

Annual Report
2013-14



This document is the annual report of the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) covering operations and activities conducted during the year ending 30 June 2014. NOPSEMA's annual report is made available to the Commonwealth Minister for Industry, the relevant state and Northern Territory ministers, the offshore petroleum industry, its workforce and the public.

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

Online

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

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**Letter to the Hon Ian Macfarlane MP,
Minister for Industry**

In accordance with Section 690 of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*, I have pleasure in submitting the National Offshore Petroleum Safety and Environmental Management Authority's (NOPSEMA) annual report for the year ending 30 June 2014.

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

24 September 2014

Glossary of abbreviations

ALARP	as low as reasonably practicable
APPEA	Australian Petroleum Production and Exploration Association
APS	Australian Public Service
APSC	Australian Public Service Commission
ATBA	area to be avoided
AAUWA	application for approval to undertake well activity
COAG	Council of Australian Governments
DSMS	diving safety management system
EL	executive level
EP	environment plan
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FOI Act	<i>Freedom of Information Act 1982</i>
HSC	Health and Safety Committee
ICT	information communication technology
IOPER	International Offshore Petroleum Environmental Regulators
IPS	Information Publication Scheme
IRF	International Regulators' Forum
MODU	mobile offshore drilling unit
National Plan	National Plan for Maritime Environmental Emergencies
NOPSA	National Offshore Petroleum Safety Authority
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NT	Northern Territory
OHS	occupational health and safety
OPGGS Act	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PSZ	petroleum safety zone
SCER	Standing Council on Energy and Resources
WOMP	well operations management plan

Contents

Chief Executive review	8
1. Overview of NOPSEMA	11
1.1 Vision	11
1.2 Mission	11
1.3 Values	11
1.4 Role and legislated functions	12
1.5 Changes to the legislative regime	18
1.6 Organisational structure	20
1.7 Outcome and program structure	21
1.8 Jurisdiction	21
2. Report on performance	23
2.1 Legislated functions, strategic priorities and performance indicators	24
2.2 Assessments	26
2.3 Inspections	27
2.4 Incidents, investigations and enforcement	29
2.5 Achievement of budget targets	30
2.6 Stakeholder engagement	30
2.7 Media relations and communications	30
2.8 Inter-agency activities	31
3. Management and accountability	32
3.1 Corporate governance	32
3.2 Management framework	33
3.3 Business risk and fraud management	34
3.4 Asset management	34
3.5 External scrutiny	35
4. Management of human resources	36
4.1 Statistics on staffing and performance pay	36
4.2 Employee assistance programs	38
4.3 Learning and development	38
4.4 Code of conduct	38

5.	Purchasing	39
5.1	Consultants	39
5.2	Australian National Audit Office access clauses	39
5.3	Contracts exempt from the AusTender	39
6.	Other mandatory information	40
6.1	Work health and safety	40
6.2	Advertising and market research	40
6.3	Ecologically sustainable development and environmental performance	40
6.4	Grant programs	41
6.5	Disability reporting	41
6.6	Freedom of information and the Information Publication Scheme statement	41
	NOPSEMA Financial statements 2013-14	42
	Independent auditor's report	43
	Statement by Chief Executive Officer and Chief Financial Officer	45
	Statement of comprehensive income	46
	Balance sheet	47
	Statement of changes in equity	48
	Cash flow statement	49
	Schedule of commitments	50
	Schedule of contingencies	51
	Index of the notes the the financial statements	52
	Note 1: Summary of significant accounting policies	53
	1.1 Objectives of National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA)	53
	1.2 Basis of Preparation of the Financial Report	53
	1.3 Compliance with Statutory Requirements	53
	1.4 Significant Accounting Judgements and Estimates	54
	1.5 New Australian Accounting Standards	54
	1.6 Revenue	54
	1.7 Gains	54
	1.8 Transactions with the Government as Owner	54

1.9	Employee Benefits	54
1.10	Leases	55
1.11	Cash	55
1.12	Financial assets	55
1.13	Financial liabilities	56
1.14	Contingent liabilities and contingent assets	56
1.15	Acquisition of assets	56
1.16	Property, plant and equipment	56
1.17	Intangibles	57
1.18	Taxation/competitive neutrality	57
Note 2:	Events after the Reporting Period	59
Note 3:	Expenses	59
Note 4:	Income	59
Note 5:	Financial Assets	60
Note 6:	Non-Financial Assets	61
Note 7:	Payables	65
Note 8:	Provisions	66
Note 9:	Cash Flow Reconciliation	67
Note 10:	Contingent Liabilities and Assets	67
Note 11:	Senior Executive Remuneration	68
Note 12:	Remuneration of Auditors	71
Note 13:	Financial Instruments	71
Note 14:	Appropriations	73
Note 15:	Special Accounts	74
Note 16:	Compensation and Debt Relief	74
Note 17:	Reporting of Outcomes	75
Appendices 2013-14		77
Appendix 1:	Alphabetical index	77
Appendix 2:	Agency Resource Statements and Resources for Outcomes	78
Appendix 3:	List of requirements	79
NOPSEMA Board report 2013-14		82



Chief Executive review

This annual report covers the second full year in which the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) fulfilled its responsibilities as the national regulator of offshore petroleum safety, well integrity and environmental management. Furthermore, it covers the first four months following NOPSEMA's endorsement as the sole environment regulator of petroleum activities in Commonwealth waters.

NOPSEMA is held to the highest levels of accountability to drive improvements in regulatory practice. This was evident in the Commonwealth Government's commitment to increase efficiency and reduce duplication in environmental assessment processes for offshore petroleum activities. On 28 February 2014, amendments to the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 (the Environment Regulations) came into force to clarify, simplify and strengthen regulatory requirements. At the same time, NOPSEMA became the sole environment regulator for petroleum activities in Commonwealth waters. The endorsement of NOPSEMA's authorisation processes demonstrates the authority's capacity to regulate the environmental impacts of petroleum activities with consistency, rigour, independence and expertise.

Over the reporting period, NOPSEMA was subject to a performance audit by the Australian National Audit Office (ANAO). The ANAO sought to examine the establishment and administration of the authority including the discharge of its regulatory responsibilities. The final report, which has been tabled in the Parliament, concluded that NOPSEMA is appropriately managing the environmental aspects of its mandate and has established a sound framework for the regulation of the offshore petroleum industry.

In 2013-14, NOPSEMA implemented an organisational restructure to strengthen its approach to corporate governance, risk management, compliance monitoring and enforcement. The authority also refined its internal management systems to ensure the effective and efficient delivery of its mandate and reinforced its integrated risk management framework. NOPSEMA will continue to work to ensure that our decisions are consistent with the law and that our processes are administered by skilled professionals and are focused on ensuring dutyholders comply with their responsibilities to manage risks.

Strong safety performance is fundamental to community confidence in an industry that has seen the tragic consequences of inadequate risk prevention. NOPSEMA is committed to hold to account any parties that may have failed in their responsibility to do all that they can to provide a safe place for people to work. In 2013-14, NOPSEMA completed its independent investigation into an accident which claimed the lives of two offshore workers on the *Stena Clyde* mobile offshore drilling unit facility in the Bass Strait in August 2012. NOPSEMA submitted a brief of evidence to the Commonwealth Director of Public Prosecutions in April 2014 and we are awaiting their advice.

NOPSEMA will continue to focus on direct and open dialogue with dutyholders to reduce unnecessary burden and drive better safety and environmental outcomes.



During the reporting period, NOPSEMA also completed its investigation into an accident where a diver suffered a serious injury to the arm while operating high pressure water blasting equipment subsea in March 2011. Legal proceedings commenced against Technip Oceania Pty Ltd, the employer of the diver, who pleaded guilty to two breaches of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (OPGGGS Act). The matter has been set down for sentence. In relation to the same accident, NOPSEMA commenced legal proceedings against Hammelmann Australia Pty Ltd, as the equipment manufacturer, for specific breaches of Schedule 3 of the OPGGS Act. Legal proceedings are being conducted through the Magistrates Court of WA.

In 2013-14, NOPSEMA's regulatory specialists conducted intensive liaison with operators to provide advice on regulatory requirements. As a result, NOPSEMA is able to report a reduction in the average assessment timeframe for environment plans. In March 2014, the authority held a series of information sessions to explain the changes to the Environment Regulations and the implementation of the new streamlined arrangements. The sessions were well received and feedback from industry and stakeholders was positive. NOPSEMA will continue to focus on direct and open dialogue with dutyholders to reduce unnecessary burden and drive better safety and environmental outcomes.

NOPSEMA has also been working with industry and stakeholder representatives to improve the effectiveness of consultation that is undertaken by operators in the course of preparing an environment plan. Consultation processes that are designed to be open and collaborative, and that are conducted with integrity, are more likely to confer a social licence to operate, meet the requirements for NOPSEMA's acceptance of an environment plan and deliver improved environmental outcomes.

To promote improved outcomes in offshore health and safety, well integrity and environmental management, NOPSEMA published its *Annual offshore performance report*; a stocktake of industry's performance to December 2013. In the report, the authority identified a reduction across all categories in the rate of people being hurt while carrying out work offshore. This improvement is somewhat countered, however, by an increase in the number of OHS and environmental hydrocarbon releases. The ongoing consistency of reported incident root causes, such as inadequate design specifications and workers not following procedures, highlight an opportunity for industry to place greater focus on these aspects of their operations. NOPSEMA shared the report with industry in the expectation that, with continued effort by all, the impact of high risk activities on the lives of offshore workers and the environment will be minimised.

Internationally, NOPSEMA hosted the 5th International Regulators' Offshore Safety Conference in Perth in October 2013. The conference drew together international leaders in offshore petroleum regulation to examine the response measures used in recent major accident events and to assess whether we have done enough to prevent the next offshore disaster. Following the conference, NOPSEMA joined the International Regulators' Forum annual general meeting and

the International Offshore Petroleum Environmental Regulators general meeting. Both meetings sought to share lessons learnt, identify priority issues and discuss progress towards meeting global international standards for offshore safety and environmental management respectively. While we have come a long way, the process of continuous improvement demands sustained effort and cooperation and prevention will always remain the cornerstone of best practice in safety and environmental management.

Offshore petroleum activities are high-risk and complex and under the law it is industry's responsibility to manage these risks to a level that is as low as reasonably practicable. NOPSEMA has and will continue to challenge industry to consistently implement their commitments to manage risk effectively, for the benefit of offshore workers, the environment and the wider community.

A handwritten signature in black ink, appearing to read 'J Cutler', with a long horizontal flourish extending to the right.

Jane Cutler
Chief Executive Officer



1. Overview of NOPSEMA

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

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

By law, offshore petroleum activities cannot commence before NOPSEMA has assessed and accepted detailed risk management plans documenting and demonstrating how an organisation will manage the risks to health and safety to as low as reasonably practicable (ALARP) and the risk to the environment to ALARP and with acceptable environmental impacts.

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

1.1 Vision

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

1.2 Mission

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

1.3 Values

Professional

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

Ethical

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

Independent

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

1.4 Role and legislated functions

Role of NOPSEMA

NOPSEMA was established to regulate the health and safety, well integrity and environmental management of offshore petroleum and greenhouse gas storage activities in Commonwealth waters, and in coastal waters where state and territory functions have been conferred.

Legislated functions

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

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

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





THE HON MARTIN FERGUSON AM MP
MINISTER FOR RESOURCES AND ENERGY

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

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

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

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

Guiding principles

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

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

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

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

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

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

Specifically, NOPSEMA's responsibilities and functions are to:

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



Martin Ferguson

March 2012



Statement of Intent

National Offshore Petroleum Safety and Environmental Management Authority

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

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

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



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

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

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

April 2012

1.5 Changes to the legislative regime

During the reporting period there were substantive changes to the legislative regime NOPSEMA administers.

Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009

On 28 February 2014, amendments to the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009 (the Environment Regulations) came into effect.

Key amendments include:

- inclusion of an offshore project proposal concept for new development activities, including a mandatory minimum public comment period of four weeks
- reinforcement of the polluter pays principle through transfer of all environmental compliance responsibilities from the activity operator to the titleholder
- greater transparency of NOPSEMA's environmental management assessment processes
- the ability for NOPSEMA to request further written information from a titleholder in relation to an environment plan submission
- clarified and strengthened environmental performance and incident reporting requirements.

A range of amendments to simplify and clarify titleholder requirements and NOPSEMA's administration processes also took effect. For example, by allowing applicants, as opposed to titleholders, to submit an environment plan or a revision of an environment plan the government aims to significantly reduce environmental approval lead times.

The amendments to the Environment Regulations cleared the way for NOPSEMA to become the sole regulator of petroleum and greenhouse gas activities in Commonwealth waters; in accordance with the endorsement of NOPSEMA's environmental authorisation process by the Commonwealth Minister for the Environment under Part 10, Section 146 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

Offshore Petroleum and Greenhouse Gas Storage Amendment (Regulatory Powers and Other Measures) Bill 2014

The *Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures) Act 2013* (Compliance Measures Act No.1) and the *Offshore Petroleum and Greenhouse Gas Storage Amendment (Compliance Measures No. 2) Act 2013* received Royal Assent on 14 March 2013 and 28 May 2013 respectively. The Acts contain a range of measures to strengthen the offshore petroleum regulatory regime in respect to the monitoring and compliance, and inspection and enforcement objectives resulting from the Montara Commission of Inquiry.

The commencement of these measures was linked to the commencement of the proposed *Regulatory Powers (Standard Provisions) Act 2013* (the Regulatory Powers Act). The Regulatory Powers (Standard Provisions) Bill provides a framework of powers for general application across regulatory schemes for monitoring compliance, investigating breaches, and enforcing Commonwealth laws. In 2013, the Bill was prorogued after it did not pass in Parliament prior to the federal election. The Bill was reintroduced by the Commonwealth Government on 20 March 2014 as the *Regulatory Powers (Standard Provisions) Act 2014* and as of 30 June 2014 had not passed.

On 26 June 2014, the Offshore Petroleum and Greenhouse Gas Storage Amendment (Regulatory Powers and other Measures) Bill 2014 was passed by Parliament. The Bill amends the Compliance Measures Act No.1 to ensure the commencement of certain pending amendments by updating the commencement provisions to refer to the proposed Regulatory Powers Act and amends the OPGGS Act to enable the making of regulations to provide for remissions and refunds of the titles administration levy in certain circumstances and to make other minor policy and technical amendments.

Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Amendment Bill 2014

On 26 June 2014, the Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Amendment Bill 2014 was passed by Parliament. The Bill amends environment plan levy provisions in the *Offshore Petroleum and Greenhouse Gas Storage (Regulatory Levies) Act 2003*.

The new changes ensure that the environment plan levy is imposed on submission or revision of an environment plan where the activities to which the plan relates will be carried out under a petroleum scientific investigation or greenhouse gas research consent. The change also took into account the February 2014 amendments to the Environment Regulations that enable an applicant for certain titles to submit an environment plan to NOPSEMA.



1.6 Organisational structure

In 2014, NOPSEMA implemented an organisational restructure. The new structure comprises two regulatory divisions, and four corporate services teams, each reporting to the Chief Executive Officer. The change provides the authority with a strengthened approach to its corporate governance, risk management, compliance monitoring and enforcement.

The Safety and Integrity division's core business is the regulation of the management of risk to the health and safety of people at facilities and to the structural integrity of facilities primarily by assessment and inspection activities. The Environment division's core business is the regulation of the risk to the environment arising from petroleum activities primarily by assessment and inspection activities.

NOPSEMA organisation 30 June 2014

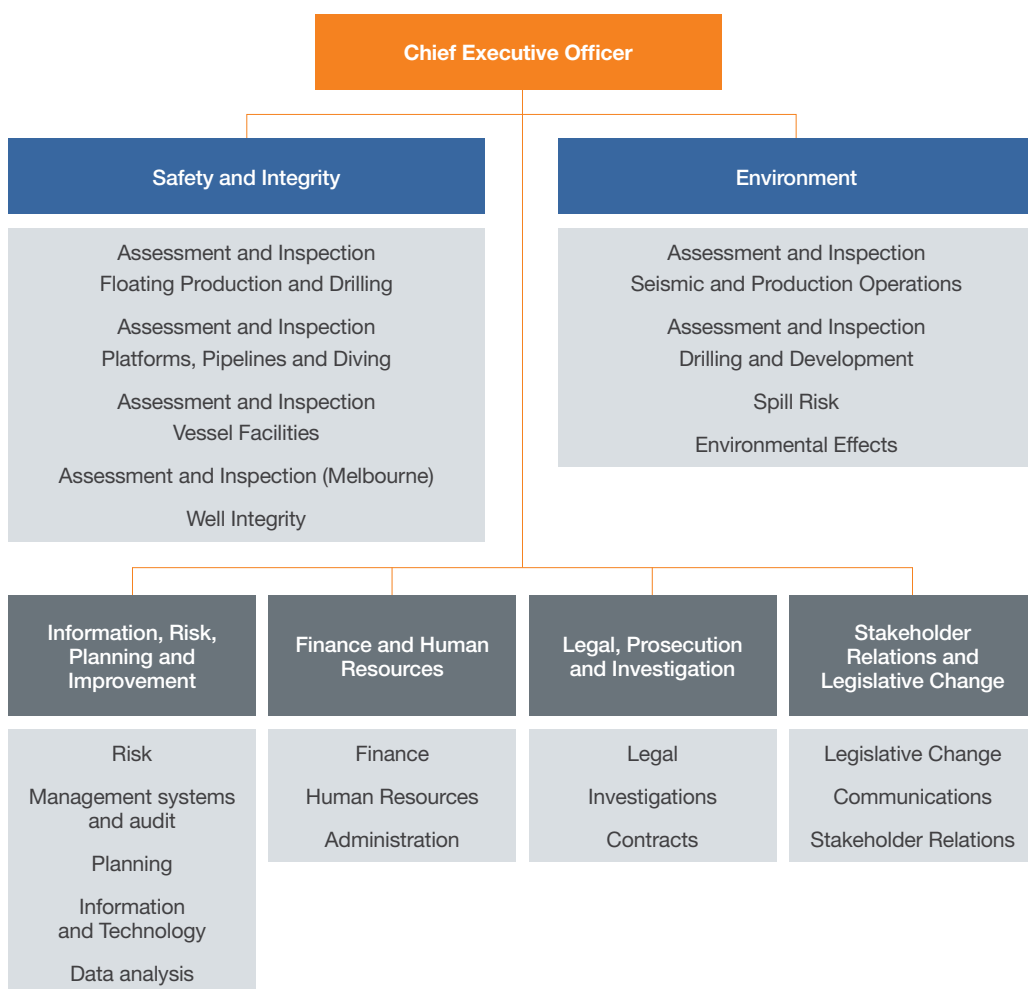


Figure 1.

1.7 Outcome and program structure

NOPSEMA's outcome and program structure is specified by the Commonwealth Government and documented in Budget Related Paper no. 1.16 of the Portfolio Budget Statements 2013-14.

During 2013-14, the authority's performance reporting framework comprised one outcome. The specified outcome is as follows:

Promote and enforce the effective management of risks to the offshore 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.

NOPSEMA contributes to this outcome through rigorous assessment of safety cases, well operations management plans and environment plans, coupled with effective monitoring, investigation and, where appropriate, enforcement action.

1.8 Jurisdiction

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

The OPGGS Act requires the conferral of OHS and well integrity regulation combined. To date, only Victoria has conferred its functions for OHS and well integrity on NOPSEMA. No state or territory conferred functions for the regulation of OHS, well integrity and environmental management during the reporting period.

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

Activity in NOPSEMA jurisdiction 2013-14		
Category	Type	Number
Occupational health and safety	Facility operators ¹	33
	Facilities	156
Well integrity	Titleholders ²	33
	Titles	84
	Wells	148
Environmental management	Activity operators ³	35
	Activities	109

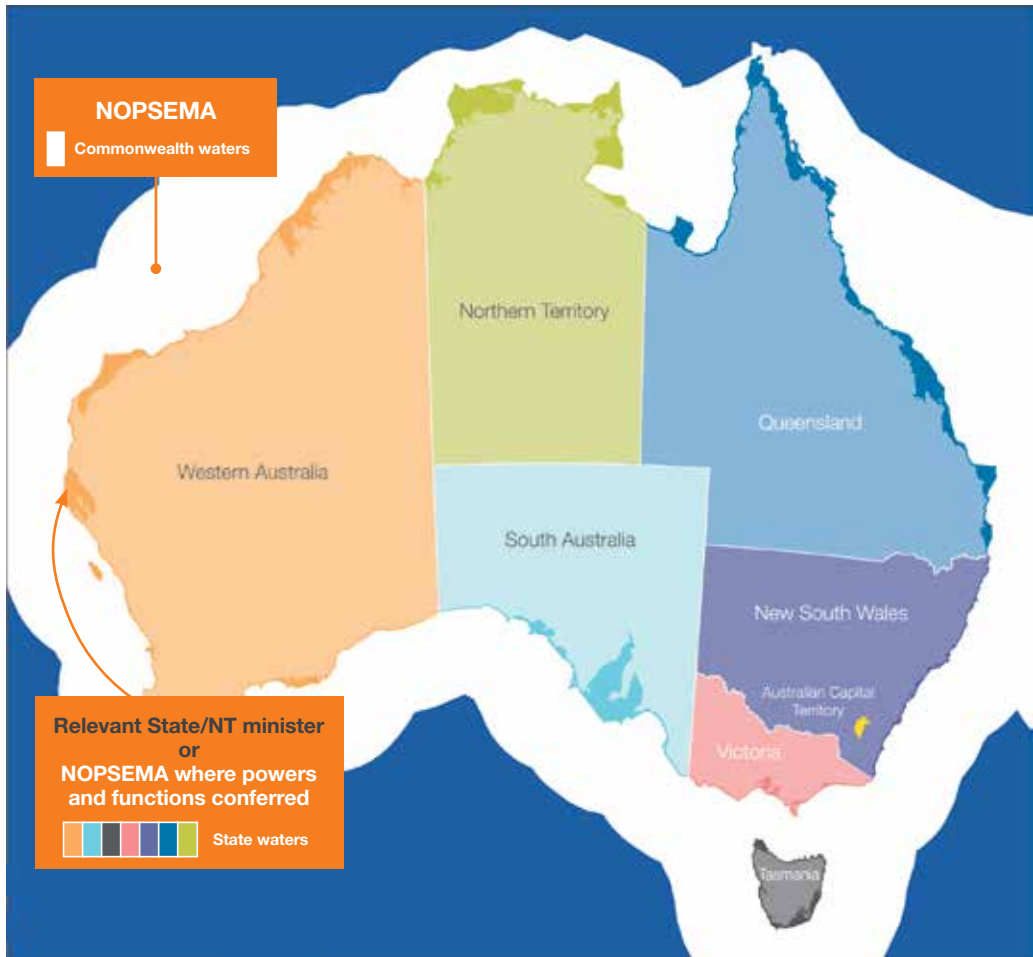
¹ based on monthly injury reports submissions

² based on well integrity assessment submissions

³ based on environment plan submissions

Table 1.

Jurisdiction for safety, well integrity and environmental management



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

Figure 2.



2. Report on performance

In 2013-14, NOPSEMA continued to challenge industry to secure compliance with the legislation and drive improved outcomes.

