

Department of
Industry, Innovation
and Science
ANNUAL REPORT 2016-17

Cover

Background image: Just a few of the 36 antennas that make up CSIRO's ASKAP telescope at the Murchison Radio-astronomy Observatory.

Centre left image: ICRAR Engineering Team members Mia Walker (left) and Kim Steele working on the Murchison Widefield Array radio telescope. Source: ICRAR/Curtin University.

Centre right image: CSIRO research engineer Mia Baquiran is working on the systems that will create a view of the sky using the SKA Low radio telescope. Source: CSIRO.

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About this report

The Department of Industry, Innovation and Science has prepared this report pursuant to section 46 of the *Public Governance, Performance and Accountability Act 2013* and Division 3A Subdivision A of the Public Governance, Performance and Accountability Rule 2014.

This report provides information on the activities of the department during the 2016–17 financial year and includes the annual reports of Geoscience Australia and IP Australia, which are non-corporate Commonwealth entities under the Public Governance, Performance and Accountability Act.

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How to access this report

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This report is also available through the following websites:

- Department of Industry, Innovation and Science (www.industry.gov.au/AnnualReport)
- Geoscience Australia (www.ga.gov.au/about/corporate-documents/annual-report)
- IP Australia (www.ipaustalia.gov.au/about-us/agency-overview).

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PART A:
DEPARTMENT OF INDUSTRY,
INNOVATION AND
SCIENCE



Australian Government

**Department of Industry,
Innovation and Science**

Secretary

Senator the Hon Arthur Sinodinos AO
Minister for Industry, Innovation
and Science
Parliament House
CANBERRA ACT 2600

The Hon Barnaby Joyce MP
Deputy Prime Minister
Minister for Resources and
Northern Australia
Parliament House
CANBERRA ACT 2600

Dear Ministers

I present to you the 2016-17 annual report of the Department of Industry, Innovation and Science, for tabling before the parliament, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*. The report also includes information that meets the reporting requirements for legislation the department administers (Appendix A6).

I certify that the department has prepared a fraud risk assessment and fraud control plan; has in place fraud prevention, detection, investigation and reporting mechanisms that meet its needs; and has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

A handwritten signature in black ink, reading 'G. A. Beauchamp'.

Glenys Beauchamp
15 September 2017

CC: The Hon Craig Laundy MP
Assistant Minister for Industry, Innovation and Science



CHAPTER ONE

PORTFOLIO AND DEPARTMENTAL OVERVIEW

Secretary's review

The Department of Industry, Innovation and Science facilitates the growth and productivity of globally competitive industries, to help build a resilient and dynamic Australian economy. We strive to achieve this goal by supporting science and commercialisation; growing business investment and improving business capability; and making it easier to do business in Australia.

In 2016-17, the department continued to work closely with the business, science and research communities to develop industries that can compete on the world stage, help businesses grow and create more jobs. Achieving success in this required collaboration across government and many stakeholders, ensuring we had good evidence and data to draw on and effective delivery of government programs.

During the year, we made strong progress in implementing the National Innovation and Science Agenda, a key initiative of the Australian Government to help deliver new sources of growth, create high-wage jobs and improve Australia's competitiveness:

- The \$500 million Biomedical Translation Fund and \$200 million CSIRO Innovation Fund are now up and running, supporting the commercialisation of innovative ideas.
- The new Australian Cyber Security Growth Centre is helping the nation to capitalise on the growing global cyber security market and complementing the work of the existing Industry Growth Centres.
- The Business Research and Innovation Initiative is linking entrepreneurs to government procurement processes and giving them funding to create new products.

Initiatives to build Australia's science and research capacity featured strongly in our 2016-17 achievements. Minister Sinodinos delivered a National Science Statement, which sets out a long-term vision and a policy framework to guide decision-making, investment and stability for Australian science.

Providing long-term funding certainty for Australia's critical research infrastructure is also a key government priority. During the year, we supported this effort by facilitating the transfer of ownership of the Australian Synchrotron to the Australian Nuclear Science and Technology Organisation. And in keeping with the government's agenda to ensure that Australians have the skills they need for the future, we set up programs to improve the science, technology, engineering and maths (STEM) skills of young Australians and encourage more women to pursue STEM careers.

The need to provide the right environment for businesses to flourish remained pivotal to our work in 2016-17. A notable success was kick-starting the National Business Simplification Initiative (NBSI) to reduce the complexity of regulation and make it easier for businesses to deal with government. The NBSI uses two pillars of focus—regulation reform and better digital services, which combined make doing business in Australia easier. To help reduce business set-up time, we worked across government to deliver a streamlined Business Registration Service to bring together the various parts of government that business intenders have previously been required to deal with. The Business Registration Service has greatly reduced the time it takes to start a business. We began working with the New South Wales Government to link the Business Registration Service into their customer journey experience, which is one of several projects underway to make the NBSI a reality.

Flagship initiatives continued to support Australian businesses. The Entrepreneurs' Programme provided more than 7500 services to over 3300 businesses; the Cooperative Research Centres Programme announced four new CRCs and awarded \$63.4 million to 30 projects under CRC Projects; all six Industry Growth Centres published their sector competitiveness plans detailing their 10-year strategic visions; and more than 15 300 entities registered for the R&D Tax Incentive for the income period 2015-16.

We are partnering with the Department of Defence to host the Centre for Defence Industry Capability, which is helping Australian businesses to seize opportunities in the defence industry. We also implemented new country of origin labelling rules to give consumers clearer and more meaningful information about the food they buy and remove burdensome tests for all origin claims.

Managing the transition occurring within Australia's manufacturing sector remained an important part of our work in 2016-17. We continued to deliver programs under the \$155 million Growth Fund to ease the transition for workers, businesses and regions affected by the closure of car manufacturing. We also led efforts to ensure the global competitiveness of our steel and aluminium industries and provide certainty for workers.

On the resources front, six new exploration permits, five new retention leases and one new production licence and were awarded in Commonwealth waters. The department started implementing the \$100 million Exploring for the Future program to improve Australia's long-term mineral exploration prospects. Geoscience Australia will produce a resources prospectus on targeted areas of northern Australia and South Australia, helping to lessen the risk involved in exploration. We also continued to work with communities to secure a site for managing Australia's low-level and intermediate-level radioactive waste.

We maintained a strong focus on delivering the government's agenda to unlock the full potential of northern Australia. Among our achievements, we established the \$5 billion Northern Australia Infrastructure Facility to provide concessional loans for transformational infrastructure projects in the north. We also launched the Cooperative Research Centre for Developing Northern Australia to help tackle barriers to private investment and improve industry competitiveness.

Successfully delivering the government's priorities requires a high performance organisation. During the year, we showed our commitment to invest in our staff and give them the best opportunity to reach their potential by:

- delivering the Our People Plan to create an environment which maximises employee engagement and performance and supports employees to drive their ongoing development and capability
- providing a flexible working environment to help staff achieve a work-life balance, including by offering teleworking and part-time and job-sharing arrangements
- fostering a culture that recognises people not because of where they sit in the organisational hierarchy but because they are able to influence and guide others.

As the department responsible for Australia's innovation policy, we embrace innovation in the way we work. BizLab, a new innovation hub we established in 2016-17, is an example of our commitment to use innovative approaches to developing ideas and solving problems. BizLab led a number of innovative projects, including streamlining elements of the administration of the R&D Tax Incentive, building the digital capability of small and medium-sized enterprises, and examining how to improve business-research collaboration.

Our commitment to evidence-based policymaking continued with the expanded use of data across the department. Working with the Australian Bureau of Statistics, we developed the Business Longitudinal Analysis Data Environment, a new database that will help us get a better understanding of the over two million businesses that operate in Australia. Geoscience Australia led a project to test Satellite-Based Augmentation System technology, which will improve the accuracy of satellite signals for positioning and navigation data within Australia and New Zealand. The launch of DataHub, an online portal to help staff to better use data in their work, was also one of our achievements.

The Business Grants Hub continued to make it easier for businesses to access government services, on boarding 29 programs across eight Commonwealth agencies, providing a more consistent user experience.

Bringing our expertise and experience to bear on our day-to-day work, we provided high-quality advice to a total of eight portfolio ministers and assistant ministers. We also facilitated the transfer of our energy functions to the Department of the Environment and Energy as part of machinery of government changes. Overall, I am proud of the professionalism the department showed in advancing the government's priorities in a period of significant change.

With more major work coming up, 2017-18 is already shaping to be another busy year for the department. While I will be moving to head up the Department of Health from September 2017, the department will continue to support the government's plan for the future direction of innovation and science policy. It is expected that this work will be informed by the 2030 Strategic Plan being developed by Innovation and Science Australia and the 2016 National Research Infrastructure Roadmap, which will guide the government's investment in Australia's innovation, science and research system.

The department has already taken steps to support Australia's astronomers with long-term access to the world's foremost 8-metre optical/infrared telescopes through a new 10-year strategic partnership with the European Southern Observatory. This historic partnership will give Australia's astronomers access to the international facilities and collaboration opportunities they need to secure Australia's ongoing pre-eminence in optical astronomy research excellence, industry engagement and instrumentation.

