progress for people with disability at a national level is available at fahcsia.gov.au and NOPSEMA contributes to this report. More detail on social inclusion matters can be found at socialinclusion.gov.au.



6.5 Freedom of information and the Information Publication Scheme statement

During the reporting period, NOPSEMA fulfilled its legislative obligation to respond to freedom of information requests.

The *Freedom of Information Act 1982* (the FOI Act) requires government agencies to make information available about their organisation and its activities, and describes the procedures and decision-making processes that affect members of the public.

Access to information

Requests for access to NOPSEMA documents are made under section 15 of the *Freedom of Information Act 1982*. Requests are required to be in writing, including address and contact details.

Requests should be made to the Freedom of Information Co-ordinator.

The contact details are:

The FOI Co-ordinator

NOPSEMA

GPO Box 2568

PERTH WA 6001

email: foi@nopsema.gov.au

NOPSEMA holds the following categories of documents:

- financial and human resource management records
- ministerial, inter-agency and general correspondence records and published documents including reports and media releases
- documents submitted by operators of offshore facilities in relation to their regulatory obligations to provide a safe working environment
- documents submitted by activity operators in relation to their regulatory obligations to carry out any offshore petroleum or greenhouse gas storage activity, in a manner consistent with the principles of ecologically sustainable development
- records of environmental incidents and environmental management-related statistics
- records of safety incidents and safety-related statistics.

Most often, FOI requests received by NOPSEMA seek access to documents regarding accidents or dangerous occurrences (including hydrocarbon releases) that occurred at offshore petroleum facilities.

NOPSEMA FOI Activity

Activity	Number
Number of requests received in 2011-12	8
Number of requests granted in full	2
Number of requests granted in part	4
Number of requests refused	1
Number of requests transferred to another agency	0
Number of requests withdrawn	1
Number of requests outstanding at 30 June 2011	4
Charges notified	\$6,796
Charges collected	\$7,446
Charges waived	\$0

Table 8: Freedom of information statistics

Information Publication Scheme statement

Since 1 November 2011, the Information Publication Scheme (IPS) established by Part 2 of the *FOI Act* has required agencies to publish certain documents and information. This requirement has replaced the former requirement to publish a 'section 8 statement' in the annual report. NOPSEMA's agency plan outlines the information that NOPSEMA publishes in accordance with the IPS and is available on NOPSEMA's website at nopsema.gov.au/resource-centre/foi/publication-scheme.







Financial
Statements
2011-12



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Energy

I have audited the accompanying financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2012, which comprise: a Statement by Chief Executive Officer and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

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

Independence

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

Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Offshore Petroleum Safety and Environmental Management Authority's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

Serena Buchanan
Audit Principal

Delegate of the Auditor-General

Canberra
19 September 2012

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT 2600
Phone (02) 6203 7300 Fax (02) 6203 7777



Statement by Chief Executive Officer and Chief Financial Officer

In our opinion the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Jane Cutler
Chief Executive Officer

Date: 19/9/2012



Michel Crouche FCPA
Chief Financial Officer

Date: 19/9/2012

Statement of comprehensive income
for the period ending 30 June 2012



	Notes	2012 \$'000	2011 \$'000
EXPENSES			
Employee benefits	3A	14,086	10,183
Supplier	3B	8,369	3,549
Depreciation and amortisation	3C	1,222	1,025
Total expenses		<u>23,677</u>	<u>14,757</u>
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Levies	4A	20,047	12,592
Interest	4B	186	99
Other revenue	4C	8,517	105
Total own-source revenue		<u>28,750</u>	<u>12,796</u>
Net cost of services		<u>5,073</u>	<u>(1,961)</u>
Revenue from Government		-	-
Surplus (Deficit) on continuing operations		<u>5,073</u>	<u>(1,961)</u>
Surplus (Deficit) attributable to the Australian Government		<u>5,073</u>	<u>(1,961)</u>

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



Balance sheet
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	3,506	1,480
Trade and other receivables	5B	4,940	3,683
Total financial assets		<u>8,446</u>	<u>5,163</u>
Non-Financial Assets			
Land and buildings	6A,C	4,030	81
Property, plant and equipment	6B,C	290	74
Intangibles	6D,E	1,396	852
Other non-financial assets	6F	93	268
Total non-financial assets		<u>5,809</u>	<u>1,275</u>
Total assets		<u>14,255</u>	<u>6,438</u>
LIABILITIES			
Payables			
Suppliers	7A	(360)	(411)
Other payables	7B	(40)	(194)
Total payables		<u>(400)</u>	<u>(605)</u>
Provisions			
Employee provisions	8A	(2,880)	(2,081)
Other provisions	8B	(2,166)	(16)
Total provisions		<u>(5,046)</u>	<u>(2,097)</u>
Total liabilities		<u>(5,446)</u>	<u>(2,702)</u>
Net assets		<u>8,809</u>	<u>3,736</u>
EQUITY			
Parent Entity Interest			
Contributed equity		896	896
Retained surplus		7,913	2,840
Total parent entity interest		<u>8,809</u>	<u>3,736</u>
Total equity		<u>8,809</u>	<u>3,736</u>

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

Statement of changes in equity
for the period ending 30 June 2012



	Retained earnings		Contributed equity/capital		Total equity	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	2,840	4,801	896	896	3,736	5,697
Adjusted opening balance	2,840	4,801	896	896	3,736	5,697
Comprehensive income						
Surplus (Deficit) for the period	5,073	(1,961)	-	-	5,073	(1,961)
Total comprehensive income	5,073	(1,961)	-	-	5,073	(1,961)
of which:						
Attributable to the Australian Government	5,073	(1,961)	-	-	5,073	(1,961)
Transactions with owners						
Sub-total transactions with owners	-	-	-	-	-	-
Closing balance as at 30 June	7,913	2,840	896	896	8,809	3,736