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

The authority faced a number of challenges relating to government and the industry environment which have and will continue to influence regulatory priorities, they include:

- eliminating inefficient or unnecessary regulation to unlock productivity and competitiveness for the Australian offshore petroleum industry
- the maintenance of ageing infrastructure
- the introduction of new and emerging technologies, maintaining and improving workforce competency in an environment of rapid industry growth and increasing costs.



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 2012-15.

Performance of legislated functions 2013-14				Progress 2013-14
Functions	Strategies	Performance indicators		
COMPLIANCE	<p>Develop and implement effective monitoring and enforcement strategies to secure compliance</p> <p>Maintain and improve internal systems, processes and capabilities to ensure expert, consistent, and independent regulatory decisions in accordance with the OPGGS Act and regulators</p> <p>Monitor and inspect for compliance with accepted regulatory plans and safety cases and, where necessary, take enforcement action</p> <p>Maintain capability for appropriate regulatory crisis response</p>	Agency resourced adequately with skilled professionals		
		Assessment decisions within required timeframes		
		Compliance inspections meet annual targets		
		Actions arising from inspections completed by dutyholders within specified timeframes		
		Duty holder activities conducted as per accepted regulatory submissions ¹		
	<p>Investigate accidents, dangerous occurrences and circumstances</p> <p>Maintain internal capabilities and processes to ensure expert, consistent, and independent investigations are completed in accordance with the OPGGS Act, regulations and NOPSEMA systems</p> <p>Communicate lessons learnt from incidents to industry</p>	Industry and NOPSEMA performance statistics published regularly		
		Improvement in industry performance measures ²		
		National reporting system for environment plans developed		
		Increased resources for incident investigations		
		Recommended incident reoccurrence prevention measures implemented by dutyholders within agreed timeframe		
IMPROVEMENT	<p>Promote safety, well integrity and environmental management</p> <p>Develop risk-based promotional programs</p> <p>Maintain robust, open and accountable relationships with industry stakeholders in relation to submission and assessment of regulatory plans and safety cases and broader regulatory functions</p> <p>Further develop early engagement with industry on facility/activity proposals</p>	Increased transparency of enforcement activities		
		Lessons learnt communicated directly to dutyholders and published		
		Increased themed information sessions, as part of strategic stakeholder liaison		
		Guidelines and regulatory information published as a priority		
		Increased workforce engagement obtained via health and safety representatives		
Production facility design notification scheme developed and implemented ³				

Completed
 On track
 On watch
 Remedial plans being developed

Performance of legislated functions 2013-14				Progress 2013-14
Functions	Strategies	Performance indicators		
IMPROVEMENT	<p>Advise on safety, well integrity and environmental management matters</p> <p>Develop and publish guidance notes to assist stakeholders with preparation of regulatory plans and safety cases</p> <p>Actively engage with industry and other stakeholders to provide guidance on interpretation of the regulations</p> <p>Develop policy on advice to stakeholders</p>	<p>Emphasis maintained on guidelines and regulatory information publications</p> <p>Targeted stakeholder feedback sought on draft guidance notes</p> <p>Industry information sessions and presentations published on the NOPSEMA website</p> <p>Responded to enquiries or complaints promptly</p> <p>Consistent and independent advice provided to dutyholders</p>		<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>
		<p>Provide strategic advice to ministers, departments, agencies and NOPSEMA advisory board</p>	<p>Reports and information briefs provided to relevant Commonwealth, state/NT minister(s) regularly</p>	●
		<p>Cooperate with other agencies performing functions relating to offshore petroleum operations and activities</p> <p>Work with government stakeholders to streamline regulatory processes</p> <p>Promote standardisation of offshore legislation</p> <p>Provide basis for ongoing conferral of functions in state/NT waters</p> <p>Further develop international regulatory relationships</p>	<p>Strategic advice and activity updates shared in NOPSEMA management meetings</p> <p>Agency accreditation or conferral under relevant legislation</p> <p>Cooperation and preparedness for oil spill response management</p> <p>Negotiations progressed with states /NT on cross-jurisdiction regulation/duty holder consultation</p> <p>Co-operative approach to proposed legislative amendments</p> <p>Participation in/contribution to international regulatory forums and publications</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>
GOVERNANCE	<p>Provide efficient, effective, economical and ethical corporate support to facilitate delivery of legislated functions</p> <p>Develop people, processes and systems that support our vision</p> <p>Human resource strategy to attract and retain high calibre staff</p> <p>Foster a strong risk management culture</p> <p>Continuous business productivity improvement</p>	<p>Risk management integrated into corporate decision-making processes</p> <p>Exemplary service delivery commensurate with responsible corporate overheads</p>		<p>●</p> <p>●</p>

- 1 Ongoing compliance monitoring – multiple operators issued recommendations and enforcement actions
- 2 Variable. Decrease in injury rate, increase in hydrocarbon release rate. See Annual Offshore Performance Report for full details
- 3 Further progress is dependent on regulations/legislative change

 Completed
  On track
  On watch
  Remedial plans being developed

Table 2.

2.2 Assessments

During the reporting period, NOPSEMA received a total of 389 submissions of the following assessment types:

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

NOPSEMA notified over 99% of all assessment decisions within the legislated or policy time frames.

Safety

NOPSEMA is responsible for the administration of the OPGGS (Safety) Regulations 2009. NOPSEMA received 19 submissions for new safety cases and 68 for revised safety cases during the reporting period. The authority notified 100% of new safety case assessments and 100% of revised safety case assessments within the legislated time frames.

Well integrity

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

NOPSEMA received 27 submissions for well operations management plans and 102 applications for approval to undertake well activity for assessment during the reporting period. The authority notified 99% of well integrity assessments within the legislated time frames.



Environmental management

NOPSEMA is responsible for the administration of the OPGGS (Environment) Regulations 2009. During the reporting period, the regulations were amended; with the changes coming into effect on 28 February 2014. NOPSEMA received 64 submissions for new environment plans and 29 revised environment plans in 2013-14. Of these submissions, 79 environment plans were submitted under the previous regulations, and 14 environment plans under the amended regulations. NOPSEMA notified 100% of environment plan assessments within the legislated time.

Assessment notifications 2013-14					
Assessment type	Assessment subtype	Number submitted ¹	Number notified ²	Number notified within specified time ³	% notified within specified time
Occupational health and safety	Safety case new	19	18	18	100%
	Safety case revised	68	70	70	100%
	Scope of validation	40	N/A	N/A	N/A
	Diving SMS new	1	1	1	100%
	Diving SMS revised	2	2	2	100%
	Diving start-up notice	20	20	20	100%
	Total OHS		150	111	111
Well integrity	WOMP – new	27	28	27	96%
	WOMP – variation	8	7	7	100%
	AAUWA – application	102	106	106	100%
	Total WI	137	141	140	99%
Environmental management	Environment plan new	64	69	69	100%
	Environment plan revised	29	28	28	100%
	Total EPs	93	97	97	100%
Petroleum safety zones	PSZ application new	8	8	8	100%
	PSZ application renewal	0	0	N/A	N/A
	PSZ access application	0	0	N/A	N/A
	ATBA Access application	1	1	1	100%
Total		389	358	357	99%

1 Numbers submitted and numbers notified may differ because some assessments notified in 2013-14 may have been submitted in 2012-13

2 Based on number of OHS inspections; one inspection may have multiple scopes

3 Based on number of facilities inspected; one inspection may cover multiple facilities

Table 3.

2.3 Inspections

Safety

The authority conducted 20¹ topic-based inspections from a total of 97¹ inspections carried out across a range of facility types and operators. The program of topic-based safety inspections for 2013-14 focused on:

- performance standards
- operator internal audit
- control of ignition sources – hazardous area equipment
- well barrier management

1 Based on number of OHS inspections; one inspection may have multiple scopes

2 Based on number of facilities inspected; one inspection may cover multiple facilities

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

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

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

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

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

Well integrity

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

Environmental management

During the reporting period, NOPSEMA conducted 21 environmental inspections against an annual target of 25. NOPSEMA conducted risk-based inspections covering a range of petroleum activities, including seismic operations, drilling, operation of a facility, oil spill response preparedness and construction activities.

Titleholders are required to submit environmental performance reports in accordance with the Environment Regulations. During the reporting period, NOPSEMA received 75 report submissions that, along with monitoring compliance, assisted the authority to develop scope for its inspections of titleholders environmental performance.

2.4 Incidents, investigations and enforcement

NOPSEMA received a total of 621 notifications and reports in 2013-14, including accidents, dangerous occurrences, environmental management incidents and complaints, as detailed below.

Safety

NOPSEMA received 390 notifications relating to reportable OHS matters. This comprised nine accidents, 379 dangerous occurrences and two complaints.

The authority undertook five new investigations. NOPSEMA continued its independent investigation into an accident which claimed the lives of two offshore workers on the *Stena Clyde* mobile offshore drilling unit facility in the Bass Strait in August 2012. The authority also completed its investigation into the accident involving a diver who suffered a serious injury to an arm whilst operating high pressure water blasting equipment subsea on 30 March 2011. On 17 October 2013, NOPSEMA commenced proceedings against Technip Oceania Pty Ltd., the employer of the diver. On 27 May 2014, Technip pleaded guilty to two breaches of the OPGGS Act and the matter was set down for sentence on 25 July 2014. During the reporting period, NOPSEMA also commenced proceedings against Hammelmann Australia Pty Ltd, the importer/supplier of the equipment involved in the accident, and this matter is still before the courts.

During the reporting period, NOPSEMA published and distributed three safety alerts to stakeholders. Alert topics related to outcomes of planned inspections and accident and dangerous occurrence investigations. A number of inspections and investigations resulted in enforcement action in accordance with NOPSEMA's enforcement policy (see table 4).

Environmental management

There were 231 environmental management incidents reported to NOPSEMA during the reporting period, comprising 25 reportable incidents, 202 recordable incidents and four complaints. The authority carried out 10 preliminary enquiries in relation to environmental management resulting in one notice of intent to withdraw an environment plan acceptance and one request for revision of an environment plan.

As of 30 June 2014, the authority completed its project to review environment plans that had been assessed and accepted by the states and Northern Territory designated authorities (regulators) prior to the formation of NOPSEMA. This resulted in a decrease from 2012-13 to 2013-14 in enforcement actions associated with requests for proposed revisions of environment plans under Regulation 18 of the Environment Regulations.

Enforcement activities 2013-14	
Type of enforcement activity	Number
Written warning	8
Improvement notice	21
Prohibition notice	3
Request for a revised safety case	3
Intent to withdraw EP acceptance	1
Request for revision of environment plan	1
Total	37

Table 4.

2.5 Achievement of budget targets

NOPSEMA aims to deliver within 10% of its budget forecast for each reporting period. In 2013-14 the results were:

- revenue of \$29.4 million was lower than budget by 16.7%
- operating expenditure of \$31.8 million was lower than budget by 9.1%.

In addition to NOPSEMA's \$29.4 million revenue, there is \$2.2 million in deferred revenue relating to environment plan levies that cannot be recognised until NOPSEMA accepts those environment plans.

During the reporting period, NOPSEMA continued to assess environment plans that were previously assessed and accepted by state and NT regulators and then transitioned to NOPSEMA. This transition process was substantially completed in 2013-14. The environment plan levies collected, and the revenue and operating expenditure reported, include these activities.

A review of NOPSEMA's cost recovery arrangements was undertaken in 2013-14 to explore the potential to better align levy rates with NOPSEMA's expenditure requirements. The recommended increases in safety case and environment plan levies contained in the Cost Recovery Impact Statement (CRIS) 1 January 2014 to 31 December 2015 commenced on 1 January 2014.

The CRIS and further information about NOPSEMA's cost recovery arrangements is available at nopsema.gov.au

2.6 Stakeholder engagement

In line with its responsibilities under the OPGGS Act, NOPSEMA continued to promote and advise on health and safety, well integrity and environmental management matters in support of improved industry performance.