The department's support for Australian businesses will continue with renewed effort, with a focus on enabling businesses to take full advantage of digital technologies. As part of this work, the department will examine the potential of emerging technologies, such as distributed ledger technology, and make it easier for businesses of all sizes to work with government to deliver digital services.

The department has the challenging task of continuing to help Australian industry to make the most of disruption in the economy and stay globally competitive. The department will coordinate whole-of-government approaches to the ongoing structural adjustment of the economy. This includes delivering the new \$100 million Advanced Manufacturing Fund, which will help our manufacturing sector to use science, technology and innovation to create new jobs, and supporting a review of Australia's space industry capabilities to ensure the right frameworks are in place for Australia's growing space industry sector to participate successfully in global markets.

There is also major work to support the government's efforts to ensure reliable and affordable gas supply to Australian businesses and households. This includes finalising the design of the Australian Domestic Gas Security Mechanism to allow the government to impose export controls when domestic gas supply is inadequate. To accelerate gas supply to the east coast, the department will pursue measures to support the exploration and development of onshore gas reserves. The department will also oversee a study into the potential for producing gas from offshore gas basins in southern Australia to supply the east coast.

The department's work to support broader Australian Public Service reforms will continue. The department will establish the economic, business and industry data analytical unit as part of the Data Integration Partnership for Australia initiative to maximise use of the government's vast data assets. Through initiatives such as the Business Grants Hub, the department will lead the government's plan to improve the way government connects with and supports business. The department will stay at the forefront of the government's drive to be an exemplar in innovation, delivering a whole-of-government digital records management platform to streamline document management processes and improve collaboration between staff.

I have very much enjoyed my time leading this portfolio through many challenges and changes. I now welcome Dr Heather Smith who has been appointed Secretary for this portfolio and I wish her and the department well for another productive year working with the business, industry, science and research communities, and across government, to build a stronger and more prosperous economy for all Australians.

Portfolio overview

Ministers

The Ministers for the Industry, Innovation and Science portfolio at 30 June 2017 were:

- Senator the Hon Arthur Sinodinos AO, Minister for Industry, Innovation and Science
- Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia
- the Hon Craig Laundy MP, Assistant Minister for Industry, Innovation and Science.

Portfolio agencies

At 30 June 2017, the Industry, Innovation and Science portfolio comprised the Department of Industry, Innovation and Science and the following entities:

- Geoscience Australia
- IP Australia
- Australian Institute of Marine Science
- Australian Nuclear Science and Technology Organisation
- Commonwealth Scientific and Industrial Research Organisation
- National Offshore Petroleum Safety and Environmental Management Authority
- Northern Australia Infrastructure Facility.

This annual report covers the Department of Industry, Innovation and Science; Geoscience Australia; and IP Australia. The other agencies report separately to the parliament.

Departmental overview

Role and functions

The Department of Industry, Innovation and Science facilitates the growth and productivity of globally competitive industries. It also supports the building of a strong scientific capability, business innovation and the commercialisation of new ideas as critical requirements for productivity and economic growth.

The department works with Australian industry, businesses, the science and resources communities and other stakeholders, and across governments, to help build a globally confident and outward looking Australian economy through supporting science and commercialisation; growing business investment and improving business capability; and simplifying doing business.

Organisational structure

Figure 1 shows the organisational structure of the department at 30 June 2017.

Figure 1: Departmental structure, 30 June 2017



Outcome and program structure

The department had one outcome for the reporting period. Figure 2 describes the outcome and its programs and sub-programs.

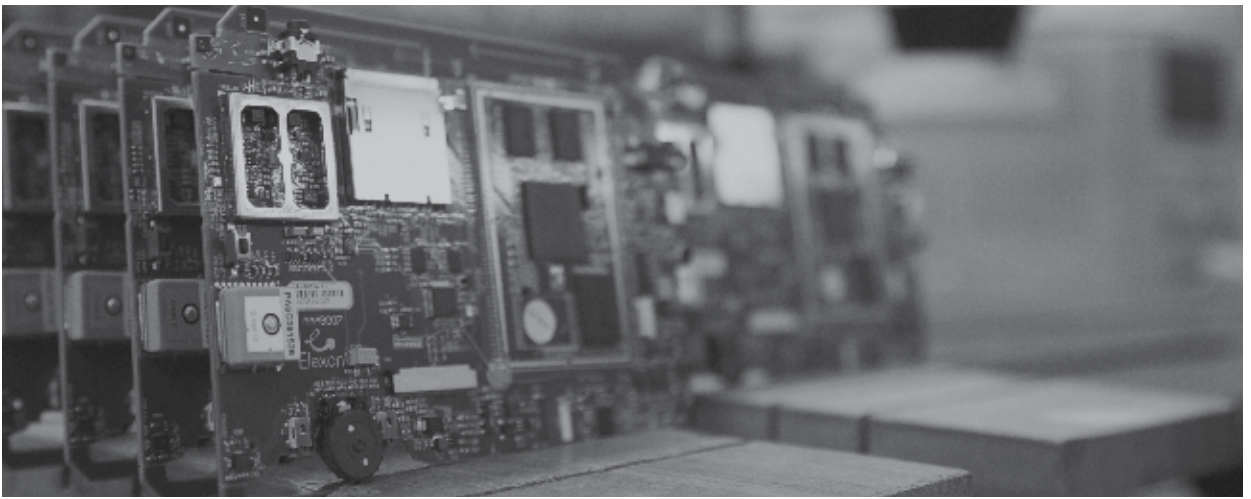
Figure 2: Department of Industry, Innovation and Science outcome and program structure, 2016–17

OUTCOME 1:

Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation

PROGRAM 1	PROGRAM 2	PROGRAM 3
Supporting Science and Commercialisation	Growing Business Investment and Improving Business Capability	Program Support
<p>Sub-program 1.1: Science awareness, infrastructure and international engagement</p> <p>Sub-program 1.2: Business research, development and commercialisation</p>	<p>Sub-program 2.1: Competitive marketplace</p> <p>Sub-program 2.2: Business and market development</p> <p>Sub-program 2.3: Economic transition</p> <p>Sub-program 2.4: Resources</p> <p>Sub-program 2.5: Energy¹</p> <p>Sub-program 2.6: Northern Australia Infrastructure Facility</p>	<p>Sub-program 3.1: Streamlining regulation</p> <p>Sub-program 3.2: Building a high performance organisation</p>

¹ The functions delivered under Sub-program 2.5: Energy were transferred to the Department of the Environment and Energy as a result of the Administrative Arrangements Orders issued on 19 July 2016 and 1 September 2016.



CHAPTER TWO

DEPARTMENTAL REPORT ON PERFORMANCE

Annual Performance Statements

Introductory statement

I, Glenys Beauchamp, as the accountable authority of the Department of Industry, Innovation and Science, present the 2016-17 Annual Performance Statements of the Department of Industry, Innovation and Science, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, the Annual Performance Statements are based on properly maintained records, accurately present the department's performance in the reporting period and comply with subsection 39(2) of the PGPA Act.

Glenys Beauchamp
15 September 2017

Vision and purposes

The department's vision is to enable growth and productivity for globally competitive industries.

The department works towards this vision by achieving three purposes:

- supporting science and commercialisation
- growing business investment and improving business capability
- simplifying doing business.

To realise its vision, the department works in partnership with a large number of stakeholders, including other Australian Government agencies, state and territory governments, local governments, businesses, industries, researchers, scientific agencies and the wider Australian community.

Performance reporting structure

The department's annual performance statements assess and report on the department's performance in 2016-17 against the performance criteria set out in the 2016-17 Portfolio Budget Statements and 2016-17 Corporate Plan, with the exception of the performance criteria for energy programs and policy under Sub-program 2.5 published in the 2016-17 Portfolio Budget Statements. As a result of the Administrative Arrangements Orders issued on 19 July 2016 and 1 September 2016, the Department of the Environment and Energy is responsible for reporting on performance of energy programs and policy.

Figure 3 outlines the performance reporting structures set out in the 2016-17 Portfolio Budget Statements and 2016-17 Corporate Plan, and shows how their performance criteria are addressed in the annual performance statements.

Figure 3: Relationships between the Portfolio Budget Statements, Corporate Plan and Annual Performance Statements for 2016-17



¹ Responsibility for energy policy and programs was transferred to the Department of the Environment and Energy as a result of the Administrative Arrangements Orders issued on 19 July 2016 and 1 September 2016.

² The Department of the Environment and Energy is responsible for reporting on performance of programs under Sub-program 2.5.

³ This activity contributes to all three purposes.

Performance measurement framework

The department uses a hierarchy of criteria to measure and assess its performance in achieving its purposes. Three levels of performance criteria are applied to its ultimate outcome; intermediate outcome; and output and immediate outcome.

The department's performance measurement framework is summarised in Table 1.

Table 1: Overview of the department's performance measurement framework

Level of performance criteria	Results-oriented performance measurement	Performance criteria set out in the Portfolio Budget Statements	Performance criteria set out in the corporate plan
Level 1	Ultimate outcome	Measure and assess how Australia is performing with regard to the department's outcome	Measure and assess how Australia is performing with regard to the department's vision
Level 2	Intermediate outcome	Measure and assess the impacts of the department's programs	Measure and assess the department's performance in achieving its purposes
Level 3	Output and immediate outcome	Measure and assess the effectiveness and efficiency of the department's sub-programs and their components	Measure and assess the effectiveness and efficiency of the department's activities and their components

Level 1 and 2 performance criteria are used to monitor key trends and conditions within the areas of the department's responsibility. These levels of performance criteria will generate performance information to achieve an improved understanding of 'where we are' and 'where we need to take action' in our effort to achieve the department's outcome, vision and purposes.