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



Cash flow statement
for the period ending 30 June 2012

	Notes	2012 \$'000	2011 \$'000
OPERATING ACTIVITIES			
Cash received			
Receipts from levies		18,972	12,110
NOPSEMA Implementation funding		8,477	-
Interest		123	200
GST received		144	393
Other		9	68
Total cash received		<u>27,725</u>	<u>12,771</u>
Cash used			
Employees		(13,287)	(9,936)
Suppliers		(5,718)	(3,046)
GST paid		(418)	(593)
Accommodation		(733)	(759)
Total cash used		<u>(20,156)</u>	<u>(14,334)</u>
Net cash from (used by) operating activities	9	<u>7,569</u>	<u>(1,563)</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	1,797
Proceeds from sales of non-capital fitouts		-	133
Total cash received		<u>-</u>	<u>1,930</u>
Cash used			
Purchase of non-current assets		(5,543)	(84)
Total cash used		<u>(5,543)</u>	<u>(84)</u>
Net cash from (used by) investing activities		<u>(5,543)</u>	<u>1,846</u>
Net increase (decrease) in cash held		<u>2,026</u>	<u>283</u>
Cash and cash equivalents at the beginning of the reporting period		<u>1,480</u>	<u>1,197</u>
Cash and cash equivalents at the end of the reporting period	5A	<u>3,506</u>	<u>1,480</u>

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

Schedule of commitments
as at 30 June 2012



	2012 \$'000	2011 \$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments ¹	<u>2,593</u>	<u>111</u>
Total commitments receivable	<u>2,593</u>	<u>111</u>
Commitments payable		
Other Commitments		
Operating leases ²	(25,223)	(785)
Commitments to Suppliers	<u>(3,295)</u>	<u>(438)</u>
Total other commitments	<u>(28,518)</u>	<u>(1,223)</u>
Net commitments by type	<u>(25,925)</u>	<u>(1,112)</u>
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	157	26
From one to five years	844	45
Over five years	<u>1,292</u>	<u>-</u>
Total operating lease income	<u>2,293</u>	<u>71</u>
Commitments to Suppliers		
One year or less	279	40
From one to five years	<u>21</u>	<u>-</u>
Total commitments to suppliers	<u>300</u>	<u>40</u>
Total commitments receivable	<u>2,593</u>	<u>111</u>
Commitments payable		
Other Commitments		
Operating lease commitments		
One year or less	(1,734)	(286)
From one to five years	(9,280)	(499)
Over five years	<u>(14,209)</u>	<u>-</u>
Total operating lease commitments	<u>(25,223)</u>	<u>(785)</u>
Commitments to Suppliers		
Represented by outstanding purchase orders which have not been completed		
One year or less	(3,066)	(438)
From one to five years	<u>(229)</u>	<u>-</u>
Total commitments to suppliers	<u>(3,295)</u>	<u>(438)</u>
Total other commitments		
One year or less	(4,800)	(724)
From one to five years	(9,509)	(499)
Over five years	<u>(14,209)</u>	<u>-</u>
Total other commitments by maturity	<u>(28,518)</u>	<u>(1,223)</u>
Net commitments by maturity	<u>(25,925)</u>	<u>(1,112)</u>

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

1. Commitments were GST inclusive where relevant.

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

Office accommodation:

Lease payments are subject to annual increases of 4.5% and to market reviews. At 30 June 2012 NOPSEMA held the following accommodation leases:

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

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

Part Ground Floor 493 St Kilda Road Melbourne VIC - 181 sqm leased to 1 March 2013; and



Schedule of contingencies
as at 30 June 2012

BY TYPE	2012 \$'000	2011 \$'000
Contingent assets		
Claims for damages or costs	-	-
Total contingent assets	<u>-</u>	<u>-</u>
 Contingent liabilities		
Claims for damages or costs	-	-
Total contingent liabilities	<u>-</u>	<u>-</u>
 Net contingent assets	<u>-</u>	<u>-</u>

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



Note 1: Summary of significant accounting policies see (Attachment A)	70 (88)
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Note 1: Summary of Significant Accounting Policies (See Attachment A)

Note 2 : Events after the Reporting Period

Departmental

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



Note 3: Expenses

	2012	2011
	\$'000	\$'000
Note 3A: Employee benefits		
Wages and salaries	10,412	7,576
Superannuation:		
Defined contribution plans	390	381
Defined benefit plans	1,430	937
Leave and other entitlements	1,803	1,268
Other employee benefits	51	21
Total employee benefits	<u>14,086</u>	<u>10,183</u>
Note 3B: Suppliers		
Provision of goods – external parties	683	487
Rendering of services – external parties	5,437	2,240
Operating lease rentals	2,146	759
Workers compensation premiums	103	63
Total supplier expenses	<u>8,369</u>	<u>3,549</u>
Note 3C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	91	142
Buildings	336	213
Total depreciation	<u>427</u>	<u>355</u>
Amortisation:		
Intangibles:		
Computer Software:	795	670
Total amortisation	<u>795</u>	<u>670</u>
Total depreciation and amortisation	<u>1,222</u>	<u>1,025</u>

Note 4: Income

	2012	2011
	\$'000	\$'000
Revenue		
Note 4A: Levies		
Levies	20,047	12,592
Total revenue from Levies	<u>20,047</u>	<u>12,592</u>
Note 4B: Interest		
Deposits	186	99
Total Interest	<u>186</u>	<u>99</u>
Note 4C: Other revenue		
NOPSEMA implementation funding	8,477	0
Other revenue	31	77
Freedom of Information applications	9	28
Total other revenue	<u>8,517</u>	<u>105</u>



Note 5: Financial Assets

	2012 \$'000	2011 \$'000
Note 5A: Cash and Cash Equivalents		
Special Accounts	3,506	1,480
Total cash and cash equivalents	3,506	1,480
Note 5B: Trade and Other Receivables		
Goods and services external	1,345	0
Accrued interest receivable	189	126
Safety case levy / accrued revenue	3,057	3,000
Travel advances	8	9
GST receivable from the Australian Taxation Office	265	144
Other	76	404
Total trade and other receivables (gross)	4,940	3,683
Less impairment allowances account	0	0
Total trade and other receivables (net)	4,940	3,683
Receivables are represented by:		
Current	4,940	3,683
Non-current	0	0
Total trade and other receivables (net)	4,940	3,683
Receivables are expected to be recovered in:		
No more than 12 months	4,940	3,683
More than 12 months	0	0
Total trade and other receivables (net)	4,940	3,683
Receivables are aged as follows:		
Not overdue	3,595	3,642
Overdue by:		
0 to 30 days	651	10
31 to 60 days	87	0
61 to 90 days	549	0
More than 90 days	58	31
Total receivables (gross)	4,940	3,683



Note 6: Non-Financial Assets

	2012 \$'000	2011 \$'000
Note 6A: Land and Buildings		
Leasehold improvements:		
Fair value	4,473	232
Accumulated depreciation	(443)	(151)
Total leasehold improvements	4,030	81
Total land and buildings	4,030	81

No indicators of impairment were found for land and buildings.