The authority's engagement included targeted liaison with government and non-government stakeholders to communicate the streamlined environmental management regulations, following the endorsement of NOPSEMA as the sole regulator for petroleum activities in Commonwealth waters in February 2014.

Presentations, workshops and exhibitions

During 2013-14, NOPSEMA hosted or participated in eight workshops, and 24 forums and conferences attended by industry and regulatory audiences in Australia and internationally. In October, NOPSEMA hosted a joint workshop with the International Association of Drilling Contractors to communicate advice on the application of performance standards.

NOPSEMA exhibited alongside the Department of Industry, Geoscience Australia and the National Offshore Petroleum Titles Administrator at the annual Australian Petroleum Production Exploration Association conference and exhibition in Perth. The authority used the conference as an opportunity to launch its 2013 *Annual offshore performance report* and promote its legislative functions to industry stakeholders.

Details of the events NOPSEMA participated in and presentations delivered by NOPSEMA staff are published at nopsema.gov.au

2.7 Media relations and communications

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

- published six issues of its online newsletter, *the Regulator*; with the number of subscribers increasing by 18% over the reporting period to 3358 subscribers
- published the 2013 *Annual offshore performance report* and three safety alerts

- published a brochure clarifying arrangements for environment regulation of petroleum activities in Commonwealth waters
- provided interviews and comments for 21 articles in mainstream media and industry publications and distributed two media releases
- published guidance on safety regulation topics including supporting safety studies in a safety case
- published guidance on environmental regulation topics including oil spill contingency planning and offshore project proposal content requirements
- published information papers addressing consultation requirements under the amended Environment Regulations, the preparation and submission of public comments in OPPs and change management in human factors.

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

- produced and delivered quarterly national, state and territory reports on industry and regulatory activity and performance
- prepared a total of 17 information and action briefs for the Commonwealth minister

2.8 Inter-agency activities

Commonwealth and state agencies

NOPSEMA provided extensive support to the Department of Industry in relation to the health and safety, well integrity and environmental management regulatory regime for the offshore petroleum sector. In particular, NOPSEMA provided advice on de-regulation in support of the whole of government commitment to reducing regulatory burden.

NOPSEMA supported the Department of the Environment and the Department of Industry on a joint taskforce for establishing a 'one stop shop' for offshore environmental approvals. In addition, NOPSEMA collaborated with the Australian Maritime Safety Authority on the National Plan for Maritime Environmental Emergencies to maximise Australia's marine pollution response capability.

International regulators

In October 2013, NOPSEMA hosted the 5th International Regulators' Offshore Safety Conference in Perth. Representatives from the oil and gas industry, the offshore workforce, safety regulators, and researchers met to share, collaborate and leverage each other's knowledge of offshore safety issues and identify opportunities for future improvement.

Following the conference, the International Regulators' Forum (IRF) held their annual general meeting. Member organisations, including NOPSEMA, shared lessons from offshore incidents in their respective jurisdictions, reported on priority programs such as fitness to operate, and discussed progress towards global international standards for offshore safety.

In tandem with the IRF, the International Offshore Petroleum Environmental Regulators (IOPER) held their annual meeting to identify priority issues and the regulatory initiatives and subsequent work programs required to address them.



3. Management and accountability

3.1 Corporate governance

Overall responsibility for the management of NOPSEMA is vested in the CEO. The OPGGS Act provides that the CEO has all the legal powers and functions that the law assigns to NOPSEMA, although authority for day-to-day operations may be delegated to managers. Under the OPGGS Act, the CEO of NOPSEMA is required to ‘have regard’ to the advice of the NOPSEMA Board and is responsible for keeping the board informed.

The OPGGS Act requires NOPSEMA to report, as appropriate, to the responsible Commonwealth minister and each responsible state or territory minister on investigations. It also provides for states and territories to confer their powers on NOPSEMA, in relation to:

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

Under the streamlined environmental authorisation arrangements, NOPSEMA is required to report annually to the Minister for the Environment detailing decisions made on assessments, findings of any compliance inspections, environmental incidents reported and any investigations underway.

The CEO established the Audit Committee as part of the overall financial governance structure of the organisation. The primary purpose of the committee is to provide independent assurance and advice to the CEO on NOPSEMA’s internal control mechanisms, financial and business risks, and compliance with its statutory obligations. In addition, the committee provides a forum for communication between senior management and the internal and external auditors.

NOPSEMA’s planning process links the authority’s vision, mission, objectives and legislated functions to the outputs that NOPSEMA delivers on behalf of the Commonwealth Government. The process is shown diagrammatically in Figure 3. Key reference documents are the NOPSEMA Corporate Plan 2012-15 and the NOPSEMA Annual Operating Plan 2013-2014.

NOPSEMA corporate governance

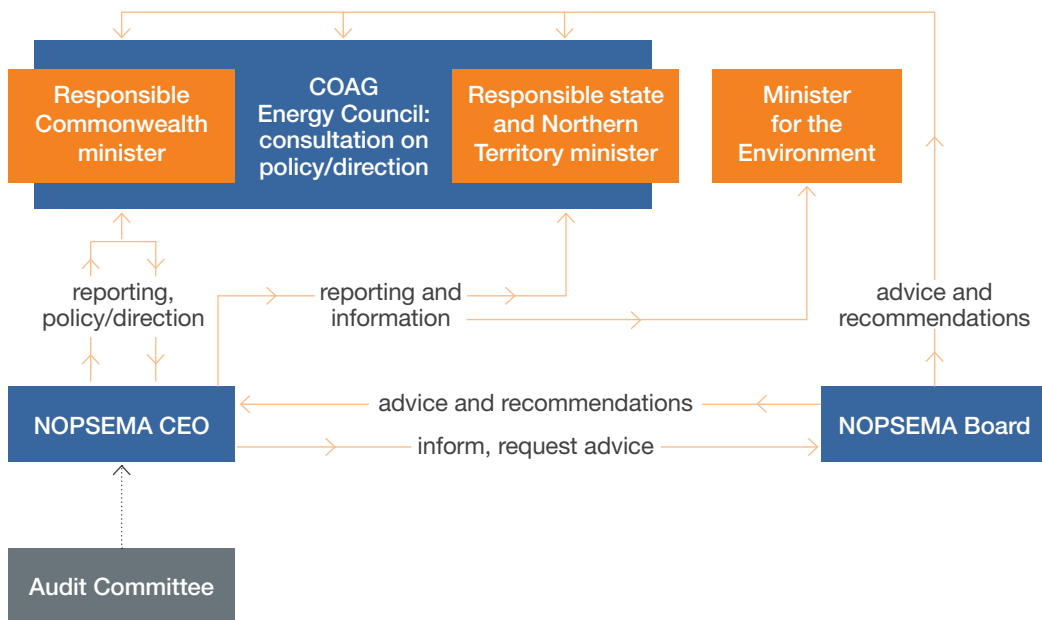


Figure 3.

3.2 Management framework

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

NOPSEMA management framework



Figure 4.

3.3 Business risk and fraud management

In 2013-14, NOPSEMA revised and updated the Chief Executive Instructions and Chief Executive Financial Delegations in accordance with the *Financial Management and Accountability Act 1997* (FMA Act) and the Financial Management and Accountability Regulations 1997 (FMA Regulations).

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

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

During the reporting period, NOPSEMA prepared an updated fraud risk assessment and a fraud control plan. The plan includes fraud prevention, detection, investigation, reporting and data collection procedures and processes that comply with the Commonwealth Fraud Control Guidelines as required under the FMA Regulations. No actual or suspected instances of fraud were reported for the period.

The authority continued to review its Audit Committee Charter to align with the better practice guide issued by the Australian National Audit Office for Public Sector Audit Committees. The NOPSEMA Audit Committee comprises two NOPSEMA executive staff and two independent committee members from unrelated chartered accountancy practices appointed to act as chair and alternate chair. Internal auditors PricewaterhouseCoopers acted as advisors on the committee, as were NOPSEMA's external auditors Ernst and Young (on behalf of the Australian National Audit Office).

1 July 2014 will mark the commencement of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). This new legislation will replace the FMA Act and will represent the first stage of reforms to transition Commonwealth entities such as NOPSEMA into to a single resource management framework that provides flexibility to adopt appropriate business processes and systems.

3.4 Asset management

During 2013-14, NOPSEMA undertook asset management in accordance with the Commonwealth Procedure Guidelines, and the requirements of the Chief Executive Instructions and procedural rules.

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

NOPSEMA's assets under management include non-financial assets with the net value of \$5.2 million, made up of:

- fit-out, valued at \$3.4 million
- property, plant and equipment, valued at \$0.4 million
- intangible assets, valued at \$1.4 million.

NOPSEMA continued to develop its regulatory management system software to improve its functionality.

3.5 External scrutiny

NOPSEMA is subject to external scrutiny through parliamentary committees, the Australian National Audit Office (ANAO), the courts, administrative tribunals, the Commonwealth Ombudsman, the Freedom of Information Commissioner and the Privacy Commissioner. Where NOPSEMA was subject to scrutiny in 2013-14 is provided below.

Inquiries by parliamentary committees

On 22 November 2013, NOPSEMA made a written submission to the Western Australian Parliament Economics and Industry Standing Committee's Inquiry into the Economic Implications of Floating Liquefied Natural Gas Operations. The submission provided an overview of the jurisdiction, legislated functions, governance and funding of NOPSEMA. A copy of the submission is available at parliament.wa.gov.au

NOPSEMA provided evidence to the Australian Parliament Senate Estimates (Economics Legislation Committee) in November 2013, February 2014 and June 2014.

Reports by the Auditor-General

During 2013-14, the Auditor-General tabled ANAO Report No. 38 *Establishment and Administration of the National Offshore Petroleum Safety and Environmental Management Authority*. The objective of the audit was to assess the establishment of NOPSEMA and the effectiveness of its regulatory function. The report is available at anao.gov.au





4. Management of human resources

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

In 2013-14, NOPSEMA delivered its Human Resources Strategy for 2013-16. In the strategy, the authority identified five key building blocks; each with a goal and set of deliverables and outcomes. The building blocks are:

- a values-based organisational culture
- a focus on high performance
- effective attraction, recruitment and retention strategies
- a proactive approach to workforce planning
- a targeted, evidence based approach to learning and development.

NOPSEMA continued to develop its human resources framework, policies, practices and conditions. During the reporting period, the authority introduced an optional nine day fortnight to provide employees access to flexible working arrangements that recognise business needs and personal commitments.

NOPSEMA continued to recruit widely to attract candidates from domestic and international markets. The authority focused its efforts to recruit experienced professionals to specialist positions that are difficult to fill. To uphold core competencies, NOPSEMA maintained its focus on professional development and continued to encourage employees to actively pursue opportunities to develop and strengthen their skills and knowledge.

In 2013-14, 25 staff commenced with NOPSEMA, 16 of those were in the regulatory specialist teams. During the reporting period 15 employees left the authority, five of which were OHS regulatory specialists.