Level 3 performance criteria are used to measure the effectiveness and efficiency of the department's activities and components, including policy advice, initiatives, services, projects and administered programs. Through this level of performance criteria, we can assess and report on the department's contributions to achieving the outcome, vision and purposes, attributable to specific activities and components.

Vision: Enabling Growth and Productivity for Globally Competitive Industries

Three aspects of Australia's economy are relevant to the department's vision—economic growth, productivity and global competitiveness, for each of which performance criteria were set out in the 2016-17 Corporate Plan.

Table 2 assesses how these aspects of the economy are performing against the performance criteria, based on the latest available information. It provides an overview of the economic conditions in which the department operates.

Performance criteria and results

Table 2: Vision: Enabling Growth and Productivity for Globally Competitive Industries

Aspect of Australia's economy relevant to the department's vision	Performance criterion ¹	Trends and analysis
Economic growth	Growth in gross domestic product	Australia has a history of strong economic growth. Australia's real GDP grew by 1.8 per cent through the year to the June quarter 2017. The Australian economy has now recorded its 26th consecutive year of GDP growth. ²
	Growth in gross value added by industry	Two sectors—the agriculture, forestry and fishing sector; and professional, scientific and technical services sector— were the standout industry performers through the year to the June quarter 2017, with growth of 22.6 per cent and 7.7 per cent respectively. While growth for services was solid overall, there was substantial variation between individual industries. Through the year to the June quarter 2017, the construction and manufacturing sectors contracted by 2.0 per cent and 0.4 per cent respectively, while the mining sector grew by 1.8 per cent. ³
Productivity	Growth in labour productivity	Australia's labour productivity fell by 0.5 per cent through the year to the June quarter 2017. ²
	Growth in multifactor productivity	Multifactor productivity growth was positive in 2015–16, increasing by 0.6 per cent from 2014–15. ⁴
Global competitiveness	Australia's global competitiveness rankings by World Economic Forum (WEF) Global Competitiveness Index	The WEF's Global Competitiveness Index measures the competitiveness landscape of economies. Australia ranked 22nd out of 138 economies in 2016–17, remaining relatively stable compared with previous years. ⁵
	Australia's overall competitiveness rankings by International Institute for Management Development (IMD) World Competitiveness Scoreboard	The IMD World Competitiveness Scoreboard provides an annual assessment of the competitiveness of countries. Australia ranked 21st out of 63 economies in 2017. ⁶

1 Source: 2016–17 Corporate Plan.

2 Source: ABS cat. no. 5206.0, table 1.

3 Source: ABS cat. no. 5206.0, table 6.

4 Source: ABS cat. no. 5260.0.55.002, table 6.

5 Source: World Economic Forum (2016), *The Global Competitiveness Report 2016–17*.

6 Source: International Institute for Management Development (2017), *World Competitiveness Yearbook 2017*.

Purpose 1: Supporting science and commercialisation

Achieving this purpose involves facilitating the development and uptake of new ideas and technology, and translating them into commercial activity. It will increase productivity, improve Australia's competitiveness and drive economic growth by delivering better scientific and economic outcomes for Australia.

In 2016–17, the department worked to achieve this purpose through two activities:

- Activity 1.1: Science awareness, infrastructure and international engagement—this activity is made up of policy development initiatives, interventions (i.e. programs) and projects that are intended to improve science awareness, infrastructure and international engagement to support the creation and dissemination of scientific and technical information as an input to the economic process
- Activity 1.2: Business research, development and commercialisation—this activity is composed of policy development initiatives, interventions and projects that are intended to provide incentives for business research, development and commercialisation to drive innovation and thus contribute to improved productivity.

Main achievements

- The department successfully delivered seven of the 24 measures of the government's \$1.1 billion National Innovation and Science Agenda. Initiatives implemented included support for: commercialisation and entrepreneurship; international science and innovation engagement; STEM capability and access; critical research infrastructure; and the establishment of Innovation and Science Australia to guide long-term strategy and investment.
- As part of the National Innovation and Science Agenda, the department delivered the Biomedical Translation Fund, a \$500 million program with \$250 million of Commonwealth funding matched by funding from private sector investors. The three successful fund managers will invest in commercialising biomedical discoveries—the first investment was announced on 27 May 2017.
- Also under the National Innovation and Science Agenda, the department delivered the first \$5 million tranche of the government's \$25 million commitment to support world-leading research into the development of a prototype silicon quantum computer chip. This investment forms a private–public partnership with the University of New South Wales, the Commonwealth Bank and Telstra.
- On 22 March 2017, the Minister for Industry, Innovation and Science released the National Science Statement. The statement sets out a long-term strategic policy framework for science, provides clarity around government objectives, and guides future decisions for investment. It also outlines the government's position on a range of issues, such as funding stability, international collaboration, career pathways, gender equity, and cross-disciplinary linkages.
- The R&D Tax Incentive encourages businesses to invest more in research and development by offsetting some of the costs of such investment. More than 15 300 entities registered for the program for the income period 2015–16, a 3 per cent increase from the previous year. The department released a number of new guidance products to assist program participants. It also published a number of Taxpayer Alerts jointly with the Australian Taxation Office.
- The Cooperative Research Centres (CRC) Programme brings together industry, universities and research organisations—including small and medium-sized enterprises—to conduct and commercialise leading-edge research and solve issues identified by industry. In 2016–17, four new CRCs were announced with \$151.5 million in funding and a total of \$63.4 million was awarded to 30 projects under CRC Projects.

- The government announced \$26.1 million in new funding over the forward estimates (\$119 million over a decade) under the 2017-18 Budget measure 'Maintaining Australia's Optical Astronomy Capability', which secures Australia's ongoing pre-eminence in optical astronomy research, industry engagement and instrumentation development. This includes a strategic partnership with the European Southern Observatory to allow Australian astronomers to access the world's leading optical telescopes.
- The Australian Astronomical Observatory developed and built the TAIPAN instrument, comprising a 150-fibre robot positioner and spectrograph, to be used for multi-object spectroscopic surveys. The positioner precisely aligns each fibre with a star or galaxy to collect its light and feed it to a spectrograph for analysis. TAIPAN will be installed on the Giant Magellan Telescope in 2020.
- Questacon delivered activities as part of the Inspiring Australia initiative, a strategy to promote engagement with science and STEM capacity-building across Australia. The 2016 National Science Week attracted 1.3 million participants and achieved media reach worth \$8.68 million. Between 1 July 2016 and 30 April 2017, travelling exhibitions reached 1 604 698 visitors through nine exhibitions held in 15 venues in Australia and overseas.
- Questacon welcomed 486 983 visitors, the highest number recorded in a single financial year, including its 11 millionth visitor in March 2017. Questacon received a gold award in the Tourist Attractions category of the Australian Tourism Awards for 2017.
- The National Measurement Institute developed a range of new measurement capabilities, including methods to detect specific cancers through DNA analysis and a new high-flow pipeline meter calibration facility supporting the Australian gas industry. Trade measurement inspectors visited over 10 000 businesses, testing measurement instruments and inspecting packaged goods to give confidence in fair and accurate measurement for businesses and consumers.
- The National Measurement Institute provided specialist measurement services to support responses to contamination involving firefighting foams at airfields and suspected hepatitis in foods; worked with other departmental officers and the Department of Health to secure funding for laboratory instruments to ensure best practice sports drug testing for Australia; and supported Australian Federal Police raids that intercepted drugs with a street value of well over \$1 billion.
- The department broadened and strengthened its science and innovation relationships internationally. This included leading two major delegations to Europe; marking the 10th anniversary of the very successful Australia-India Strategic Research Fund; and signing agreements with key partners, including Israel, Italy, Japan, New Zealand, Singapore and the United States.