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

Note 6B: Property, Plant and Equipment

Other property, plant and equipment:		
Fair value	859	566
Accumulated depreciation	(569)	(492)
Total other property, plant and equipment	290	74
Total property, plant and equipment	290	74

The historical cost of leasehold improvements and other property plant and equipment was deemed to represent fair value at 30 June 2012.

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

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



Notes to the financial statements
for the period ending 30 June 2012

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

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

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

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2010-11)

	Buildings \$'000	Other property, plant & equipment \$'000	Total \$'000
As at 1 July 2010			
Gross book value	2,257	991	3,248
Accumulated depreciation/amortisation and impairment	(228)	(629)	(857)
Net book value 1 July 2010	2,029	362	2,391
Additions:			
By purchase	-	2	2
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(213)	(142)	(355)
Disposals:			
Other	(1,735)	(148)	(1,883)
Net book value 30 June 2011	81	74	155
Net book value as of 30 June 2011 represented by:			
Gross book value	232	566	798
Accumulated depreciation/amortisation and impairment	(151)	(492)	(643)
Closing net book value	81	74	155



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

	2012	2011
	\$'000	\$'000
Note 6D: Intangibles		
Computer software:		
Internally developed - in progress	52	0
Internally developed - in use	3,504	2,217
Total computer software (gross)	3,556	2,217
Accumulated amortisation	(2,160)	(1,365)
Total computer software (net)	1,396	852
Total intangibles	1,396	852

No indicators of impairment were found for intangible assets.

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

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

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

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles (2010-11)

	Computer software internally developed \$'000
As at 1 July 2010	
Gross book value	2,132
Accumulated amortisation	(694)
Net book value 1 July 2010	1,438
Additions:	
By purchase	84
Revaluations and impairments recognised in othercomprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(670)
Disposals:	
Other	-
Net book value 30 June 2011	852
Net book value as of 30 June 2011 represented by:	
Gross book value	2,217
Accumulated amortisation	(1,365)
Closing net book value	852



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

	2012 \$'000	2011 \$'000
Note 6F: Other Non-Financial Assets		
Prepayments	<u>93</u>	<u>268</u>
Total other non-financial assets	<u>93</u>	<u>268</u>

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

Note 7: Payables

	2012 \$'000	2011 \$'000
Note 7A: Suppliers		
Trade creditors and accruals	<u>(360)</u>	<u>(411)</u>
Total supplier payables	<u>(360)</u>	<u>(411)</u>

Settlement is usually made within 30 days.

Note 7B: Other

GST payable to ATO	<u>(40)</u>	<u>(194)</u>
Total other payables	<u>(40)</u>	<u>(194)</u>

Total other payables are expected to be settled in:

No more than 12 months	<u>(40)</u>	<u>(194)</u>
More than 12 months	<u>-</u>	<u>-</u>
	<u>(40)</u>	<u>(194)</u>



Note 8: Provisions

	2012 \$'000	2011 \$'000
Note 8A: Employee Provisions		
Leave	(2,146)	(1,597)
Other	(734)	(484)
Total employee provisions	<u>(2,880)</u>	<u>(2,081)</u>
Employee provisions are expected to be settled in:		
No more than 12 months	(1,912)	(1,430)
More than 12 months	(968)	(651)
Total employee provisions	<u>(2,880)</u>	<u>(2,081)</u>
Note 8B: Other Provisions		
Provision for restoration obligations	(425)	(16)
Lease incentive	(1,741)	-
Total other provisions	<u>(2,166)</u>	<u>(16)</u>
Other provisions are expected to be settled in:		
More than 12 months	(2,166)	(16)
Total other provisions	<u>(2,166)</u>	<u>(16)</u>
	Provision for restoration \$'000	
Carrying amount 1 July 2011	(16)	
Additional provisions made	(409)	
Amounts used	-	
Unwinding of discount or change in discount rate	-	
Closing balance 2012	<u>(425)</u>	

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



Note 9: Cash Flow Reconciliation

	2012 \$'000	2011 \$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow Statement	3,506	1,480
Balance sheet	3,506	1,480
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	5,073	(1,961)
Adjustments for non-cash items		
Depreciation /amortisation	1,222	1,025
Amounts received free of charge	31	0
Changes in assets / liabilities		
(Increase) / decrease in net receivables	(1,136)	(381)
(Increase) / decrease in prepayments	175	(208)
Increase in employee provisions	799	247
Increase in other provisions	1,762	0
Increase / (decrease) in supplier payables	52	(370)
Decrease in accrued liabilities and safety case levies paid in advance	(135)	(101)
Increase / (decrease) in GST payable	(274)	186
Net cash from / (used by) operating activities	<u>7,569</u>	<u>(1,563)</u>

Note 10: Contingent Liabilities and Assets

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



Note 11: Senior Executive Remuneration

11A: Senior Executive Remuneration Expense for the Reporting Period

	2012	2011
	\$	\$
Short-term employee benefits:		
Salary	(851,468)	(570,349)
Annual leave accrued	(75,542)	(48,598)
Other allowances	(7,000)	(10,000)
Total Short-term employee benefits	<u>(934,010)</u>	<u>(628,947)</u>
Post-employment benefits:		
Superannuation	(107,573)	(60,403)
Total post-employment benefits	<u>(107,573)</u>	<u>(60,403)</u>
Other long-term benefits		
Long-service leave	(21,219)	(14,213)
Total other long-term benefits	<u>(21,219)</u>	<u>(14,213)</u>
Termination benefits	-	-
Total	<u>(1,062,802)</u>	<u>(703,563)</u>

Notes:

- Note 11A was prepared on an accrual basis.
- Note 11A excludes acting arrangements and part-year service where remuneration expensed for a senior executive was less than \$150,000.