4.1 Statistics on staffing and performance pay

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

NOPSEMA staffing and remuneration 2013-14														
NOPSEMA classification	APS 1	APS2	APS3	APS4	APS5	APS6	EL1	EL1 Regulatory	EL1 Well Integrity	EL2	EL2 Lead	EL2 Regulatory Managers	EL2 Well Integrity	SES
Fulltime salary range (\$)	\$44,688 \$51,392	\$52,508 \$58,094	\$59,212 \$64,799	\$65,915 \$77,087	\$78,204 \$89,376	\$90,493 \$101,664	\$122,892 \$152,387	\$178,752 \$201,096	\$245,784 \$262,542	\$156,408 \$184,337	\$203,330 \$222,322	\$223,440 \$245,784	\$268,128 \$284,886	\$271,320 \$299,886
Staff total	5	5	10	5	15	2	57	3	4	3	10	1	2	
Perth	5	5	9	1	15	2	49	2	4	3	9	1	2	
Melbourne	0	0	1	0	0	0	7	1	0	0	1	0	0	
Part-time	0	0	1	0	2	1	5	0	0	0	0	0	0	
Full-time	5	5	9	5	13	1	52	3	4	3	10	1	2	
Male	1	0	0	1	7	1	41	3	2	3	7	1	2	
Female	4	5	10	4	8	1	16	0	2	0	3	0	0	

Employment instrument														
Australian Workplace Agreement (AWA)	0	1	1	1	1	0	4	0	0	0	0	0	0	0
Common Law Contract (CLC)	5	9	4	14	2	53	3	4	3	10	1	2	2	

Note: Information relating to the NOPSEMA CEO is included in notes to the financial statements 2013-14.

Table 5.



4.2 Employee assistance programs

NOPSEMA provides access to an employee assistance program that delivers free counselling services to employees and their families, annual flu shots and a \$300 subsidy to employees that require prescription glasses to perform their duties.

4.3 Learning and development

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

4.4 Code of conduct

NOPSEMA continued to actively support and uphold the Australian Public Service (APS) values and code of conduct. During the reporting period, all staff received a copy of the APS bookmarks: Ethics Advisory Service, Values and Employment Principles, Code of Conduct and Focus on Diversity.

All new employees are made aware of the APS values and code of conduct through the agency's induction process and receive a copy of the APS publications in their induction pack, which comprises *Respect: Promoting a culture free from harassment and bullying in the APS* and the APS bookmarks.

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

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



5. Purchasing

5.1 Consultants

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

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

During 2013-14, NOPSEMA spent \$630,705 on consultancy contracts.

5.2 Australian National Audit Office access clauses

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

5.3 Contracts exempt from the AusTender

NOPSEMA did not initiate any competitive tenders or contracts that were exempt from AusTender reporting requirements. NOPSEMA publishes its Annual Procurement Plan on the AusTender website, tenders.gov.au, before the start of each financial year. The plan is published to give advance notice to potential providers and private sector businesses of the scope and timing of work NOPSEMA anticipates will be available to be undertaken.



6. Other mandatory information

6.1 Work health and safety

NOPSEMA is committed to providing a safe and healthy workplace consistent with its duties under the *Work Health and Safety Act 2011* (WHS Act). NOPSEMA maintains a safety management system which is subject to a process of continuous improvement.

NOPSEMA's work health and safety commitments include providing ergonomic assessments to all new staff upon commencement (with reassessment as required), regular office inspections, evacuation drills, annual risk reviews and the provision of an employee assistance program.

There were no investigations, notifiable incidents, or notices issued under Part 10 of the WHS Act during the reporting period.

Health and Safety Committee

The NOPSEMA Health and Safety Committee (HSC) continue to make a positive contribution to workplace health and safety at NOPSEMA. The HSC has been instrumental in the review and development of safety procedures and guidelines, and the consideration of identified work health and safety issues.

The HSC met four times in 2013-14. Key achievements of the HSC for 2013-14 include the development of a work instruction for HSC operations and implementation of standing desks in the NOPSEMA offices.

Worker's compensation

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

6.2 Advertising and market research

During 2013-14, NOPSEMA conducted non-campaign recruitment advertising through AdCorp. The total cost incurred during the period was \$16,473.

NOPSEMA did not conduct any other advertising campaigns or engage any market research organisations during the reporting period.

6.3 Ecologically sustainable development and environmental performance

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

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

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

6.4 Grant programs

NOPSEMA does not administer grants.

6.5 Disability reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the APSC's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at apsc.gov.au. From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010-2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in late 2014, and can be found at dss.gov.au

6.6 Freedom of information and the Information Publication Scheme statement

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



Financial
statements





INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry

I have audited the accompanying financial statements of the National Offshore Petroleum Safety and Environmental Management Authority for the year ended 30 June 2014, which comprise: a Statement by the Chief Executive Officer and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; and Notes to the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive's Responsibility for the Financial Statements

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

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

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 2014 and its financial performance and cash flows for the year then ended.

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
15 September 2014

Statement by Chief Executive Officer and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2014 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minsiter's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Jane Cutler
Chief Executive Officer

Date : 12th September 2014



Denis Shaw
Chief Financial Officer

Date : 12th September 2014

Statement of comprehensive income for the period ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
EXPENSES			
Employee benefits	3A	22,930	20,748
Supplier	3B	7,529	6,959
Depreciation and amortisation	3C	1,363	957
Total expenses		31,822	28,664
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Levies	4A	29,089	24,499
Interest	4B	150	161
Other revenue	4C	118	166
Total own-source revenue		29,357	24,826
Net cost of services		(2,465)	(3,838)
Revenue from Government		-	3,794
Surplus (Deficit) on continuing operations		(2,465)	(44)
Surplus (Deficit) attributable to the Australian Government		(2,465)	(44)

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

Balance sheet as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	3,139	2,798
Trade and other receivables	5B	7,730	9,036
Total financial assets		<u>10,869</u>	<u>11,834</u>
Non-Financial Assets			
Land and buildings	6A,C	3,382	3,618
Infrastructure, plant and equipment	6B,C	389	175
Intangibles	6D,E	1,398	1,680
Other non-financial assets	6F	223	38
Total non-financial assets		<u>5,392</u>	<u>5,511</u>
Total assets		<u>16,261</u>	<u>17,345</u>
LIABILITIES			
Payables			
Suppliers	7A	(903)	(417)
Other payables	7B	(2,828)	(2,495)
Total payables		<u>(3,731)</u>	<u>(2,912)</u>
Provisions			
Employee provisions	8A	(3,778)	(3,309)
Other provisions	8B	(2,815)	(2,722)
Total provisions		<u>(6,593)</u>	<u>(6,031)</u>
Total liabilities		<u>(10,324)</u>	<u>(8,943)</u>
Net assets		<u>5,937</u>	<u>8,402</u>
EQUITY			
Parent Entity Interest			
Contributed equity		896	896
Retained surplus		5,041	7,506
Total parent entity interest		<u>5,937</u>	<u>8,402</u>
Total equity		<u>5,937</u>	<u>8,402</u>

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

Statement of changes in equity for the period ended 30 June 2014

	Retained earnings		Contributed equity/capital		Total equity	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance						
Balance carried forward from previous period	7,506	7,550	896	896	8,402	8,446
Adjusted opening balance	7,506	7,550	896	896	8,402	8,446
Comprehensive income						
Surplus (Deficit) for the period	(2,465)	(44)	-	-	(2,465)	(44)
Total comprehensive income	(2,465)	(44)	-	-	(2,465)	(44)
of which:						
Attributable to the Australian Government	(2,465)	(44)	-	-	(2,465)	(44)
Transactions with owners						
Sub-total transactions with owners	-	-	-	-	-	-
Closing balance as at 30 June	5,041	7,506	896	896	5,937	8,402

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

Cash flow statement for the period ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		-	3,794
Receipts from levies		30,092	19,913
NOPSEMA Implementation funding		-	-
Interest		150	200
GST received		792	785
Other		78	165
Total cash received		<u>31,112</u>	<u>24,857</u>
Cash used			
Employees		(22,461)	(20,318)
Suppliers		(4,217)	(2,240)
GST paid		(825)	(696)
Accommodation		(2,209)	(1,597)
Total cash used		<u>(29,712)</u>	<u>(24,851)</u>
Net cash from (used by) operating activities	9	<u>1,400</u>	<u>6</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment		-	-
Proceeds from sales of non-capital fitouts		-	-
Total cash received		<u>-</u>	<u>-</u>
Cash used			
Purchase of non-current assets		(1,059)	(714)
Total cash used		<u>(1,059)</u>	<u>(714)</u>
Net cash from (used by) investing activities		<u>(1,059)</u>	<u>(714)</u>
Net increase (decrease) in cash held		<u>341</u>	<u>(708)</u>
Cash and cash equivalents at the beginning of the reporting period		<u>2,798</u>	<u>3,506</u>
Cash and cash equivalents at the end of the reporting period	5A	<u>3,139</u>	<u>2,798</u>

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

Schedule of commitments as at 30 June 2014

BY TYPE	2014	2013
	\$'000	\$'000
Commitments receivable		
Net GST recoverable on commitments ¹	<u>2,954</u>	<u>2,897</u>
Total commitments receivable	<u>2,954</u>	<u>2,897</u>
Commitments payable		
Other Commitments		
Operating leases ²	<u>(27,801)</u>	<u>(30,276)</u>
Commitments to Suppliers	<u>(4,696)</u>	<u>(1,589)</u>
Total other commitments	<u>(32,497)</u>	<u>(31,865)</u>
Net commitments by type	<u>(29,543)</u>	<u>(28,968)</u>
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	277	256
From one to five years	1,210	1,139
Over five years	<u>1,041</u>	<u>1,358</u>
Total operating lease income	<u>2,528</u>	<u>2,753</u>
Commitments to Suppliers		
One year or less	259	144
From one to five years	<u>167</u>	<u>-</u>
Total commitments to suppliers	<u>426</u>	<u>144</u>
Total commitments receivable	<u>2,954</u>	<u>2,897</u>
Commitments payable		
Other Commitments		
Operating lease commitments		
One year or less	<u>(3,051)</u>	<u>(2,815)</u>
From one to five years	<u>(13,305)</u>	<u>(12,525)</u>
Over five years	<u>(11,445)</u>	<u>(14,936)</u>
Total operating lease commitments	<u>(27,801)</u>	<u>(30,276)</u>
Commitments to Suppliers		
Represented by outstanding purchase orders which have not been completed		
One year or less	<u>(2,854)</u>	<u>(1,589)</u>
From one to five years	<u>(1,842)</u>	<u>-</u>
Total commitments to suppliers	<u>(4,696)</u>	<u>(1,589)</u>
Total other commitments		
One year or less	<u>(5,905)</u>	<u>(4,404)</u>
From one to five years	<u>(15,147)</u>	<u>(12,525)</u>
Over five years	<u>(11,445)</u>	<u>(14,936)</u>
Total other commitments by maturity	<u>(32,497)</u>	<u>(31,865)</u>
Net commitments by maturity	<u>(29,543)</u>	<u>(28,968)</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% in Perth and 4% in Melbourne, plus market reviews. At 30 June 2014 NOPSEMA held the following accommodation leases:

Part Level 8 Alluvion Building 58 Mounts Bay Road Perth WA - 839.1 sqm leased to 1 June 2022;

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

Part Ground Floor 493 St Kilda Road Melbourne VIC - 244.3 sqm leased to 31 March 2017.

Schedule of contingencies as at 30 June 2014

BY TYPE	2014	2013
	\$'000	\$'000
Contingent assets		
Guarantees	-	-
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.

Index of the notes the the financial statements

Note 1: Summary of significant accounting policies	53
Note 2: Events after the Reporting Period	59
Note 3: Expenses	59
Note 4: Income	59
Note 5: Financial Assets	60
Note 6: Non-Financial Assets	61
Note 7: Payables	65
Note 8: Provisions	66
Note 9: Cash Flow Reconciliation	67
Note 10: Contingent Liabilities and Assets	67
Note 11: Senior Executive Remuneration	68
Note 12: Remuneration of Auditors	71
Note 13: Financial Instruments	71
Note 14: Appropriations	73
Note 15: Special Accounts	74
Note 16: Compensation and Debt Relief	74
Note 17: Reporting of Outcomes	75

Note 1: Summary of Significant Accounting Policies

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

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

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

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

1.2 Basis of Preparation of the Financial Report

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

The financial statements have been prepared in accordance with:

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

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

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

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

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

1.3 Compliance with Statutory Requirements

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

During 2012-13 the Commonwealth received additional legal advice that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. During 2013-14 the agency has reviewed its processes and controls over payments for these items to minimise the possibility for future breaches as a result of these payments. The agency has determined that there is a low risk of the certain circumstances mentioned in the legal advice applying to the agency. The agency is not aware of any specific breaches of Section 83 in respect of these items.