Performance criteria and results

Table 3: Purpose 1: Supporting science and commercialisation

Intended result of Purpose 1	Performance criterion ¹	Trends and analysis
Growth in the proportions of small, medium and large firms engaging in innovative activity	Proportion of Australia's businesses that are innovation active	The proportion of Australian businesses engaged in innovation increased from 45.0 per cent in 2014–15 to 48.7 per cent in 2015–16. ² While Australia's performance fluctuates across years, it remains higher than the Organisation for Economic Co-operation and Development (OECD) average when disaggregated into large and small to medium-sized firms. ³
Increased investment by businesses in intangible assets—i.e. the knowledge assets of an organisation	Private gross fixed capital formation—intellectual property products	Investment in intangible capital by the private sector generally increased as a share of total GDP over the past decade, from 2.01 per cent in 2006–07 to 2.35 per cent in 2016–17. ⁴
	Business R&D expenditure as a percentage of GDP	Business R&D as a percentage of GDP stood at 1.19 per cent in 2013–14, representing an increase over a decade from 0.90 per cent in 2003–04, but a fall from the peak of 1.37 per cent recorded in 2008–09. ⁵
Growth in the value added of knowledge-intensive industries	Gross value added and employment by knowledge-intensive industries	Gross value added of knowledge-intensive industries steadily increased by 30.5 per cent over the decade from 2006–07 to 2016–17. Employment in the knowledge-intensive industries increased by 9.7 per cent over the same period. ⁶ Knowledge intensity measures the value of an industry's stock of knowledge-based capital (intangible) as a proportion of its gross value added. Using this metric, the most knowledge-intensive industries in Australia are mining; professional, scientific and technical; information, media and telecommunications; manufacturing; and financial and insurance.
Improved returns from the commercialisation of research	Number and value of research contracts, consultancies and collaborations entered into by research institutions	The National Survey of Research Commercialisation found that Australian publicly funded research organisations entered into 18 076 research contracts, consultancies and collaborations in 2015, representing an increase of 17.5 per cent from the previous year. At the same time, the total value of the research contracts, consultancies and collaborations remained stable, at \$1783 million in 2015 compared to \$1776 million in 2014. ⁷
Improvement in Australia's performance in scientific research	Share of world's top 1 per cent of highly cited publications	Australia's share of the world's top 1 per cent of highly cited publications in natural science, medical science, agricultural science and engineering has increased steadily, from 4.8 per cent over the period 2006–10 to 6.8 per cent over the period 2011–15. ⁸

1 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

2 Source: ABS cat. no. 8166.

3 Source: Australian Innovation System Report Tables April 2017. Latest OECD comparison figures from 2011.

4 Source: ABS cat. no. 5206.0, table 2 (latest available data point June 2017).

5 Source: ABS cat. no. 8104.

6 Source: ABS cat. no. 5206.0, table 6 (latest available data point June 2017) and ABS cat. no. 6291.0.055.003 table 4 (latest available data point May 2017). Note that the employment data is for the years ending in the May quarter.

7 Source: Department of Industry, Innovation and Science (2017), *National Survey of Research Commercialisation*, 2017.

8 Source: InCites (2017), Thomson Reuters subscription database.

Table 4: Activity 1.1: Science awareness, infrastructure and international engagement

Intended results of Activity 1.1			
<ul style="list-style-type: none"> • Increased science awareness • Improved research infrastructure • Enhanced international engagement 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Australia–China Science and Research Fund; Australia–India Strategic Research Fund	Number of collaborative research projects completed that reported strengthened international relationships ¹	33	19 14 projects originally due to conclude in 2016–17 are now expected to report in 2017–18.
Australian Astronomical Observatory (AAO)	Number of research students supervised or funded by the AAO ¹	35	35
	Number of users accessing AAO research facilities to facilitate and support research activities:		
	• AAO Telescope (Australian) ¹	200	269
	• International 8 metre access (overseas) ¹	50	86
	Number of international visitors supported by the AAO Distinguished Visitor Scheme ¹	4	5
	Number of international conferences and workshops supported by the AAO ¹	3	4
Global Innovation Strategy	Number of activities completed that reported strengthened international relationships ¹	0	0 No activities were due to be completed and reported in 2016–17. Completed activities will commence reporting from 2017–18.
Inspiring all Australians in STEM (Science for Australia's Future—Inspiring Australia)	Number of direct engagements supported by Inspiring Australia activities ¹	1600	2562
	Number of institutions participating in the Science in Australia Gender Equity process ¹	32	40
Square Kilometre Array Radio Telescope Project	Number of Australian companies/research institutions participating in the Square Kilometre Array Pre-Construction Work Programme ¹	6	6

Intended results of Activity 1.1

- Increased science awareness
- Improved research infrastructure
- Enhanced international engagement

Contributing component	Performance criterion	2016–17 target	2016–17 result
Questacon	Number of admissions to the Questacon Centre ²	450 000	486 983
	Number of participants in national programs ²	428 000	1 859 381
National Measurement Institute	Percentage of reports, certificates and services delivered on time (%) ²	85	79 Infrastructure constraints coupled with high demand caused delays in some areas.
	Percentage of trade measurement compliance targets met (%) ²	90	100
Strategic investment in science	Supporting the delivery of a whole-of-government approach to science policy through the Commonwealth Science Council, including establishment of science and research priorities and a strategic approach to investment ²		The National Science Statement, a whole-of-government science policy framework, was developed with input from the Commonwealth Science Council and released in March 2017.

¹ Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

² Source: 2016–17 Corporate Plan.

Table 5: Activity 1.2: Business research, development and commercialisation

Intended results of Activity 1.2			
<ul style="list-style-type: none"> • Increased R&D in businesses • Increased commercialisation 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Business Research and Innovation Initiative (BRII)	To be developed following finalisation of program design and consultation with stakeholders ¹		<p>The program was launched in August 2016 and performance criteria for the program were developed and published in the 2017–18 PBS.</p> <p>\$1.86 million was awarded to 20 successful grantees to complete a feasibility study into their proposed solution for the five BRII round one challenges.</p>
Cooperative Research Centres (CRC) Programme	Number of CRCs and CRC Projects supported ²	56	59
	Number of commercialisation agreements reported by CRCs and CRC Projects ²	195	–
	Number of applications for patents filed by CRCs and CRC Projects ²	63	–
Quantum Computing	To be developed following finalisation of program design and consultation with stakeholders ¹		–
			Performance criteria will be developed as part of the company's business plan and finalised in consultation with its board.
R&D Tax Incentive	R&D expenditure registered with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns (\$'000) ¹	19 200 000 ³	15 413 882
			This result is expenditure registered for the income period 2015–16, as at 30 June 2017. Registrations for the income period 2015–16 will continue until 30 September 2017.
	Number of entities registering R&D expenditure with AusIndustry in order to claim the tax incentive or tax concession through their annual tax returns ¹	15 750 ³	15 321
			This result is entities registered for the income period 2015–16, as at 30 June 2017. Registrations for the income period 2015–16 will continue until 30 September 2017.

Intended results of Activity 1.2

- Increased R&D in businesses
- Increased commercialisation

Contributing component	Performance criterion	2016–17 target	2016–17 result
Digital Productivity (Digital Careers; Digital Business Kits)	Helping address Australia's ICT skills shortage and enhance the ICT capability for Australia's digital economy ⁴		The Digital Careers program involved three major national activities: Bebras Australia Computational Thinking Challenge, Young ICT Explorers, and BiG Day In National ICT Careers Conference. Collectively, approximately 250 000 students were engaged in the events. Professional learning for teachers was rolled out to raise the profile and level of engagement with technology.
	Maximising the productivity benefits of digital technologies and services for Australia's small and medium-sized enterprises ⁴		The Digital Business Kits program funded nine industry peak bodies to develop sector-specific resources to assist small and medium-sized enterprises and non-profit organisations to use digital technologies more effectively. Participating organisations are now better informed of how digital tools can improve business promotion and efficiency.

1 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

2 Source: 2016–17 Portfolio Additional Estimates Statements and 2016–17 Corporate Plan.

3 The 2016–17 target for this criterion was published in the 2017–18 Portfolio Budget Statements because it was not available at the time of the 2016–17 Portfolio Budget Statements.

4 Source: 2016–17 Corporate Plan.

Evaluations

On 28 September 2016, the report of the Review of the R&D Tax Incentive Program was released for public consultation. The review recommended changes to improve the effectiveness and integrity of the program and achieve a stronger focus on encouraging additional research expenditure by business. The department supported the government in its extensive consultations and survey of stakeholders.

The review report and supporting commissioned work are available on the department's website (www.industry.gov.au).

Analysis of performance

Measured by the performance criteria set out against the intended results, appreciable progress has been made in recent years towards the achievement of Purpose 1, particularly in enhancing performance in scientific research; sustaining growth in knowledge-intensive industries; sustaining Australia's performance in innovation above the Organisation for Economic Co-operation and Development average; and increasing the number of collaborations entered into by research institutions.

Purpose 2: Growing business investment and improving business capability

Achieving this purpose involves building a diversified, flexible, resilient and dynamic economic base that can identify and adapt to new markets and emerging opportunities. It will drive Australia's future prosperity and continued jobs growth by supporting the transformation of existing industries and the growth of new ones, enabling access to new markets and improving competition in existing markets.

In 2016–17, the department worked to achieve this purpose through five activities:

- Activity 2.1: Competitive marketplace—this activity is made up of policy development initiatives, interventions and projects that are intended to create a more competitive marketplace to achieve profitable and sustainable industry futures
- Activity 2.2: Business and market development—this activity includes policy development initiatives, interventions and projects that are intended to enhance business leadership, management and entrepreneurial skills and open up international export markets to Australian businesses
- Activity 2.3: Economic transition—this activity consists of policy development initiatives, interventions and projects that are intended to encourage innovation and investment that will underpin industry transition
- Activity 2.4: Resources—this activity is composed of policy development initiatives, interventions and projects that are intended to support the sustainable development of the resources sector, attract private sector investment and encourage innovative technologies
- Activity 2.5: Northern Australia Infrastructure Facility—this activity is composed of policy development initiatives, interventions and projects that are intended to support economic development in northern Australia.