Note 11: Senior Executive Remuneration (Contd)

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

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

Average annual reportable remuneration ¹	2011					
	Senior Executives No.	Reportable Salary ²	Contributed superannuation ³	Reportable Allowances ⁴	Bonus paid ⁵	Total
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$270 000 to \$299,999	1	252,618	39,427	-	-	292,045
\$300 000 to \$329,999	-	-	-	-	-	-
\$330 000 to \$359,999	1	314,301	21,236	-	-	335,537
Total	2					

Notes:

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

Note 11: Senior Executive Remuneration (Contd)

11C: Other Highly Paid Staff

		2012			
		Reportable Salary ²	Contributed superannuation ³	Reportable Allowances ⁴	Bonus paid ⁵
Average annual reportable remuneration ¹	Staff No.	\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	5	144,309	22,333	146	-
\$180,000 to \$209,999	15	165,777	27,189	251	-
\$210,000 to \$239,999	9	186,517	39,050	1,269	-
\$240,000 to \$269,999	6	200,028	50,816	169	-
\$270,000 to \$299,999	4	221,906	56,913	194	-
Total	39				

		2011			
		Reportable Salary ²	Contributed superannuation ³	Reportable Allowances ⁴	Bonus paid ⁵
Average annual reportable remuneration ¹	Staff No.	\$	\$	\$	\$
Total remuneration (including part-time arrangements):					
\$150,000 to \$179,999	10	146,198	22,673	221	-
\$180,000 to \$209,999	15	170,117	24,884	231	-
\$210,000 to \$239,999	8	192,822	28,004	1,624	-
\$240,000 to \$269,999	2	225,113	31,467	-	-
\$270,000 to \$299,999	0	-	-	-	-
Total	35				

Notes:

1. This table reports staff:
 - a) who were employed by the entity during the reporting period;
 - b) whose reportable remuneration was \$150,000 or more for the financial period; and
 - c) were not required to be disclosed in tables A, B or director disclosures.
 Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
 - c) exempt foreign employment income.
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to other highly paid staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the

Note 12: Remuneration of Auditors

2012	2011
\$'000	\$'000

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

Fair value of the services provided

Financial statement audit services	<u>31</u>	<u>25</u>
Total	31	25

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



Note 13: Financial Instruments

	2012 \$'000	2011 \$'000
<u>13A Categories of Financial Instruments</u>		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	3,506	1,480
Trade and other receivables	4,940	3,683
Total	8,446	5,163
Carrying amount of financial assets	8,446	5,163
Financial Liabilities		
At amortised cost:		
Trade creditors	(360)	(411)
Other	(40)	(194)
Total	(400)	(605)
Carrying amount of financial liabilities	(400)	(605)
<u>13B Net Income and Expense from Financial Assets</u>		
Loans and receivables		
Interest revenue	186	99
Net gain from loans and receivables	186	99
Net gain from financial assets	186	99

The interest income from financial assets at fair value through profit or loss was \$186,000 in the year ending 2012 [2011: \$99,000].

13C Net Income and Expense from Financial Liabilities

Financial liabilities - at amortised cost		
Interest expense	-	-
Net loss from financial liabilities - at amortised cost	-	-
Net loss from financial liabilities	-	-

There was no interest expense from financial liabilities not at fair value through profit or loss in the year ending 2012 [2011: Nil].

13D Fair Value of Financial Instruments

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

13E Credit Risk

NOPSEMA was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2012: \$4,984,000 and 2011: \$3,683,000).

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 13: Financial Instruments (Contd)

13F Liquidity Risk

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

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

Maturities for non-derivatives financial liabilities 2012

	within 1 year \$'000	Total \$'000
Other Liabilities		
Trade creditors	360	360
Other liabilities	40	40
Total	400	400

Maturities for non-derivatives financial liabilities 2011

	within 1 year \$'000	Total \$'000
Other Liabilities		
Trade creditors	411	411
Other liabilities	194	194
Total	605	605

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

13G Market Risk

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

Interest Rate Risk

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

Note 14: Appropriations

NOPSEMA received no appropriation from the Government during the reporting period, and operated on a cost recovery basis.

The *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003* provides the authority for NOPSEMA to charge levies.



Note 15: Special Accounts

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 2011-12, 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 2012 this work had been completed in respect of this special account and the work conducted noted that the risk of a breach of Section 83 was low. No issues of compliance with Section 83 were identified.

National Offshore Petroleum Safety and Environmental Management Authority (Departmental)	2012	2011
	\$'000	\$'000

Appropriation: *Financial Management and Accountability Act 1997* section 21

Legal Authority: Section 682 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*

Purpose: Section 684 of the Act outlines the purpose of the special account 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.

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

Balance carried from previous period	1,480	1,197
Costs recovered	27,725	12,771
Other receipts	-	1,930
Total increase	27,725	14,701
Available for payments	29,205	15,898
Payments made to employees	(13,287)	(9,936)
Payments made to suppliers and GST	(11,679)	(3,723)
Other payments made	(733)	(759)
Total decrease	(25,699)	(14,418)
Total balance carried to next period	3,506	1,480

Note 16: Compensation and Debt Relief

	2012	2011
Departmental	\$	\$
No payment was provided during the period.	-	-



Note 17: Reporting of Outcomes

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

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

Note 17A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Expenses				
Departmental	(23,677)	(14,757)	(23,677)	(14,757)
Total	(23,677)	(14,757)	(23,677)	(14,757)
Income from non-government sector				
Departmental	20,047	12,592	20,047	12,592
Total	20,047	12,592	20,047	12,592
Other own-source income				
Departmental	8,703	204	8,703	204
Total	8,703	204	8,703	204
Net cost/(contribution) of outcome delivery	5,073	(1,961)	5,073	(1,961)

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



Note 17: Reporting of Outcomes (Contd)

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

Outcome 1	Outcome 1		Total	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Departmental Expenses:				
Employees	(14,086)	(10,183)	(14,086)	(10,183)
Suppliers	(8,369)	(3,549)	(8,369)	(3,549)
Depreciation and amortisation	(1,222)	(1,025)	(1,222)	(1,025)
Total	(23,677)	(14,757)	(23,677)	(14,757)
Departmental Income:				
Sale of goods and services	28,564	12,697	28,564	12,697
Income from government	-	-	-	-
Interest	186	99	186	99
Total	28,750	12,796	28,750	12,796
Departmental Assets:				
Cash and cash equivalents	3,506	1,480	3,506	1,480
Trade and other receivables	4,940	3,683	4,940	3,683
Land and buildings	4,030	81	4,030	81
Property, plant and equipment	290	74	290	74
Intangibles	1,396	852	1,396	852
Other non-financial assets	93	268	93	268
Total	14,255	6,438	14,255	6,438
Departmental Liabilities:				
Suppliers	(360)	(411)	(360)	(411)
Other payables	(40)	(194)	(40)	(194)
Employee provisions	(2,880)	(2,081)	(2,880)	(2,081)
Other provisions	(2,166)	(16)	(2,166)	(16)
Total	(5,446)	(2,702)	(5,446)	2,702

Outcome 1 is described in Note 1.1.