1.4 Significant Accounting Judgements and Estimates

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

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

Future Australian Accounting Standard requirements

In regards to 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.

1.6 Revenue

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

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

1.7 Gains

Resources Received Free of Charge

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

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

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

Sale of assets

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

1.8 Transactions with the Government as Owner

Equity Injections

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

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

1.9 Employee Benefits

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

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

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

Leave

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

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

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

Superannuation

Staff of NOPSEMA are members of the Public Sector Superannuation Scheme (PSS), the Public Sector Superannuation accumulation plan (PSSap) or their own nominated superannuation schemes. The PSS is a defined benefit scheme for the Australian Government. The PSSap and nominated superannuation schemes are defined contribution schemes.

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

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

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

1.10 Leases

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

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

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

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

1.11 Cash

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

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

1.12 Financial assets

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

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

Trade and Other Receivables

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

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

Impairment of Financial Assets

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

1.13 Financial liabilities

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

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

Suppliers and Other Payables

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

Provisions

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

1.14 Contingent Liabilities and Contingent Assets

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

1.15 Acquisition of Assets

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

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

1.16 Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

	<u>2013</u>	<u>2012</u>
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 5 years	3 to 5 years

Impairment

All assets were assessed for impairment at 30 June 2014. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.17 Intangibles

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

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

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

All software assets were assessed for indications of impairment as at 30 June 2014.

1.18 Taxation / Competitive Neutrality

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

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

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

Note 2 : Events after the Reporting Period

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

Note 3: Expenses

	2014	2013
	\$'000	\$'000
Note 3A: Employee benefits		
Wages and salaries	16,731	14,971
Superannuation:		
Defined benefit plans	1,040	702
Defined contribution plans	2,290	2,167
Leave and other entitlements	2,823	2,860
Other employee benefits	46	48
Total employee benefits	22,930	20,748
Note 3B: Suppliers		
Consultants	884	836
Contractors	188	194
Other	3,979	3,561
Total goods and services	5,051	4,591
Provision of goods – external parties	1,214	740
Rendering of services – external parties	3,837	3,851
Total goods and services	5,051	4,591
Other supplier expenses		
Operating lease rentals	2,302	2,153
Workers compensation premiums	176	215
Total other supplier expenses	2,478	2,368
Total supplier expenses	7,529	6,959
Note 3C: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	124	124
Buildings	414	468
Total depreciation	538	592
Amortisation:		
Intangibles:		
Computer Software:	825	365
Total amortisation	825	365
Total depreciation and amortisation	1,363	957

Note 4: Income

	2014	2013
	\$'000	\$'000
Own Source Revenue		
Note 4A: Levies		
Levies	29,089	24,499
Total revenue from Levies	29,089	24,499
Note 4B: Interest		
Deposits	150	161
Total Interest	150	161
Note 4C: Other revenue		
NOPSEMA implementation funding	-	-
Other revenue	117	166
Freedom of Information applications	1	-
Total other revenue	118	166

Note 5: Financial Assets

	2014	2013
	\$'000	\$'000
<u>Note 5A: Cash and Cash Equivalents</u>		
Special Accounts	3,139	2,798
Total cash and cash equivalents	3,139	2,798
<u>Note 5B: Trade and Other Receivables</u>		
Goods and Services:		
Goods and services - external parties	7,414	8,630
Total receivables for goods and services	7,414	8,630
Other receivables:		
Accrued interest receivable	150	150
Safety case levy / accrued revenue	(50)	72
Travel advances	7	8
GST receivable from the Australian Taxation Office	209	176
Other	-	-
Total and other receivables	316	406
Less impairment allowances account	-	-
Total trade and other receivables (net)	7,730	9,036
Receivables are expected to be recovered in:		
No more than 12 months	7,730	9,036
More than 12 months	-	-
Total trade and other receivables (net)	7,730	9,036
Receivables are aged as follows:		
Not overdue	6,495	5,796
Overdue by:		
0 to 30 days	143	2,722
31 to 60 days	-	-
61 to 90 days	-	479
More than 90 days	1,092	39
Total receivables (gross)	7,730	9,036

Note 6: Non-Financial Assets

	2014	2013
	\$'000	\$'000
Note 6A: Buildings		
Leasehold improvements:		
Fair value	4,650	4,529
Accumulated depreciation	<u>(1,268)</u>	<u>(911)</u>
Total leasehold improvements	<u>3,382</u>	<u>3,618</u>
Total buildings	<u>3,382</u>	<u>3,618</u>

No indicators of impairment were found for buildings.

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

Note 6B: Infrastructure, Plant and Equipment

Infrastructure, plant and equipment:

Fair value	1,206	868
Accumulated depreciation	<u>(817)</u>	<u>(693)</u>
Total infrastructure, plant and equipment	<u>389</u>	<u>175</u>

The historical cost of leasehold improvements and infrastructure, plant and equipment was deemed to represent fair value at 30 June 2014.

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

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

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

Note 6C: Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2013-14)

	Buildings \$'000	Infrastructure plant & equipment \$'000	Total \$'000
As at 1 July 2013			
Gross book value	4,529	868	5,397
Accumulated depreciation and impairment	(911)	(693)	(1,604)
Net book value 1 July 2013	3,618	175	3,793
Additions:			
By purchase	178	338	516
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(414)	(124)	(538)
Disposals: Cost	(57)	-	(57)
Disposals: Accumulated Depreciation	57	-	57
Net book value 30 June 2014	3,382	389	3,771
Net book value as of 30 June 2014 represented by:			
Gross book value	4,650	1,206	5,856
Accumulated depreciation	(1,268)	(817)	(2,085)
	3,382	389	3,771

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Buildings, Infrastructure, Plant and Equipment (2012-13)

	Buildings \$'000	Infrastructure plant & equipment \$'000	Total \$'000
As at 1 July 2012			
Gross book value	4,473	859	798
Accumulated depreciation/amortisation and impairment	(443)	(569)	(643)
Net book value 1 July 2012	4,030	290	155
Additions:			
By purchase	56	9	65
Revaluations and impairments recognised in other comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Reversal of impairments recognised in the operating result	-	-	-
Depreciation expense	(468)	(124)	(592)
Disposals:	-	-	-
Other	-	-	-
Net book value 30 June 2013	3,618	175	(372)
Net book value as of 30 June 2013 represented by:			
Gross book value	4,529	868	5,397
Accumulated depreciation/amortisation and impairment	(911)	(693)	(1,604)
Closing net book value	3,618	175	3,793

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

	2014	2013
	\$'000	\$'000
Note 6D: Intangibles		
Computer software:		
Internally developed - in progress	-	46
Internally developed - in use	4,748	4,159
Total computer software (gross)	4,748	4,205
Accumulated amortisation	(3,350)	(2,525)
Total computer software (net)	1,398	1,680
Total intangibles	1,398	1,680

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 (2013-14)

	Computer software internally developed \$'000
As at 1 July 2013	
Gross book value	4,205
Accumulated amortisation	(2,525)
Net book value 1 July 2013	1,680
Additions:	
By purchase	543
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(825)
Net book value 30 June 2014	1,398
Net book value as of 30 June 2014 represented by:	
Gross book value	4,748
Accumulated amortisation	(3,350)
	1,398

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

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

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

	2014	2013
	\$'000	\$'000
Note 6D: Intangibles		
Computer software:		
Internally developed - in progress	-	46
Internally developed - in use	4,748	4,159
Total computer software (gross)	4,748	4,205
Accumulated amortisation	(3,350)	(2,525)
Total computer software (net)	1,398	1,680
Total intangibles	1,398	1,680

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 (2013-14)

	Computer software internally developed \$'000
As at 1 July 2013	
Gross book value	4,205
Accumulated amortisation	(2,525)
Net book value 1 July 2013	1,680
Additions:	
By purchase	543
Revaluations and impairments recognised in other comprehensive income	-
Impairments recognised in the operating result	-
Reversal of impairments recognised in the operating result	-
Amortisation expense	(825)
Net book value 30 June 2014	1,398
Net book value as of 30 June 2014 represented by:	
Gross book value	4,748
Accumulated amortisation	(3,350)
	1,398

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

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

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

	2014	2013
	\$'000	\$'000
<u>Note 6F: Other Non-Financial Assets</u>		
Prepayments	223	38
Total other non-financial assets	223	38

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

Note 7: Payables

	2014	2013
	\$'000	\$'000
<u>Note 7A: Suppliers</u>		
Trade creditors and accruals	(903)	(417)
Total supplier payables	(903)	(417)

Settlement is usually made within 30 days.

Note 7B: Other

Wages and salaries	(682)	(454)
Deposits held	(2,146)	(2,022)
GST payable to ATO	-	(19)
Total other payables	(2,828)	(2,495)

Total other payables are expected to be settled in:

No more than 12 months	(2,828)	(2,495)
More than 12 months	-	-
	(2,828)	(2,495)

Note 8: Provisions

	2014	2013
	\$'000	\$'000
Note 8A: Employee Provisions		
Leave	(3,271)	(2,796)
Other	(507)	(513)
Total employee provisions	<u>(3,778)</u>	<u>(3,309)</u>
Employee provisions are expected to be settled in:		
No more than 12 months	(1,968)	(1,919)
More than 12 months	(1,810)	(1,390)
Total employee provisions	<u>(3,778)</u>	<u>(3,309)</u>
Note 8B: Other Provisions		
Provision for restoration obligations	(477)	(445)
Lease incentive	(2,338)	(2,277)
Total other provisions	<u>(2,815)</u>	<u>(2,722)</u>
Other provisions are expected to be settled in:		
More than 12 months	(2,815)	(2,722)
Total other provisions	<u>(2,815)</u>	<u>(2,722)</u>
	Provision for restoration \$'000	
Carrying amount 1 July 2013	<u>(2,722)</u>	
Additional provisions made	(98)	
Amounts used	-	
Unwinding of discount or change in discount rate	5	
Closing balance 2014	<u>(2,815)</u>	

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

Note 9: Cash Flow Reconciliation

	2014	2013
	\$'000	\$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow Statement	3,139	2,798
Balance sheet	<u>3,139</u>	<u>2,798</u>
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(2,465)	(3,838)
Add revenue from government	-	3,794
Adjustments for non-cash items		
Depreciation /amortisation	1,363	957
Amounts received free of charge	40	-
Changes in assets / liabilities		
(Increase) / decrease in net receivables	1,339	(4,184)
(Increase) / decrease in prepayments	(185)	55
Increase in employee provisions	469	430
Increase in other provisions	93	556
Increase / (decrease) in supplier payables	59	32
(Increase) / decrease in accrued liabilities and levies paid in advance	720	2,115
(Increase) / decrease in GST receivable	(33)	89
Net cash from / (used by) operating activities	<u>1,400</u>	<u>6</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

	2014	2013
	\$	\$
Short-term employee benefits:		
Salary	(897,000)	(946,005)
Other allowances	-	-
Total Short-term employee benefits	<u>(897,000)</u>	<u>(946,005)</u>
Post-employment benefits:		
Superannuation	(110,144)	(113,166)
Total post-employment benefits	<u>(110,144)</u>	<u>(113,166)</u>
Other long-term benefits		
Annual leave accrued	(86,000)	(83,487)
Long-service leave	(14,946)	(23,575)
Total other long-term benefits	<u>(100,946)</u>	<u>(107,062)</u>
Termination benefits	-	-
Total	<u>(1,108,090)</u>	<u>(1,166,233)</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 \$195,000.