Main achievements

- The Anti-Dumping Commission implemented the recommendations of the external review conducted in August 2015, including a New Investigation Model (NIM) aimed at delivering efficiencies and improvements to the quality and timeliness of anti-dumping investigations. The NIM was launched in October 2016. At 30 June 2017, the commission was managing 92 active cases (World Trade Organization Count), of which 75 were being managed through the NIM.
- The department completed a review of the *Space Activities Act 1998*, involving extensive analysis and consultation with key stakeholders. Work is now underway on reforms, including a new Bill and associated framework, to ensure that the legislation is appropriate to support technological advancement and other emerging opportunities.
- In December 2016, the Building Ministers' Forum, comprising Commonwealth, state and territory ministers with responsibility for building and plumbing regulation, agreed to a comprehensive package of measures to address fire safety issues associated with high-rise buildings. On 30 June 2017, the forum directed the Australian Building Codes Board to expedite the implementation of measures from the comprehensive package that will help to prevent the non-compliant use of cladding. A hub to provide general information on non-conforming building products was launched on the board's website.
- The department implemented new country of origin labelling rules to give consumers clearer and more meaningful information about the food they buy and remove burdensome tests for all origin claims. The new rules better reflect consumer expectations and international practice, and remove unnecessary burdens on business across all sectors.
- The Entrepreneurs' Programme provided more than 7500 services to over 3300 businesses, which strengthened business management and networks; developed start-up capabilities;

facilitated business research collaborations; and supported commercialisation of new products and processes. A customer satisfaction survey showed that 91 per cent of the businesses surveyed indicated that the program had added value to their business and 86 per cent would recommend the program to other businesses.

- The department nurtured the development of six Industry Growth Centres: Advanced Manufacturing; Cyber Security; Food and Agribusiness; Medical Technologies and Pharmaceuticals; Mining Equipment, Technology and Services; and Oil, Gas and Energy Resources. Each of the Industry Growth Centres has published its sector competitiveness plan—a detailed, 10-year strategic vision highlighting opportunities and activities to boost sector productivity and drive cultural change in the sector.
- The department established the \$100 million Advanced Manufacturing Fund (AMF) which will create jobs, grow businesses and improve productivity. The \$47.5 million Advanced Manufacturing Growth Fund component opened for applications to support capital projects that establish and expand advanced manufacturing in Victoria and South Australia. The \$20 million CRC Projects component also called for applications. The remaining AMF components will be rolled out in the second half of 2017.
- The department led the development of the Australian Domestic Gas Security Mechanism. The mechanism is a critical part of the government's comprehensive work program to ensure that the energy needs of Australians are met. The department also led the development of a \$28.7 million program, announced in May 2017, which is designed to accelerate the development of onshore gas.
- On 27 June 2017, the Minister for Resources and Northern Australia announced that two proposed sites for a radioactive waste management facility at Kimba, South Australia, would proceed to the next phase of assessment, including in-depth consultation and technical assessments. The decision was made after considering direct representations, the results of an independent postal ballot, and submissions made in a consultation process led by the department over more than 90 days.
- A \$23.7 million grant program was announced in August 2016 and supported seven applicants under the Carbon Capture and Storage Research Development and Demonstration Fund. The fund supports the Australian Government's commitment to reduce technical and commercial barriers to the deployment of large-scale carbon capture and storage projects.
- Six new exploration permits, five new retention leases and one new production licence were granted by the Joint Authority in Commonwealth Waters. In May 2017, Esso Australia announced the completion of a new gas conditioning plant at Longford, Victoria, which will process the gas from the Kipper, Tuna and Turrum fields in Bass Strait, and allow the development of additional gas fields to supply energy to eastern Australia.
- The Northern Australia Strategic Partnership met in conjunction with the June 2017 meeting of the Council of Australian Governments. The meeting provided an opportunity for First Ministers from the Commonwealth and northern jurisdictions to reaffirm their commitment to the northern development agenda. First Ministers agreed to the establishment of a new ministerial forum on northern development, which will meet for the first time in Darwin later in 2017.
- The headquarters for the Northern Australia Infrastructure Facility were established in Cairns in July 2016. The facility's presence in the north builds on the department's relocation of the Office of Northern Australia to Darwin, and increases the number of public officials working on the northern development agenda who are based in the north.

Performance criteria and results

Table 6: Purpose 2: Growing business investment and improving business capability

Intended result of Purpose 2	Performance criterion ¹	Trends and analysis
Growth in new private sector investment	Annual private business investment growth	Annual business investment growth, measured by private gross fixed capital formation, has been negative since 2013–14, and fell by 3.6 per cent between June 2016 and June 2017. ² The recent fall in business investment is attributable to the winding back of mining investment, with other sectors and industries unable to make up the shortfall.
Increased foreign direct investment in Australia	Foreign direct investment as a share of annual GDP	The flow of foreign direct investment to Australia was \$63 billion in 2016, which contributed to a year-end stock of foreign direct investment of \$796 billion. Growth in foreign direct investment was significant over the past 10 years in absolute terms and as a proportion of GDP. The stock of foreign direct investment increased from 30 per cent of GDP in 2006 to 47 per cent of GDP in 2016. ³
Improvement in Australia's ranking in international performance indices	Australia's ranking in World Bank ease of doing business index	The World Bank ease of doing business index measures the quality and efficiency of business regulations that affect 11 areas of the life of a business. Australia ranked 15th out of 190 countries in 2017, compared with 15th out of 183 countries in 2012. ⁴
	Australia's ranking in Global Innovation Index	The Global Innovation Index aims to capture the multi-dimensional facets of innovation and ranks economies' innovation capabilities. Australia ranked 23rd out of 127 economies in 2017, compared with 23rd out of 141 economies in 2012. ⁵
	Australia's ranking in the Global Entrepreneurship Monitor (GEM) indicator of total early-stage entrepreneurship activity (TEA)	The GEM indicator of TEA provides a measure of the level of new enterprise creation in the economy. Australia ranked 15th out of 64 economies in 2016, an improvement from 30th out of 59 economies in 2010. ⁶

1 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

2 Source: ABS cat. no. 5206.0, table 2.

3 Source: ABS cat. no. 5206.0, table 1 and ABS cat. no. 5352.0, table 2.

4 Source: World Bank Group (2016), Doing Business indicators, 2012 and 2017, custom query, Viewed 1 June 2017, www.doingbusiness.org/custom-query.

5 Source: Cornell University, INSEAD and the World Intellectual Property Organization (2017), *The Global Innovation Index 2017: Innovation Feeding the World*, Viewed 30 August 2017, www.globalinnovationindex.org; INSEAD and the World Intellectual Property Organization (2012), *The Global Innovation Index 2012: Stronger Innovation Linkages for Global Growth*, Viewed 30 August 2017, <https://www.globalinnovationindex.org/userfiles/file/GII-2012-Report.pdf>.

6 Source: Global Entrepreneurship Research Association (2017), *Global Entrepreneurship Monitor*, Global Report 2016–17, Viewed 30 August 2017, <http://gemconsortium.org/report>.

Table 7: Activity 2.1: Competitive marketplace

Intended results of Activity 2.1			
• Improved market competitiveness			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Certain Inputs to Manufacture; Enhanced Project By-law Scheme ¹ ; Space Concession	Number of new duty and/or tax registrations for Certain Inputs to Manufacture, Enhanced Project By-law Scheme and Space Concession ²	4	5
	Total value of duty and/or tax concessions to eligible firms (\$'000) ²	79 929	50 551 The lower than expected result for duty forgone claims is mainly due to the closure of the Enhanced Project By-law Scheme.
Support for Industry Service Organisations	Memberships of key international standardisation and conformity assessment bodies maintained ²		Standards Australia maintained membership of the International Organization for Standardization and the International Electrotechnical Commission. The National Association of Testing Authorities maintained membership of the International Laboratory Accreditation Cooperation and the Asia Pacific Laboratory Accreditation Cooperation.
Textile Clothing and Footwear—Register of Approved Occupational Clothing	Proportion of registrations within 30 days of complete information being provided (%) ²	90	100
Tradex	Number of active Tradex Order users ²	580	615
	Value of duty and/or tax concessions to eligible firms (\$'000) ²	195 000	202 437

Intended results of Activity 2.1			
<ul style="list-style-type: none"> Improved market competitiveness 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Anti-Dumping Commission	Implementing the outcomes of the 2015–16 anti-dumping operational review ³		All key recommendations from the external review of anti-dumping operations have been implemented to deliver a more efficient trade remedy service.
	Proportion of Preliminary Affirmative Determination (PAD) reports, or status reports explaining that there are insufficient grounds to issue a PAD, made from day 60 of an anti-dumping/ countervailing investigation (%) ³	100	100
	Proportion of anti-dumping inquiries to the business.gov.au hotline and the client support area responded to within client service standards (%) ³	90	97
Trade Policy, Standards and Conformation	New and/or improved market access outcomes negotiated for Australian businesses; and managing the Commonwealth's relationships with standards and conformity assessment bodies ³		<p>The department supported the internationalisation of Australian industry through the development and implementation of free trade agreements and participation in committees of the World Trade Organization and APEC (Asia-Pacific Economic Cooperation).</p> <p>Standards Australia and the National Association of Testing Authorities met the conditions of their respective memoranda of understanding and funding agreements.</p> <p>The Joint Accreditation System of Australia and New Zealand also met the performance requirements set out in its statement of corporate intent and annual report.</p>