Attachment A: Summary of Significant Accounting Policies

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

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

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

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

1.2 Basis of Preparation of the Financial Report

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

The financial statements have been prepared in accordance with:

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

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

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

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

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

1.3 Significant Accounting Judgements and Estimates

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

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

Future Australian Accounting Standard requirements

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



1.5 Revenue

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

Other revenue includes the \$8.5m funding received from the Department of Resources Energy and Tourism for the implementation of NOPSEMA.

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

1.6 Gains

Resources Received Free of Charge

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

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

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

Sale of assets

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

1.7 Transactions with the Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

1.8 Employee Benefits

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

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

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), or the PSS accumulation plan (PSSap).

The PSS is a defined benefit scheme for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits 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.

NOPSEMA makes employer contributions to the employees' superannuation scheme 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.

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

1.9 Leases

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

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

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

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

1.10 Cash

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

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

1.11 Financial assets

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

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



Trade and Other Receivables

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

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

Impairment of Financial Assets

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

1.12 Financial liabilities

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

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

Suppliers and Other Payables

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

Provisions

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

1.13 Contingent Liabilities and Contingent Assets

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

1.14 Acquisition of Assets

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

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

1.15 Property, Plant and Equipment

Asset Recognition Threshold

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

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



Notes to the financial statements
for the period ending 30 June 2012

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	<u>2012</u>	<u>2011</u>
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.16 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of NOPSEMA's software are 3 years (2010-11: 3 years).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.17 Taxation / Competitive Neutrality

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

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

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



Advisory
Board Report
2011-12



NOPSEMA Advisory Board Annual Report

Chairman's summary

The 2011-12 financial year can be characterised as one of significant change for Australia's national offshore petroleum regulator - beginning with the allocation of responsibility for well integrity regulation in Commonwealth waters from 29 April 2011, and followed by the establishment of NOPSEMA on 1 January 2012, which gave the organisation regulatory responsibility for environmental management.

Naturally, these changes have received considerable attention from the NOPSEMA Advisory Board.

Anecdotally, it appears that industry is recognising that a higher level of scrutiny is now being applied to the integrity of wells used in offshore petroleum activities. Administration of well operations management plans (WOMPs) and well approvals has progressed, with approvals being obtained within required time frames.

A significant change has seen the shift in emphasis from the well application document to the WOMP as the primary document; the WOMP takes a performance-based approach similar to that used with the safety case.


The interface between the titleholder and the drilling contractor (an important causal factor in both the Montara and Macondo incidents) has improved but still remains an area of focus for the board.

The transition from NOPSA to NOPSEMA has been completed. NOPSEMA has moved to a period of consolidation and is now fully discharging its expanded regulatory functions arising from the *National Regulator Bill* and *Significant Incident Directions Bill* amendments to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

As part of the change, the membership of the NOPSEMA Advisory Board was expanded with the appointment of Mr Gerard Early. Mr. Early's vast knowledge and experience in environmental policy and regulation is a valuable asset to the board.

While operators have generally responded positively to the regulatory changes of the past year, opportunities for some operators to improve the quality of their environment plan submissions have been identified, particularly in the following areas:

- demonstration that risks to the environment have been reduced to 'ALARP'
- definition of performance objectives as to how targets will be met
- third party consultation, particularly in relation to oil spill contingency plans
- appropriateness of oil spill contingency plans.



The board is aware of the concerns some operators had regarding whether the transition from NOPSA to NOPSEMA would run smoothly. The board has monitored the progress of the authority closely during this time and encouraged NOPSEMA to engage with industry to help guide them through its transitional phase.

The *Second Triennial Review of the Operational Effectiveness of the National Offshore Petroleum Safety Authority Report* was presented to the Minister for Resources and Energy, the Hon. Martin Ferguson AM MP in November 2011. The report concluded that the authority had “firmly established itself as a respected and competent safety regulator among stakeholders and peers in both the domestic and international offshore petroleum and gas industry.”

It is notable that the industry accident rate is currently the lowest it has been since 2005, when NOPSA began aggregating industry performance statistics. While causality is always difficult to prove and long term trends may vary, the doubling of inspection frequency in 2010 appears to have helped reverse the rising trend for dangerous occurrences and hydrocarbon releases.

The board is pleased to note the progress of the *Australian Industry Source Control Contingency Plan*, which is industry’s response to the Montara and Macondo incident. Progress is being made towards procuring first response equipment under a funding mechanism that allows affordable access to all Australian operators.

It is also pleasing to see industry’s adoption of the Common Safety Training Program (CSTP) for all personnel working in offshore production and drilling facilities, which aims to ensure that all new and existing employees have the same core foundation of safety skills. As of 1 January 2012, employers have committed that all new employees will attain a CSTP card and all experienced workers will have or be working towards achieving the CSTP card.

The board has monitored developments at the International Regulators’ Forum (IRF). Board member Dr Jan Hayes attended the IRF Summit held in Stavanger, Norway in October 2011. Of note, the IRF is sponsoring further research on human factors and culture in the offshore industry and on operators’ ‘fitness to operate’ where there is much work to do. The IRF is also supporting the increasing use of global standards such as those of the International Standards Organization (ISO). Significant work remains to be done on better performance measures.

NOPSEMA Advisory Board functions

The National Offshore Petroleum Safety Authority and Environmental Management Authority (NOPSEMA) Board is established under Part 6.9, Division 3 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

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

The Minister for Resources and Energy issued a *Statement of Expectations* in March 2012 setting out the role of the NOPSEMA Advisory Board.



THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY

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

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

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

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

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

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

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

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



Martin Ferguson

Stakeholder engagement

The NOPSEMA Advisory Board is constituted separately to the agency, in order to provide independent advice to the NOPSEMA CEO, relevant state and territory ministers and the Commonwealth Minister for Resources and Energy who is specified in the legislation as the board's principal stakeholder.

The Hon. Martin Ferguson AM MP was the Commonwealth Minister of Resources and Energy for the reporting period. The board provided the Minister with proactive advice on a range of matters consistent with the strategic themes described below.

The Minister attended the final board meeting of the 2011-12 financial year and confirmed that the board's advice was useful and that many of recommendations made by the board were being actioned by his department.

State and Northern Territory ministers

The board continued with its objective of establishing greater engagement with state and Northern Territory ministers in 2011-12 by providing written advice on relevant matters and through attendance at meetings of the SCER.

The NOPSEMA CEO

The NOPSEMA CEO attends and participates in board meetings. Board agendas have included reviews of NOPSEMA's operational policies and strategies in key areas. This has provided the primary means of advising the CEO during 2011-12.

Other stakeholders

To give relevant and accurate advice, the board maintains links with other relevant stakeholders in industry and government. Interface activity in 2011-12 has included the following:

- the board met with members of the independent review panel who conducted the *Second Triennial Review of the Operational Effectiveness of NOPSA*.
- the board liaises regularly with the Chair of the APPEA Health and Safety Operations Committee on relevant matters and also received a presentation from him on the Australian Industry Source Control Contingency Plan.
- several board members attended the International Offshore Petroleum Regulators' and Operators' Summit in Perth in August 2011.
- one board member attended the International Regulators' Forum (IRF) Summit Conference in Stavanger in October 2011.
- board members meet regularly with staff at the Department of Resources, Energy and Tourism (RET).
- individual board members are also active in the offshore oil and gas sector in various ways, which informs the perspectives that they bring to formulating board advice on specific issues.

New environment function

After the Commonwealth Minister for Resources and Energy, the Hon Martin Ferguson AM MP, endorsed the establishment of NOPSEMA in late 2011, the advisory board devoted considerable attention to the authority's environment function, which was to be managed by NOPSEMA from 1 January 2012. In particular, the board assisted the NOPSEMA CEO by reviewing arrangements for the transition from NOPSA to NOPSEMA - and its consolidation - throughout the rest of the 2011-12 financial year.

The board was particularly focused on ensuring the environment function would be fully integrated into the authority's portfolio by 1 January, with equivalent high calibre staff recruited and appropriate resources and operational procedures in place.

The board was assisted in these deliberations by a number of presentations at its meetings by the NOPSEMA General Manager Environment.

During the 2011-2012 financial year, the NOPSEMA Advisory Board paid particular attention to the risk management of environmental matters within the transitional program to NOPSEMA. The board advised the CEO in relation to a number of risks and discussed strategies to ameliorate them. The board also raised one of the most significant risks with the Minister for Resources and Energy – namely, the high volume of pre-approved environment plans that had been inherited by NOPSEMA from the states and the Northern Territory DAs. The board advised the CEO on a program to review all these plans through an initial screening process, followed by more detailed review according to priority.

Strategic themes

As previously mentioned, the NOPSEMA Advisory Board focused its attention on the transferral of NOPSEMA's new environment function from the states and NT government bodies and the adequacy of NOPSEMA's procedures and staffing. The board also continued to monitor the implementation of recommendations outlined in the *Report of the Montara Commission of Inquiry (2010)* and the new recommendations included in the *Second Triennial Review of the Operational Effectiveness of the National Offshore Petroleum Safety Authority*, released in November 2011.

Following the Montara incident in the Timor Sea, the Macondo/Deepwater Horizon accident in the Gulf of Mexico, and NOPSEMA's increased responsibilities for drilling and well integrity oversight, the board maintained a strategic focus in these areas, which included implementation of the legislative and regulatory framework, the transition from the states and NT, and improving NOPSEMA's internal processes and capabilities.

The board noted and supported the work by the IRF in relation to further research on:

- the regulation of human factors and culture in the offshore industry
- operators' 'fitness to operate'
- encouraging the increasing use of global standards such those of the International Standards Organization
- blowout preventers
- better performance measures.

The board also reviewed the current offshore exploration permit guidelines and considered how technical competence with respect to health, safety and environment might be better addressed in the guidelines.

The year ahead

In accordance with the Commonwealth Minister's *Statement of Expectations* and the relevant legislation, the NOPSEMA Advisory Board will continue to provide advice to the responsible Commonwealth, state and Northern Territory government ministers, and to NOPSEMA's CEO moving forward.

As a means to improve communications with the Department of Resources, Energy and Tourism, the board has invited the department's Deputy Secretary to join its meetings as an observer.

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

Taking into account its functions under the OPGGSA and the *Statement of Expectations*, the advisory board developed a draft work program for 2012 to 2015. The 2012 tasks include:

- providing advice to ministers by correspondence and briefings to the SCER
- monitoring NOPSEMA's delivery against the authority's *Statement of Expectations*
- reviewing NOPSEMA's progress in assessing new and legacy environment plans
- encouraging the legislative action needed from the states and NT by 1 January 2013, in relation to the ongoing conferral of powers on NOPSEMA
- assessing NOPSEMA's progress and capabilities in well integrity oversight
- contributing to the RET review of possible amendments to Schedule 3 of the OPGGSA in relation to the suite of compliance and enforcement tools available to NOPSEMA and increasing transparency
- monitoring progress in cooperation and legislation to facilitate the sharing of safety data and information between NOPSEMA and WA to maintain and enhance an internationally comparable national safety data set
- liaising with industry, particularly to encourage a greater collective focus on driving improvements to major accident event prevention barriers such as: safety in design, reliability engineering, integrity assurance, leadership and culture, training/competence and standards
- developing any necessary input in relation to offshore emergency and incident response arrangements
- progressing arrangements to further support improved safety in design
- analysing industry expansion, workforce growth, ageing, and capability trends and recommending any necessary action
- supporting NOPSEMA's international engagement through the development of shared international regulatory strategies, policies and best practice, via both the IRF and regional counterparts in New Zealand, Timor Leste and PNG.

Advisory board membership

During the 2011-12 financial year, there was one new appointment and no resignations to the advisory board membership.