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	2014					
	Senior Executives	Reportable Salary ²	Contributed superannuation ³	Reportable Allowances ⁴	Bonus paid ⁵	Total
	No.	\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$345,000 to \$374,999	2	297,620	45,729	-	10,000	353,348
\$375,000 to \$404,999	-	-	-	-	-	-
\$405,000 to \$434,999	1	381,614	26,522	-	-	408,136
Total	3					

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

Notes:

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

Note 11: Senior Executive Remuneration (Contd)

11C: Other Highly Paid Staff

Average annual reportable remuneration ¹	2014					
	Staff	Reportable	Contributed	Reportable	Bonus	Total
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵	
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$195,000 to \$224,999	16	187,618	30,209	144	-	217,970
\$225,000 to \$254,999	17	201,890	33,311	731	-	235,932
\$254,000 to \$284,999	11	224,844	40,845	36	-	265,726
\$285,000 to \$314,999	7	260,003	42,525	91	-	302,618
\$315,000 to \$344,999	3	279,031	42,394	-	-	321,425
Total	54					

Average annual reportable remuneration ¹	2013					
	Staff	Reportable	Contributed	Reportable	Bonus	Total
	No.	Salary ²	superannuation ³	Allowances ⁴	paid ⁵	
		\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
\$180,000 to \$209,999	13	174,559	27,723	337	-	202,619
\$210,000 to \$239,999	21	189,768	28,513	364	-	218,645
\$240,000 to \$269,999	14	214,945	36,455	246	-	251,646
\$270,000 to \$299,999	6	245,669	40,664	410	-	286,743
\$300,000 to \$329,999	1	266,937	38,740	-	-	305,677
Total	55					

Notes:

1. This table reports staff:

- a) who were employed by the entity during the reporting period;
- b) whose reportable remuneration was \$195,000 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

	2014	2013
	\$'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	40	38
Total	40	38

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

Note 13: Financial Instruments

	2014	2013
	\$'000	\$'000

13A Categories of Financial Instruments

Financial Assets

Loans and receivables:

Cash and cash equivalents	3,139	2,798
Trade and other receivables	7,730	9,036
Total	10,869	11,834
Carrying amount of financial assets	10,869	11,834

Financial Liabilities

At amortised cost:

Trade creditors	(903)	(417)
Other	(2,828)	(2,495)
Total	(3,731)	(2,912)
Carrying amount of financial liabilities	(3,731)	(2,912)

13B Net Income and Expense from Financial Assets

Loans and receivables

Interest revenue	150	161
Net gain from loans and receivables	150	161
Net gain from financial assets	150	161

The interest income from financial assets at fair value through profit or loss was \$150,000 in the year ending 2014 [2013: \$161,000].

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 2014 [2013: Nil].

13D Fair Value of Financial Instruments

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

Note 13: Financial Instruments (Contd)**13E Credit Risk**

NOPSEMA was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2014: \$7,730,000 and 2013: \$9,036,000).

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

NOPSEMA held no collateral to mitigate against credit risk.

13F Liquidity Risk

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

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

Maturities for non-derivatives financial liabilities 2014

	within 1 year \$'000	Total \$'000
Other Liabilities		
Trade creditors	903	903
Other liabilities	2,828	2,828
Total	3,731	3,731

Maturities for non-derivatives financial liabilities 2013

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

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

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

	2014 Appropriations					
	Annual Appropriation \$'000	Appropriations reduced: \$'000	AFM: \$'000	Total Appropriation \$'000	Appropriation applied in 2014 \$'000	Variance \$'000
DEPARTMENTAL						
Ordinary annual services	-	-	-	-	-	-
Other services	-	-	-	-	-	-
Total departmental	-	-	-	-	-	-
	2013 Appropriations					
	Annual Appropriation \$'000	Appropriations reduced \$'000	AFM \$'000	Total Appropriation \$'000	Appropriation applied in 2013 \$'000	Variance \$'000
DEPARTMENTAL						
Ordinary annual services	3,794	-	-	3,794	3,794	-
Other services	-	-	-	-	-	-
Total departmental	3794	-	-	3794	3794	-

Notes:

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

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

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

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

Note 15: Special Accounts

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

- to pay or discharge costs, expenses and other obligations incurred by 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
- This account is subject to appropriation receipts for interest equivalency payments.

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

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

NOPSEMA identified one special account being the NOPSEMA Special Account. As at 30 June 2014 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	2014	2013
	\$'000	\$'000
Balance carried from previous period	2,798	3,506
Costs recovered	30,092	24,857
Other receipts	1,020	-
Total increase	31,112	24,857
Available for payments	33,910	28,363
Payments made to employees	(22,461)	(20,318)
Payments made to suppliers and GST	(6,101)	(3,650)
Other payments made	(2,209)	(1,597)
Total decrease	(30,771)	(25,565)
Total balance carried to next period	3,139	2,798

Note 16: Compensation and Debt Relief

	2014	2013
	\$	\$
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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Expenses				
Departmental	(31,822)	(28,664)	(31,822)	(28,664)
Total	(31,822)	(28,664)	(31,822)	(28,664)
Income from non-government sector				
Departmental	29,089	24,499	29,089	24,499
Total	29,089	24,499	29,089	24,499
Other own-source income				
Departmental	268	327	268	327
Total	268	327	268	327
Net cost/(contribution) of outcome delivery	(2,465)	(3,838)	(2,465)	(3,838)

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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Departmental Expenses:				
Employees	(22,930)	(20,748)	(22,930)	(20,748)
Suppliers	(7,529)	(6,959)	(7,529)	(6,959)
Depreciation and amortisation	(1,363)	(957)	(1,363)	(957)
Total	(31,822)	(28,664)	(31,822)	(28,664)
Departmental Income:				
Sale of goods and services	29,207	24,665	29,207	24,665
Income from government	-	3,794	-	3,794
Interest	150	161	150	161
Total	29,357	28,620	29,357	28,620
Departmental Assets:				
Cash and cash equivalents	3,139	2,798	3,139	2,798
Trade and other receivables	7,730	9,036	7,730	9,036
Land and buildings	3,382	3,618	3,382	3,618
Property, plant and equipment	389	175	389	175
Intangibles	1,398	1,680	1,398	1,680
Other non-financial assets	223	38	223	38
Total	16,261	17,345	16,261	17,345

Notes to the financial statements for the year ended 30 June 2014

Departmental Liabilities:				
Suppliers	(903)	(417)	(903)	(417)
Other payables	(2,828)	(2,495)	(2,828)	(2,495)
Employee provisions	(3,778)	(3,309)	(3,778)	(3,309)
Other provisions	(2,815)	(2,722)	(2,815)	(2,722)
Total	(10,324)	(8,943)	(10,324)	(8,943)

Outcome 1 is described in Note 1.1.

Appendix 1: Alphabetical index

Letter	Topic	Pages
A	advertising	40
	advisory board	17, 25
	application for approval to undertake well activity (AAUWA)	26-27
	area to be avoided (ATBA)	27
	as low as reasonably practicable (ALARP)	11, 13
	asset management	33-34
	assessments	26-27, 32, 40, 74
	auditor	32, 34-35, 39, 71
	Australian Maritime Safety Authority (AMSA)	31
	Australian Petroleum Production and Exploration Association Limited (APPEA)	84
	Australian Public Service Commission (APSC)	38, 41
C	code of conduct	38
	Chief Executive Officer (CEO)	20, 32-33, 74
	consultants	39, 59
	contract(s)	39, 41, 53, 55, 59
	corporate governance	20, 32-33
	corporate plan	12, 15-16, 23-24, 32-33
	cost recovery	15, 30, 54, 72
	Council of Australian Governments (COAG)	33
D	Department of Industry	30-31
	Department of the Environment	31
	designated authorities	29
	diving safety management system (DSMS)	26
	dutyholders	13, 24-25, 53
E	employee assistance program	38, 40
	environment plan	13, 15, 18-19, 21, 24, 26-27, 29, 30
	Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act)	18
F	facility	21, 24, 27-29, 56
	financial statements	37, 45, 53, 55, 71, 74
	freedom of information (FOI)	35, 41, 59
	functions	11-17, 21-22, 24-25, 30, 32, 33, 35-36, 41, 53, 74

Letter	Topic	Pages
H	human resources	20, 33, 36
	health and safety representative (HSR)	24
	human resources	20, 33, 36
	health and safety representative (HSR)	24
I	inspections	15, 24, 27-29, 32, 40
	International Regulators' Forum (IRF)	31
	investigation	14, 16, 19-21, 24, 29, 32, 34, 38, 40, 75
J	jurisdiction	14, 21-22, 25, 28, 31, 35
L	legislation	13, 23, 25, 34-35
	levy/levies	19, 30, 46, 49, 54, 59, 60, 67, 72
M	management framework	14, 33-34
O	operator	15, 18, 21, 25, 27, 56
	occupational health and safety (OHS)	12, 15-17, 84, 21, 27
	Offshore Petroleum and Greenhouse Gas Storage Act 2006 (OPGGGS Act)	12, 13, 16, 19, 21, 24, 29-30, 32-33, 53, 74
	one stop shop	31
P	performance	14-18, 21, 24-25, 27-28, 30-31, 33-34, 36, 38, 40-41, 74
	pipeline	13, 20, 28
R	recruitment	38, 40
	risk management	11, 14, 17, 20, 25, 33
S	stakeholder(s)	11, 13, 16, 20, 24-25, 29-30, 53, 84, 85
	safety case	13, 15, 21, 24-31, 61, 75, 85, 86
	seismic	20, 28
	streamlined	14, 30, 32
	Standing Council on Energy and Resources (SCER)	14
T	titleholders	15, 18, 21, 28
	training	25, 33, 38
W	website	25, 39, 41
	wells	13, 16, 21, 32, 53, 75
	well operations management plan (WOMP)	13, 15, 21, 26, 75
	workers compensation	59

Appendix 2: Agency Resource Statements and Resources for Outcomes

Agency NOPSEMA Resource Statement – Budget Estimates for 2014-15 as at Budget May 2014

	Actual available appropriation 2013-14 \$'000	Payments made 2013-14 \$'000	Balance remaining 2013-14 \$'000
Special Accounts			
Opening balance	2,798		
Appropriation receipts	150		
Non-appropriation receipts to Special Accounts	38,897		
Payments made		29,712	
Total Special Account	D 41,845	29,712	
Total net resourcing for agency NOPSEMA	41,845	29,712	

Budgeted Expenses for Outcome 1

	Budget 2013-14 \$'000	Actual Expenses 2013-14 \$'000	Variation 2013-14 \$'000
Outcome 1: 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.			
Programme 1: Regulatory oversight of Safety Cases, Well Operations Management Plans and Environment Plans coupled with effective monitoring, investigation and enforcement			
Departmental expenses			
Departmental appropriation ¹	33,866	30,459	(3,407)
Expenses not requiring appropriation in the Budget year ²	1,086	1,363	277
Total for Programme 1	34,952	31,822	(3,130)
Outcome 1 Totals by appropriation type			
Departmental expenses			
Departmental appropriation ¹	33,866	30,459	(3,407)
Expenses not requiring appropriation in the Budget year ²	1,086	1,363	277
Total expenses for Outcome 1	34,952	31,822	(3,130)
	2012-13	2013-14	
Average Staffing Level (number)	111	117	

- 1 Departmental Appropriation combines "Ordinary annual services (Appropriation Bill No. 1)" and "Revenue from independent sources (s31)".
- 2 Expenses not requiring appropriation in the Budget year is made up of Depreciation Expense, Amortisation Expense and Makegood Expense.