1 The Enhanced Project By-law Scheme was closed to new applications on 3 May 2016.

2 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

3 Source: 2016–17 Corporate Plan.

Table 8: Activity 2.2: Business and market development

Intended results of Activity 2.2			
<ul style="list-style-type: none"> • Improved business management and capability • Development of new markets 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Asialink Business	Number of courses run on Asia capability development ¹	5	105 Asialink Business significantly increased delivery of courses in order to meet strong demand.
	Number of events held promoting and building Asia capabilities ¹	50	96 Asialink Business significantly increased delivery of events in order to meet strong demand.
Entrepreneurs' Programme	Number of services provided to strengthen business management and networks, enhance research collaborations and facilitate commercialisation of novel products, processes and services ¹	6512	7667
Industry Growth Centres Initiative	Established Industry Growth Centres are undertaking strategic activities to improve the innovation, productivity and competitiveness of their respective sectors ¹		<p>All six Industry Growth Centres have published their sector competitiveness plans, with detailed, 10-year strategic visions that highlight opportunities and activities to boost productivity and drive cultural change in the sectors.</p> <p>The centres conducted a range of industry activities to reform regulation; improve commercialisation and industry-research collaboration; increase engagement with international markets; and improve skills in their sectors.</p> <p>Five centres have commenced providing competitive, merit-based grants to fund eligible industry consortia to undertake industry-led collaborative projects to improve the productivity, competitiveness and innovative capacity of their sectors.</p>

Intended results of Activity 2.2

- Improved business management and capability
- Development of new markets

Contributing component	Performance criterion	2016–17 target	2016–17 result
Industry Growth Policy	Providing high-quality and timely policy advice on sectoral policy, underpinned by robust evidence and effective stakeholder consultation, which supports a business environment conducive for increased private sector investment, growth and competitiveness across industry sectors and associated services ²		Significant achievements included: <ul style="list-style-type: none"> • establishing the Advanced Manufacturing Fund • reviewing the <i>Space Activities Act 1998</i> • supporting the Prime Minister's Industry 4.0 Taskforce to negotiate an agreement on information sharing and collaboration with Germany on issues relevant to the digital transformation of manufacturing • consolidating the Major Projects Approval Agency and the Major Projects Facilitation program into the Major Projects Facilitation Agency, which covers the whole of Australia.
Business.gov.au	Number of business.gov.au website users (million) ²	2.4	4.4 A marketing campaign conducted from February to June 2017 contributed to increased numbers of users.
	Number of business.gov.au website sessions (million) ²	3.1	6.3 A marketing campaign conducted from February to June 2017 contributed to increased numbers of users.

¹ Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

² Source: 2016–17 Corporate Plan.

Table 9: Activity 2.3: Economic transition

Intended results of Activity 2.3			
<ul style="list-style-type: none"> • Increased capital and innovation investment • Increased job opportunities 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Australian Government Innovation and Investment Fund (Tasmania)	Induced private sector investment in new or expanded business activity (\$'000) ¹	3300	3300
Automotive Diversification Programme	Induced private sector investment in new or expanded activity by the Australian automotive supply chain (\$'000) ¹	14 300	35 223
Automotive Transformation Scheme	Total value of plant and equipment and innovation investment by Australian automotive industry induced by the Automotive Transformation Scheme (\$'000) ¹	312 032	320 252
Manufacturing Transition Programme	Induced private sector investment in new or expanded business activity (\$'000) ¹	63 000	42 664 The lower than forecast result was due to lower expenditure or discontinuation of projects by companies.
Next Generation Manufacturing Investment Programme	Induced private sector investment in new or expanded business activity (\$'000) ¹	36 800	33 642 Lower than forecast investment was due to delays in completing agreed project activities by a number of companies.
Tasmanian Jobs and Investment Fund	Induced private sector investment in new or expanded business activity (\$'000) ¹	19 000	33 774
Toyota Major Facelift Vehicle Grant; Toyota Supplier Development Programme Grant	Total amount of investment by Toyota induced by the grants (\$'000) ¹	2000	3116
Victorian Innovation and Investment Fund—Ford assistance (Geelong Region and Melbourne's North Innovation and Investment Funds)	Number of jobs created from projects ¹	770	881
	Amount of private sector investment induced by the Victorian Innovation and Investment Fund—Ford assistance (\$'000) ¹	112 000	103 726 Company investment was lower than anticipated due to a combination of some companies deciding not to continue with their projects and others proceeding more slowly than expected.

¹ Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

Table 10: Activity 2.4: Resources

Intended results of Activity 2.4			
<ul style="list-style-type: none"> • Sustainable development of the resources sector • Uptake of innovative technologies 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Carbon Capture and Storage Flagships	Number of companies supported for the development of carbon capture and storage ¹	8	11
Low Emissions Technology Demonstration Fund	Number of companies investing in innovation supported through the Low Emissions Technology Demonstration Fund ¹	1	1
Maralinga Maintenance	Effective management of the Maralinga section 400 in line with obligations under the 2009 Handback Deed ¹		Digital and paper documents were provided to the National Archives of Australia, with relevant copies to be handed over to Maralinga Tjarutja at the next meeting.
National Low Emissions Coal Initiative	Number of projects supported for the development and deployment of low-emissions coal technologies ¹	1	2
Coal Mining Abatement Technology Support Package	Number of co-funded projects developing and demonstrating technologies funded ¹	5	5
National Offshore Petroleum Titles Administrator (NOPTA)	Titles administration is effective and delivered on a full cost-recovery basis, in accordance with regulatory requirements ¹		As indicated in its inaugural self-assessment against the Regulator Performance Framework, NOPTA implemented the framework and met its six mandated key performance indicators effectively.
NT Uranium Royalty (Ranger Project Area) Administration (including specific purpose payment)	Efficient and effective biannual collection, payment and reconciliation of uranium royalties ¹		Biannual collection, payment and reconciliation of NT uranium royalties were completed.
<i>Offshore Minerals Act 1994</i>	Percentage of <i>Offshore Minerals Act 1994</i> fees received paid to states/ Northern Territory for administration (%) ¹	100	– No applications were lodged under the Act in 2016–17.
Petroleum Royalties Administration	Timely and accurate delivery of audit and monthly administration and verification of royalties ¹		The department achieved accurate and timely administrative functions for Commonwealth revenue and expenses pertaining to the North West Shelf Project royalty; the onshore coastal waters royalty; the resource rent royalty; and Australia's entitlement to petroleum extracted within the Joint Petroleum Development Area.

Intended results of Activity 2.4

- Sustainable development of the resources sector
- Uptake of innovative technologies

Contributing component	Performance criterion	2016–17 target	2016–17 result
Radioactive Waste Management	Effective delivery of activities supporting the government's radioactive waste management strategy ¹		<p>An office at Hawker was established and a locally based community liaison officer was engaged. A \$2 million community benefit grant was provided for Hawker and the surrounding region for community projects.</p> <p>Land nominations were received from Kimba, South Australia. Following a community consultation process, the Minister for Resources and Northern Australia decided to take the Kimba community into further consultations.</p>
Royalty Payments WA— <i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i> (specific purpose payment)	Timely and accurate calculation, verification and advice to the Commonwealth Treasury of the amount payable to Western Australia ¹		The department achieved accurate and timely administrative and verification functions for expenses pertaining to Western Australia's entitlement to royalties from the North West Shelf Project.
Rum Jungle Mine Site—Environmental Rehab (specific purpose payment)	Effective delivery of scheduled activities for the Rum Jungle Mine Site Rehabilitation Project ¹		Delays in project agreement negotiations resulted in 2016–17 project funds being reprofiled as follows: Northern Territory Government funds reprofiled over two years (2017–18 and 2018–19) and the department's funds reprofiled over four years (2016–17 to 2019–20). The department achieved revised 2016–17 activity targets—Traditional Owner capacity-building has been ongoing with focus on a community enterprise and governance model.

Intended results of Activity 2.4

- Sustainable development of the resources sector
- Uptake of innovative technologies

Contributing component	Performance criterion	2016–17 target	2016–17 result
Competitive and sustainable resource industries	Providing sound policy advice to support the growth of resources industries and ensure an adequate return to the Australian community through policies and analysis in the resources sector ²		<p>The department provided regular and timely advice on issues affecting the resources sector both domestically and internationally, including the low-emissions technologies and domestic gas supply.</p> <p>Significant examples included:</p> <ul style="list-style-type: none"> • development of the Australian Domestic Gas Security Mechanism • the \$23.7 million grant program announced to support seven applicants under the Carbon Capture and Storage Research Development and Demonstration Fund • six new exploration permits, five new retention leases and one new production licence granted by the Joint Authority in Commonwealth Waters.

1 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

2 Source: 2016–17 Corporate Plan.

Table 11: Activity 2.5: Northern Australia Infrastructure Facility

Intended results of Activity 2.5			
<ul style="list-style-type: none"> Increased private sector investment in economic infrastructure in northern Australia 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Northern Australia Infrastructure Facility	The Northern Australia Infrastructure Facility (NAIF) was established as a corporate Commonwealth entity on 1 July 2016. Refer to the Northern Australia Infrastructure Facility's Additional Estimates Statement for information about the facility's performance criteria ¹		Established as a corporate Commonwealth entity on 1 July 2016, the NAIF is responsible for reporting on its performance in its annual report.
	Supporting the implementation of the NAIF to encourage private sector investment in economic infrastructure in northern Australia ²		The NAIF was provided with appropriate support and advice regarding its establishment, including feedback on policies and guidelines, sharing of stakeholder information and facilitating information flows, and ensuring the Minister is appropriately briefed on relevant issues.