The advisory board met five times: 9 August 2012, 21 October 2011, 8 December 2011, 9 February 2012 and 10 May 2012.

Name	9 Aug 2011 NOPSA Meeting 31	21 Oct 2011 NOPSA Meeting 32	8 Dec 2011 NOPSA Meeting 33	9 Feb 2012 NOPSEMA Meeting 1	10 May 2012 NOPSEMA Meeting 2
Keith Spence (Chair)	•	•	•	•	•
Dr Lynne Chester	•	•	•	•	•
Dr Michael Ollis	•	•	•	•	•
Mr Tony Pooley	•	•	•	•	•
Dr Jan Hayes	•	•	•	•	•
Mr Kym Bills	•	•	•	•	•
Michael Large	•		•	•	•
Mr Gerard Early (commenced Meeting 1)				•	•

Financial statement

Remuneration of board members is set by the Remuneration Tribunal, and NOPSEMA funds the operating costs and remuneration of the board and its members. The board does not employ staff, and does not own or lease physical assets.

A comparison of board expenditure relative to NOPSEMA's 2011-12 budget allocation is set out in the following table:

Expenditure items	Annual budget 2011-12	Actuals 2011-12	Variance (favourable/ unfavourable)	Last year's actuals 2010-11
	\$'000	\$'000	\$'000	\$'000
Members remuneration	229	237	(8)	224
Travel and accommodation	57	32	25	27
Other expenses	14	6	8	7
TOTAL	300	275	25	258

NOPSEMA Advisory Board profiles

Mr Keith Spence (Chair)

With more than 30 years' experience in the oil and gas industry, including 18 years working for Shell, Mr Spence has a broad knowledge of the Australian offshore petroleum industry. Mr Spence retired from Woodside Petroleum in 2008 after a 14-year tenure with the company, where he occupied top executive positions.

Mr Spence held many roles during his period with Woodside, including chief operating officer, acting chief executive officer, executive vice president enterprise capability, director oil business unit, director northern business unit and exploration manager North West Shelf.

Mr Spence is a member of the National Carbon Capture and Storage Council. He is a member of the Board of Australian Workforce and Productivity Agency and chairs the Board of the Australian Institute of Management (WA), the State Training Board of Western Australia and the Industry Advisory Board of the Australian Centre for Energy and Process Training. He is a Non-Executive Chairman of Clough Limited and Geodynamics Limited and a Non-Executive Director of Verve Energy and Oil Search Limited.

Dr Lynne Chester

Dr Chester is an economist who currently researches and teaches at the University of Sydney. She was formerly a lecturer at the University of New South Wales and a senior research fellow at the John Curtin Institute of Public Policy at Curtin University. Dr Chester has conducted extensive research and written papers on the electricity sector and energy security in Australia. Her current research focus includes: energy issues and the environment, electricity generation capacity, energy affordability, electricity and carbon derivatives, and the regulation of energy markets. She has taught undergraduate and postgraduate courses in economics, public policy, risk management, infrastructure provision and research methods.

Dr Chester has been a consultant to the Asian Development Bank, a senior executive with two of Australia's largest utility organisations - Energy Australia and Sydney Water - chief of staff to federal government ministers, and an economic adviser to the South Australian Premier. With more than 25 years' experience in the public sector, her expertise includes the process of decision-making and policy implementation, accountability, governance and regulatory regimes. She was an independent member of the federal government's 2011-12 Energy White Paper Reference Group, and is currently a member of the Advisory Board for the Bureau of Resources and Energy Economics and Chair of AGL's Customer Council.

Mr Anthony (Tony) Pooley

Tony Pooley is recognised as one of Australia's most respected risk management specialists. He is a Director of the risk consulting firm, Principle Seven and an adjunct Associate Professor on risk management in the Human Factors and Safety Management Systems masters course at the University of South Australia.

Mr Pooley has been an advisor to a portfolio of resource companies including BHP Billiton, Exxon-Mobil, Rio Tinto and Santos and was a member of the Newcrest Mining Executive Committee until the end of 2008. In 1992 he formed the Qest Consulting Group, Australia's first local consultancy providing quantified risk assessment services; in this capacity he was involved in assisting BHP Petroleum complete Australia's first offshore safety case, as well as leading teams working on three early onshore safety cases undertaken in Victoria.

Dr Michael (Mike) Ollis

Until his 2008 retirement from the role of vice president asset team leader, Australia Operated, Dr Michael Ollis was responsible for all of BHP Billiton Petroleum's operated exploration, appraisal, production and project development in Australia, including the FPSO Griffin Venture (WA), Buffalo Venture (NT), the Minerva Gas plant (VIC) and the Stybarrow FPSO development (WA).

He has extensive experience in the offshore petroleum industry internationally, having worked in the USA, UK, Brunei, Tunisia and the Netherlands in both management and operational positions. He spent 10 years working for Shell International before commencing a 17-year tenure with BHP Petroleum. Dr Ollis is also a Non-Executive Director of Nido Petroleum.

Mr Kym Bills

Kym Bills is the CEO of WA: ERA, an energy and CO2 geosequestration research alliance between the CSIRO, the University of Western Australia and Curtin University. He is also the Independent Chair of the Australian Centre for Natural Gas Management.

Mr Bills was foundation executive director of the Australian Transport Safety Bureau from 1999 to 2009. Prior to this, he was the head of the Commonwealth Maritime Division for five years, and a member of the board of Australian National Line Limited and AMSA.

In July 2009, Mr Bills completed several major reports as the Commonwealth's expert panel member for the *Inquiry into Offshore Petroleum Safety Regulation* and was appointed under WA legislation as an inspector to investigate the Varanus Island gas explosion. He subsequently spent 21 months as project director for the National Mine Safety Framework, tasked by Commonwealth and state ministers to develop nationally consistent mine safety legislation and regulation.

Mr Bills is a fellow of the Australian Institute of Energy, the Safety Institute of Australia, the Chartered Institute of Logistics and Transport, the Australian Institute of Management, and the Australian Institute of Company Directors.

Dr Jan Hayes

Dr Hayes has 25 years' experience in safety and risk management. Her experience covers a range of industries including offshore oil and gas, onshore petrochemicals, gas pipelines, mining, manufacturing and transportation, and air traffic control.