Appendix 3: List of requirements

Part of report	Description	Requirement
Foreward	Letter of transmittal	Mandatory
Foreward	Table of contents	Mandatory
Appendix 1	Index	Mandatory
Foreward	Glossary	Mandatory
Foreward	Contact officer(s)	Mandatory
Foreward	Internet home page address and Internet address for report	Mandatory
Review by Secretary		
CEO review	Review by departmental secretary	Mandatory
CEO review	Summary of significant issues and developments	Suggested
CEO review	Overview of department's performance and financial results	Suggested
CEO review	Outlook for following year	Suggested
CEO review	Significant issues and developments – portfolio	Portfolio departments – suggested
Chapter 1 Departmental overview		
1.4	Role and functions	Mandatory
1.6	Organisational structure	Mandatory
1.7	Outcome and program structure	Mandatory
1.7	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	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory
2.1	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory
N/A	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory
2	Narrative discussion and analysis of performance	Mandatory
2	Trend information	Mandatory
N/A	Significant changes in nature of principal functions/services	Suggested
N/A	Performance of purchaser/provider arrangements	If applicable, suggested
2	Factors, events or trends influencing departmental performance	Suggested
3.3	Contribution of risk management in achieving objectives	Suggested
2.1-2.6	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory
2.5	Discussion and analysis of the department's financial performance	Mandatory
2.5	Discussion of any significant changes in financial results from the prior year, from budget or anticipated to have a significant impact on future operations	Mandatory
Appendix 2	Agency resource statement and summary resource tables by outcomes	Mandatory

Part of report	Description	Requirement	
Chapter 3	Management and accountability		
3.1	Corporate governance		
3.3	Agency heads are required to certify that their agency complies with the 'Commonwealth Fraud Control Guidelines'	Mandatory	
3.1	Statement of the main corporate governance practices in place	Mandatory	
N/A	Names of the senior executive and their responsibilities	Suggested	
N/A	Senior management committees and their roles	Suggested	
3.1-3.3	Corporate and operational planning and associated performance reporting and review	Suggested	
3.3	Internal audit arrangements including approach adopted to identifying areas of significant financial or operational risk and arrangements to manage those risks	Suggested	
4.4	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	
N/A	How nature and amount of remuneration for SES officers is determined	Suggested	
3.5	External scrutiny		
3.5	Significant developments in external scrutiny	Mandatory	
3.5	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	Mandatory	
3.5	Reports by the Auditor-General, a Parliamentary Committee, the Commonwealth Ombudsman or an agency capability review	Mandatory	
Chapter 4	Management of human resources		
4	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	
4	Workforce planning, staff retention and turnover	Suggested	
N/A	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and Australian Workplace Agreements (AWAs)	Suggested	
4.2-4.3	Training and development undertaken and its impact	Suggested	
6.1	Work health and safety performance	Suggested	
N/A	Productivity gains	Suggested	
4.1	Statistics on staffing	Mandatory	
4.1	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	
4.1	Performance pay	Mandatory	
3.4	Assets management	Assessment of effectiveness of assets management	If applicable, mandatory

Part of report	Description	Requirement
Chapter 5	Purchasing	
5.1-5.3	Assessment of purchasing against core policies and principles	Mandatory
5.1	Consultants The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory
5.2	Australian National Audit Office Access Clauses Absence of provisions in contracts allowing access by the Auditor-General	Mandatory
5.3	Exempt contracts Contracts exempt from publication in AusTender	Mandatory
	Financial Statements	Mandatory
Chapter 6	Other mandatory information	
6.1	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory
6.2	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory
6.3	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory
N/A	Compliance with the agency's obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory
6.4	Grant programs	Mandatory
6.5	Disability reporting – explicit and transparent reference to agency level information available through other reporting mechanisms	Mandatory
6.6	Information Publication Scheme statement	Mandatory
N/A	Correction of material errors in previous annual report	If applicable, mandatory
Appendix 2	Agency Resource Statements and Resources for Outcomes	Mandatory
Appendix 3	List of requirements	Mandatory



NOPSEMA Board report

Chair review

NOPSEMA has successfully met many challenges since its formation on 1 January 2012. The additional work in dealing with these challenges delayed the review of the transitioned environment plans from the states and the Northern Territory until 2013.

During the review of transitioned environment plans, the industry raised concerns regarding NOPSEMA's interaction and engagement with dutyholders and perceived differences between NOPSEMA's engagement for the environmental plan and safety case assessment processes. With assistance from the board, NOPSEMA developed a plan to address the industry's concerns and the board regularly reviewed the implementation of this plan. Importantly, legislative changes during the year have more closely aligned the environmental plan and safety case approval processes.

NOPSEMA has been increasingly proactive in initiating new working relationships with dutyholders and has established an improved industry communications strategy. The quality of environment plans and oil spill contingency plans has significantly improved as a result of the rigorous assessment process undertaken by NOPSEMA and dutyholders are increasingly supportive of the regulatory approach.

Encouragingly, environment plan assessment time from submission to acceptance has significantly decreased; a sign that industry has an improved understanding of what is required. The quality of submitted environment plans has been demonstrated to be improving at the same time.

The industry's performance on personal safety measures continues to improve. However, dangerous occurrences, which are a high-level indicator of process safety, are increasing. The board has reviewed hydrocarbon releases and unplanned activation of the emergency response in detail. Our conclusion is that there is potential to improve the reported indicators of process safety in order to get a clearer picture of process safety performance. This will be a focus for the board's work in the coming year.

The board also sees opportunity to further improve offshore regulatory outcomes and efficiency by minimising jurisdictional differences and progressing a 'one stop shop' for the offshore petroleum industry. This should cover environmental functions and also safety, wells and integrity more generally. The most effective and efficient course of action would be for the states and Northern Territory to confer powers on NOPSEMA in relation to petroleum safety, integrity and the environment in coastal and other state waters. This would result in a single seamless regulatory regime which

would efficiently reduce 'red and green tape', minimise unnecessary interfaces that can impact good outcomes and reduce the risk of major accident events and threats. Where conferral is not possible, it is important that remaining jurisdictions mirror as far as possible Commonwealth legislative provisions.



Keith Spence
Chair



NOPSEMA Board functions

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

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

Stakeholder engagement

Ministers

The NOPSEMA Board is constituted separately to NOPSEMA in order to provide independent advice to the NOPSEMA CEO, relevant state and Northern Territory ministers and the responsible Commonwealth Minister. The Hon Gary Gray AO MP was appointed as the Minister for Resources and Energy from 25 March 2013 until 18 September 2013 when the Hon Ian Macfarlane MP was appointed to the role of Minister for Industry. The board provided both ministers with advice on a range of matters consistent with the strategic themes described below. The Chair and the NOPSEMA CEO met with the Minister for Industry in October 2013 and April 2014 to brief the minister on current issues.

The board's main mechanism for engagement with state and Northern Territory ministers in 2013-14 was through attendance at meetings of the COAG Energy Council.

The NOPSEMA CEO

The NOPSEMA CEO attended and participated in all board meetings. Board meeting agendas included reviewing NOPSEMA's operational policies and strategies in key areas as outlined below. This provided the primary means of providing advice to the CEO during 2013-14. The Chair, and to a lesser extent other board members, also provided informal advice to the CEO between meetings.

Other stakeholders

To give relevant and accurate advice, the Board maintains links with other relevant stakeholders in industry and government. Liaison in 2013-14 included the following:

- the Chair and individual board members met with senior APPEA executives and members in relation to NOPSEMA's transition process involving environment plans
- the board wrote to all members of the COAG Energy Council in April 2014 encouraging all member states to consider options for minimising jurisdictional differences
- the Chair attended the COAG Energy Council meeting on 1 May 2014 with NOPSEMA's CEO
- the Chair and individual board members met with staff of the Department of Industry, including in relation to future policy and legislation
- the Chair and individual board members were also active in the offshore oil and gas sector in various ways, which informed the perspectives that they brought to formulating board advice on specific issues.

Board focus and strategic themes

At each of its meetings during 2013-14, the board reviewed data on industry performance, changing legislative and other characteristics of the offshore regime, and on the staffing and performance of NOPSEMA. The board provided both general advice to ministers and advice in relation to specific requests from the Minister for Industry.

Focus areas

The board received briefings on and reviewed:

- NOPSEMA's assessment frameworks for the Safety & Integrity and Environmental Management divisions
- reducing regulatory burden and improving regulatory efficiency, including streamlining environmental approvals in Commonwealth waters and conferral of powers and functions in designated coastal waters
- challenges to wells regulation, including application of the current legislative regime and ongoing difficulties with recruiting sufficient well integrity specialists
- transitioned environment plans, including interaction and engagement with dutyholders and perceived differences between NOPSEMA's engagement for the environmental plan and safety case assessment processes
- introduction of a design notification scheme for new facilities
- industry performance data trends; specifically hydrocarbon releases and unplanned events.

Strategic themes

The board continued its focus on the desirability of all states and the Northern Territory conferring functions on NOPSEMA in relation to offshore waters in their jurisdictions.

The board had a particular focus on monitoring NOPSEMA's plan to address the industry's concerns regarding NOPSEMA's interaction and engagement with dutyholders and perceived differences between NOPSEMA's engagement for the environmental plan and safety case assessment processes.

The board continued its longstanding encouragement of legislative change and provided advice to the minister in relation to the inclusion of a requirement to consider environmental and safety risk in the award of exploration permits and production licences.

The board also looked at the value of data being collected by NOPSEMA to enable a comprehensive and consistent set of safety and environmental data to be produced that is comparable internationally.

Specific ministerial advice

In October 2013, the Minister for Industry sought board advice on:

- NOPSEMA's interaction and engagement with operators in handling the environment plan assessment process within the current regulatory regime
- the impact of NOPSEMA's handling of environment plans on assessment timeframes and outcomes
- any differences in NOPSEMA's approach in environment plan and safety case assessment
- any other matters in relation to stakeholder concerns and regulatory efficiency that the NOPSEMA Board considered relevant.

These issues were considered at the December 2013 meeting of the board and reported accordingly.

In March 2014, the minister sought the board's advice on the benefits and challenges to streamlining of regulatory arrangements for environmental management in state and Northern Territory coastal waters by conferring powers to NOPSEMA. The board provided advice to the minister and relevant state and Northern Territory ministers on this issue, which was discussed in detail at the COAG Energy Council meeting in May 2014.

In March 2014, the board also wrote to the minister recommending changes to the content of applications for exploration permits to include explicit consideration of safety and environmental risks.

The year ahead

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

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

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

Board membership and attendance

During the reporting period the appointments of Mr Anthony Pooley and Mr Gerard Early expired.

The board met four times: 16 August 2013, 5 December 2013, 28 February 2014 and 5 June 2014. The board welcomed the Deputy Secretary of the Department of Industry, Mr Martin Hoffman, as an observer at its meetings. Attendance at meetings is as indicated in the following table:

NOPSEMA Board member meeting attendance				
Name	16 Aug 2013 Meeting 7	5 Dec 2013 Meeting 8	28 Feb 2014 Meeting 9	5 June 2014 meeting 10
Mr Keith Spence (Chair)	•	•	•	•
Dr Lynne Chester		•		•
Dr Michael Ollis	•	•	•	•
Mr Anthony Pooley		•	•	X
Dr Jan Hayes	•	•	•	
Mr Kym Bills	•	•	•	•
Mr Gerard Early	•		•	X
Ms Dana Crampton	•	•	•	•

- in attendance
- x not eligible to attend – term expired

Table 1.

Board financial statement

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

Board expenditure in 2013-14 in comparison to NOPSEMA's 2013-14 budget allocation and expenditure in 2012-13 is set out in the following table:

NOPSEMA Board budget and expenditure				
Expenditure items	Annual budget 2013-14	Actuals 2013-14	Variance favourable/ (unfavourable)	Last year's actuals 2012-13
	\$'000	\$'000	\$'000	\$'000
Members remuneration	278	267	11	271
Travel and accommodation	31	17	14	29
Other expenses	0	1	(1)	4
Total	309	285	24	304

Table 2.