¹ Source: 2016–17 Portfolio Additional Estimates Statements. In the 2016–17 Portfolio Budget Statements, the department committed to developing performance criteria for the Northern Australia Infrastructure Facility following finalisation of program design and consultation with stakeholders. Since the NAIF was established as a corporate Commonwealth entity on 1 July 2016, it would be responsible for reporting on its performance in 2016–17.

² Source: 2016–17 Corporate Plan.

Evaluations

In June 2011 the Australian Government announced Streamlining Australia's Anti-dumping System, a package of reforms to Australia's anti-dumping system. The government committed to evaluating the reforms five years after their implementation.

The evaluation was conducted in 2016 by the Office of the Chief Economist. It included assessments of the implementation and impact of the 2011 reforms over the succeeding four and a half years and made summary findings for each of the five themes identified in the reform package. Overall, the evaluation found improvement in relation to the themes of access and consistency, and deterioration in relation to timeliness. Timeliness deteriorated due to an increase in the demand for the Anti-Dumping Commission's services at a time when it faced significant disruption and staff shortages due to the relocation of the commission from Canberra to Melbourne.

The evaluation report is available from the department's Office of the Chief Economist website (www.industry.gov.au/oce).

Analysis of performance

Measured by the performance criteria set out against the intended results, steady progress has been recorded in recent years towards the achievement of Purpose 2, particularly with regard to growing foreign direct investment and increasing early-stage entrepreneurship activity. However, annual business investment has been falling since 2013–14, driven by the winding back of mining investment.

Purpose 3: Simplifying doing business

Achieving this purpose involves facilitating competition and innovation by making it easier for businesses to interact with government and reducing the cost of doing business. It will boost productivity and enhance Australia's international competitiveness by reducing the burden on industry of inefficient regulation and improving the delivery of our services and programs.

In 2016–17, the department worked to achieve this purpose through two activities:

- Activity 3.1: Regulatory reform and functions—this activity consists of initiatives and projects that are intended to drive innovation and competition and reduce unnecessary business costs through the implementation of regulatory reform across all levels of government, ensuring that the regulatory environment strikes the right balance between efficient markets and community expectations
- Activity 3.2: Better services and information for business—this activity consists of initiatives and projects that are intended to drive innovation and competition through streamlining and simplifying business services and programs, as well as providing information to assist businesses to grow and improving the ways in which it is delivered.

Main achievements

- Through the new Business Grants Hub, 29 programs, across eight Commonwealth agencies, have benefited from standard program design, policy partner collaboration, streamlined processes, and a consistent user experience approach. The Business Grants Hub was launched on 1 July 2016 and focuses on continuous improvement to ensure it remains a centre of excellence in grants administration.
- The Single Business Service programme continued to develop and implement more streamlined and effective ways for business to access government information and assistance. This included rolling out the first stages of a new grants management solution which improves the customer experience for business, and continuing to enhance business.gov.au.
- The department worked in partnership with the Australian Taxation Office, Australian Securities and Investments Commission and Treasury to release the Business Registration Service Beta on 19 April 2017. The service makes it quicker and easier to register a business in Australia by helping customers to understand what registrations they need and allowing them to apply for different business registrations (such as an Australian Business Number or business name) at the same time, in the same place, saving time and increasing compliance.
- The National Business Simplification Initiative (NBSI) was announced in November 2016. The NBSI is a Commonwealth agreement between federal, state and territory governments to work together to make it simpler to do business in Australia. The department has been working with other portfolios and state and territory governments to reduce the complexity of regulation and simplify interactions with government. The NBSI uses two pillars of focus—regulation reform and better digital services.
- The department received an additional \$9.1 million in funding to build on work under the NBSI. This will improve digital services for business by providing end-to-end registration and licensing through enabling connection of the Australian Business Licence and Information Service, Business Registration Service Beta and state and territory services. This jurisdiction by jurisdiction approach will leverage existing products like the Business Registration Service Beta and work to smooth the journey for businesses in dealing with all levels of government.

Performance criteria and results

Table 12: Purpose 3: Simplifying doing business

Intended result of Purpose 3	Performance criterion ¹	Trends and analysis
The quality of regulation (measured via domestic and international reviews)	Australia's ranking by the Organisation for Economic Co-operation and Development (OECD) product market regulation index	<p>The OECD indicators of product market regulation are comprehensive and internationally comparable measures of the degree to which policies promote or inhibit competition.</p> <p>Australia's ranking by the OECD product market regulation index improved in 2013. The most recent ranking (6th in 2013) means that Australia is close to the world leaders.²</p>
Business and government satisfaction with delivery of regulation reform	Portfolio net regulatory reduction for business	<p>Since the introduction of the Regulatory Reform Agenda in October 2013, the portfolio has achieved regulatory reform savings each year, enhanced the delivery of the services it provides, and reduced the time and effort it takes business to access its programs.³</p> <p>The portfolio delivered \$68.45 million in annual compliance savings to Australian businesses, individuals and community organisations in 2016.⁴ The portfolio has exceeded its red tape reduction target each calendar year since 2014. From January 2017 to June 2017, a further \$56.10 million in savings was reported.⁵</p>
The ease of doing business in Australia	Australia's ranking by the World Bank ease of doing business index	Australia ranked 15th out of 190 countries in 2017, compared with 15th out of 183 countries in 2012, in the World Bank's ease of doing business index. ⁶

1 Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

2 Source: OECD statistics (2013), 'Public sector, taxation and market regulation: Market regulation: Economy-wide regulation: Product market regulation 2013', Viewed 1 June 2017, <https://stats.oecd.org/index.aspx?DataSetCode=PMR>.

3 Source: Australian Government, *Annual Deregulation Report 2014*, *Annual Red Tape Reduction Report 2015*.

4 Source: Department of Industry, Innovation and Science, 'Portfolio Regulation Reform', Viewed 31 August 2017, <https://industry.gov.au/industry/IndustryInitiatives/PortfolioRegulationReform/Pages/default.aspx>.

5 Until the end of 2016, regulatory reform savings were reported on a calendar year basis. The department will report on a financial year basis from July 2017.

6 Source: World Bank Group (2016), Doing Business indicators, 2012 and 2017, custom query, Viewed 1 June 2017, www.doingbusiness.org/custom-query.

Table 13: Activity 3.1: Regulatory reform and functions

Intended results of Activity 3.1			
<ul style="list-style-type: none"> • Reduced cost of doing business in Australia • Regulation administered fairly, effectively and efficiently 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Regulatory policy advice	Provision of high-quality, timely and strategic industry policy advice to support the government's Regulatory Reform Agenda ¹		<p>The National Business Simplification Initiative was announced in November 2016. The department has worked with other portfolios and state and territory governments to reduce the complexity of regulation and simplify business interactions with governments.</p> <p>The department collaborated with the Department of the Prime Minister and Cabinet on its review of the Regulatory Reform Agenda, and with the Treasury on national partnerships for regulatory reform. The department also supported the Regulatory Reform Agenda by encouraging cultural change to reduce reliance on regulation; improving communication with key portfolio stakeholders; and reporting on regulation savings biannually to the Department of the Prime Minister and Cabinet.</p>
Portfolio Regulatory Reform	Successful implementation of Portfolio Regulatory Reform ¹		The portfolio reduced annual compliance costs to Australian businesses, individuals and community organisations by \$68.45 million in 2016. From January 2017 to June 2017, an additional \$56.10 million in annual compliance savings was achieved.
Anti-Dumping Commission; Australian Building Codes Board; Australian Industry Participation Authority; National Measurement Institute; National Offshore Petroleum Titles Administrator	Refer to: Regulator Performance Framework and other measures at www.industry.gov.au/industry/IndustryInitiatives/PortfolioRegulationReform ²		<p>The self-assessment reports of portfolio regulators identify the extent to which each regulator is achieving the Regulator Performance Framework key performance indicators and highlight areas for improvement.³</p> <p>The reports are published at www.industry.gov.au/industry/IndustryInitiatives/PortfolioRegulationReform.</p>

¹ Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

² Source: 2016–17 Corporate Plan.

³ The Australian Building Codes Board is not required to produce a self-assessment report. There were no other performance measures set out for the Board in the 2016–17 Corporate Plan.

Table 14: Activity 3.2: Better services and information for business

Intended results of Activity 3.2			
<ul style="list-style-type: none"> • Improved access for business to government services and information • Streamlined and integrated program delivery 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
Single Online-Business Registration System	Effective implementation of the Single Online-Business Registration System that will allow businesses to complete multiple registrations online in a single transaction ¹		The Business Registration Service Beta was released on 19 April 2017. By 30 June 2017, the service had processed over 18 700 registrations.
Streamlining program delivery	Progress to make it easier for businesses to access government services and improve the efficiency and business experience of program delivery ¹		<p>The Business Grants Hub was launched on 1 July 2016 to provide design and delivery services for government grants programs.</p> <p>Consolidating the delivery of programs from across government in one location makes it easier for potential grant recipients to find opportunities. Through the hub's standardised and streamlined design, grant applicants and recipients experience consistent processes and customer service standards.</p> <p>In 2016–17, 29 programs were onboarded to the Business Grants Hub, on behalf of eight agencies (Attorney-General's Department, Austrade, Department of Defence, Department of Health, Department of Infrastructure and Regional Development, Department of the Environment and Energy, Department of Industry, Innovation and Science, and Department of the Prime Minister and Cabinet).</p>

¹ Source: 2016–17 Corporate Plan.