She began her career in 1983 in oil and gas process plant operations, and then moved into detailed design. She has been involved in the initial Australian oil industry response to the Piper Alpha incident in 1998 and has worked almost exclusively in the field of industrial safety since then.

Between 1991 and 2004, Dr Hayes was a director and part owner of Qest Consulting Pty Ltd, one of Australia's best known industrial risk and safety consultancies. Holding a number of operational roles, she managed up to 50 staff and was personally responsible for projects ranging from technical safety studies such as: safety cases, HAZOP studies, quantified risk assessments and reliability studies, to organisational psychology reviews and human factors studies. She now holds a Senior Research Fellow appointment at the Australian National University where she is Program Leader for research on public safety for the Energy Pipelines Co-operative Research Centre. Her research interests include operational decision making, safety in design, engineering professionalism, use of standards and safety indicators.

Mr Michael Large

Mr Large has more than 50 years' experience as an engineer. From 1986 he served as chief engineer for a number of companies across the maritime and offshore petroleum industry. Over this period, he spent time on diving and trenching projects, pipe lay/ transportation vessels, dynamic positioning, and supply and anchor handling vessels. He was also closely involved in the successful installation of outlets for the Sydney Outfalls (sewerage) Project.

Throughout his years of experience in the maritime and offshore petroleum industry, Mr Large has maintained and encouraged a culture of safety in the workplace and was instrumental in the production of the *Port Lincoln Ship Yard Safety Policy and Procedures Manual*. Mr Large retired from full-time seagoing duties in November 2006, but remains active in the industry.

Mr Gerard Early

Mr Early is an environmental consultant with more than 30 years' experience in government policies, programs and regulation of Australia's terrestrial and marine biodiversity.

He retired as deputy secretary of the Commonwealth Environment Department in October 2010, having acted for extensive periods as secretary of the department. Previous Commonwealth appointments include: deputy chief executive of the Australian Nature Conservation Agency, deputy director of the Australian Heritage Commission, Commonwealth Deputy Commissioner on the Murray-Darling Basin Commission and member of the Environment Committee of the Australian Fisheries Management Authority. He also served on the board of trustees of the Japan-based Institute for Global Environmental Strategies.

Mr Early has led Australian delegations and represented Australia at the UN, the Organisation for Economic Cooperation and Development and other international, regional and national forums. In 2007, he was awarded the Public Service Medal for outstanding public service in the protection and conservation of Australia's natural and cultural heritage.



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Appendix 2: List of requirements

Part of report	Description	Requirement
Foreword	Letter of transmittal	Mandatory
Foreword	Table of contents	Mandatory
Appendix 1	Index	Mandatory
Foreword	Glossary	Mandatory
Foreword	Contact officer(s)	Mandatory
Foreword	Internet home page address and Internet address for report	Mandatory
Review by Secretary		
CEO Review	Review by departmental secretary	Mandatory
CEO Review	Summary of significant issues and developments	Suggested
CEO Review	Overview of department's performance and financial results	Suggested
CEO Review	Outlook for following year	Suggested
CEO Review	Significant issues and developments – portfolio	Portfolio departments – suggested
Chapter 1	Departmental overview	
1.3	Role and functions	Mandatory
1.6	Organisational structure	Mandatory
1.6	Outcome and program structure	Mandatory
1.6	Where outcome and program structures differ from PB statements/ PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory
3.2	Portfolio structure	Portfolio departments - mandatory
Chapter 2	Report on performance	
2.1	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory
2.6	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory
2.6	Where performance targets differ from the PBS/ PAES, details of both former and new targets, and reasons for the change	Mandatory
2	Narrative discussion and analysis of performance	Mandatory
2	Trend information	Mandatory
2.1	Significant changes in nature of principal functions/ services	Suggested
5.1-5.3 and financial statements	Performance of purchaser/provider arrangements	If applicable, suggested
2.1 - 2.6	Factors, events or trends influencing departmental performance	Suggested

Part of report	Description	Requirement
2.1 - 2.6	Contribution of risk management in achieving objectives	Suggested
N/A	Social inclusion outcomes	If applicable, mandatory
2.1 - 2.6	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory
2.6	Discussion and analysis of the department's financial performance	Mandatory
2.6	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory
Note 17, Financial Statements	Agency resource Statement and summary resource tables by outcomes	Mandatory
Chapter 3	Management and accountability	
	Corporate governance	
3.2	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory
3.1	Statement of the main corporate governance practices in place	Mandatory
3.2	Names of the senior executive and their responsibilities	Suggested
3.2	Senior management committees and their roles	Suggested
3.1 - 3.3	Corporate and operational planning and associated performance reporting and review	Suggested
3.3	Approach adopted to identifying areas of significant financial or operational risk	Suggested
4.4	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested
N/A	How nature and amount of remuneration for SES officers is determined	Suggested
	External scrutiny	
3.6	Significant developments in external scrutiny	Mandatory
3.5	Judicial decisions and decisions of administrative tribunals	Mandatory
3.6	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory
Chapter 4	Management of human resources	
4.1	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory
4.1	Workforce planning, staff turnover and retention	Suggested
N/A	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested
4.3	Training and development undertaken and its impact	Suggested
6.1	Work health and safety performance	Suggested
	Productivity gains	Suggested
4.1	Statistics on staffing	Mandatory

Part of report	Description		Requirement
4.1	Enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs		Mandatory
4.1	Performance pay		Mandatory
3.4	Assets management	Assessment of effectiveness of assets management	If applicable, mandatory
Chapter 5	Purchasing		
5.1 - 5.3	Assessment of purchasing against core policies and principles		Mandatory
5.1	Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory
5.2	Australian National Audit Office Access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory
5.3	Exempt contracts	Contracts exempt from the AusTender	Mandatory
	Financial statements	Financial statements	Mandatory
Chapter 6	Other mandatory information		
N/A	Correction of material errors in previous annual report		If applicable, mandatory
6.1	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)		Mandatory
6.2	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns		Mandatory
6.3	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)		Mandatory
N/A	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>		If applicable, mandatory
N/A	Grant programs		Mandatory
6.4	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms		Mandatory
6.5	FOI and the Information Publication Scheme statement		Mandatory
Appendix 1	Alphabetical index		Mandatory
Appendix 2	List of requirements		Mandatory