Analysis of performance

Measured by the performance criteria set out against the intended results, progress has been made in recent years towards the achievement of Purpose 3, particularly in meeting the portfolio regulatory saving targets and improving the quality of regulation. Since the introduction of the government's Regulatory Reform Agenda in October 2013, the department has contributed an estimated \$496.74 million in net regulatory savings. Australia remains highly competitive internationally in terms of ease of doing business.

Activity: Building a high performance organisation

Building a high performance organisation involves conducting initiatives and projects to provide effective and efficient operational and administrative support and specific services to the department, government, industry and other stakeholders. It contributes to all three of the department's purposes.

Performance criteria and results

Table 15: Activity: Building a high performance organisation

Intended results of the Activity			
<ul style="list-style-type: none"> • Effective and efficient provision of general operational and administrative support • Effective and efficient provision of specific services 			
Contributing component	Performance criterion	2016–17 target	2016–17 result
General policy advice on matters impacting on industry, innovation and science	Provision of high-quality, timely and strategic policy advice to ministers ¹		<p>Most of the department's significant achievements in policy advice are presented in the reports on our performance in achieving our purposes.</p> <p>Additional achievements included:</p> <ul style="list-style-type: none"> • publishing major reports (including the <i>Australian Industry Report</i>, the <i>Australian Innovation System Report</i> and the <i>Resources and Energy Quarterly</i>), research papers, evaluations and data products • establishing the Data Management and Analytical Taskforce, and making major advances in expanding the range, quality and accessibility of datasets to strengthen the evidence base of our policy and program development.
General program delivery designed to have a positive impact on industry, innovation and science	Effective and efficient delivery of programs that support government policy ¹		<p>Most of the department's significant achievements in program delivery are presented in the reports on our performance in achieving our purposes.</p> <p>Additional achievements included:</p> <ul style="list-style-type: none"> • delivering a new grants management platform to provide a more complete view of our customer engagements and simplify the transaction process • launching the Centre for Defence Industry Capability, on 5 December 2016. The department delivered the centre on behalf of the Department of Defence. This arrangement takes advantage of the department's established service delivery infrastructure and enables referral between support and assistance programs.

Intended results of the Activity

- Effective and efficient provision of general operational and administrative support
- Effective and efficient provision of specific services

Contributing component	Performance criterion	2016–17 target	2016–17 result
Corporate, financial and ICT services	Effective and efficient provision of corporate, financial and ICT services ¹		<p>Significant achievements included:</p> <ul style="list-style-type: none"> • reviewing and refreshing our People Plan to reflect departmental, divisional and employee priorities • onboarding the first client of our strategy for shared and common services, Geoscience Australia, in February 2017 • releasing our digital strategy, to build the department’s digital capability and literacy • developing an end user services roadmap, to guide ICT architecture and investment decisions and outline the desired user experience for staff • continuing to implement our information management program, to ensure compliance with the government’s Digital Continuity 2020 policy and deliver significant capability efficiencies and enhancements to services • reviewing and updating the capital budget allocation process to provide greater certainty in asset management and more flexibility in how funds can be used over time • launching our new learning management system, which offers a range of blended learning opportunities, along with a new learning library enabling staff to nominate for face-to-face training, online learning modules and external programs and opportunities • delivering effective parliamentary services to ministerial offices and across the department.

¹ Source: 2016–17 Portfolio Budget Statements and 2016–17 Corporate Plan.

Financial performance

Financial performance - Departmental

Operating result

Excluding depreciation and amortisation, the department recorded a loss of \$4.8 million in 2016-17.

After taking into account depreciation and amortisation of \$38.1 million and the change in the asset revaluation reserve of \$2.2 million, the department recorded a loss of \$45.1 million for 2016-17. This reflects the introduction of the net cash appropriation arrangements where appropriation for depreciation and amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations.

Financial sustainability

As at 30 June 2017, the department reported net assets of \$217.5 million.

The department has sufficient financial assets to settle its payables as and when they fall due. Non-financial assets consist mainly of property (buildings and fit-out), plant and equipment owned by the department.

Financial performance - Administered

Income

Administered revenue largely relates to royalty revenue (\$950.1 million), levy receipts generated by the National Offshore and Petroleum Safety and Environmental Management Authority (\$34.6 million) and registration fees generated by the National Offshore Petroleum Titles Administrator (\$15.2 million).

Expenses

During the year the department administered programmes on behalf of the government, including:

- \$195.5 million to facilitate the development and uptake of new ideas and technology and translate them into commercial activity
- \$447.6 million to contribute to building a diversified, flexible, resilient and dynamic economic base that can identify and adapt to new markets and emerging opportunities
- \$95.9 million to support the sustainable development of the resources sector, attract private sector investment and encourage innovative technologies
- \$4.6 million to support the safe and sustainable operations of energy markets and improve Australia's energy performance and productivity. Responsibility for energy programmes transferred to the Department of the Environment and Energy as a result of the Administrative Arrangements Order issued on 19 July 2016
- \$1054.8 million in payments to the portfolio's corporate Commonwealth entities: the Commonwealth Scientific and Industrial Research Organisation; the Australian Nuclear Science and Technology Organisation; the Australian Institute of Marine Science; the National Offshore Petroleum Safety and Environmental Management Authority; and the Northern Australia Infrastructure Facility.



CHAPTER THREE

DEPARTMENTAL MANAGEMENT AND ACCOUNTABILITY

Corporate governance

The department's corporate governance practices define how the department delivers its outcome and program responsibilities and controls its business, both internally and externally.

At 30 June 2017, the department's governance committee structure comprised:

- Executive Board
- Assurance and Audit Committee
- ICT and Data Strategy Committee
- Programme Assurance Committee
- Business Grants Hub Operational Board.

The department's governance practices comply with all statutory requirements and are regularly reviewed to ensure that they remain relevant and effective.

The department's planning and risk management processes are closely integrated. Business, workforce and risk management plans for divisions are prepared annually and detail how the strategic priorities set out in the department's strategic plan will be achieved and how any major risks will be managed.

The department uses a quarterly traffic light reporting system to keep the Executive informed of the status of key deliverables.

The department's Portfolio Management Office oversees the department's capital budget and monitors other significant projects. In addition the Portfolio Management Office aims to enhance the project management capability across the department.

The Secretary has established an internal audit function to provide independent, objective assurance and consulting services designed to add value and improve the department's operations.

Fraud control

The department's fraud control framework is consistent with better practice standards and provides assurance that fraud control strategies are robust. Its approach includes ongoing fraud awareness training for all staff. As required by the Commonwealth Fraud Control Framework, the department has a fraud control plan that details strategies for the prevention, detection and investigation of alleged fraud affecting the department, as well as reporting procedures.

Officers responsible for fraud control and investigations hold the qualifications detailed in the Australian Government Investigations Standards and the Commonwealth Fraud Control Framework.

Compliance with finance law

There were no significant instances of non-compliance with the finance law reported to the responsible minister as part of the department's internal compliance reporting process for 2016-17.

External scrutiny

In 2016-17, no judicial decisions, decisions of administrative tribunals or decisions by the Australian Information Commissioner had significant impact on the operations of the department. No reports on the operations of the department were completed by the Commonwealth Ombudsman or by any parliamentary committee.

During 2016-17, the department was directly involved in two audits by the Australian National Audit Office (ANAO), which tabled the following reports:

- *Collection of North West Shelf Royalty Revenue*
- *Managing Underperformance in the Australian Public Service.*

During 2016-17, the department appeared at several parliamentary committee hearings, including supplementary budget estimates hearings on 20 October 2016, additional estimates hearings on 2 March 2017, and budget estimates hearings on 31 May 2017 and 1 June 2017.

Information Publication Scheme

Under Part II of the *Freedom of Information Act 1982*, the department is required to publish information to the public as part of the Information Publication Scheme. A plan showing the information the department publishes in accordance with the scheme is available on the department's website (www.industry.gov.au/AboutUs).

Management of human resources

The department's Our People Plan 2017-20: *Building a high performance organisation* incorporates strategies to manage resources and build capability. The People Plan is a live document that is updated regularly to ensure that it supports the strategic direction of the department. A range of data sources, including workforce analytics and Australian Public Service state of the service employee census results, are used as an evidence base to inform strategies within the People Plan.

A workforce plan has been integrated into the department's business and risk planning cycles. The workforce plan incorporates optimal management structures, current and future capability needs, and strategies to address any identified issues. The workforce plan will assist the Senior Executive Service to better lead and manage staff resources.

A human resource digital roadmap was developed in line with the department's digital strategy. The roadmap describes how the department will transform its digital experience to change the way we work. A number of digital initiatives have already been implemented, including new recruitment, onboarding, learning management and performance management systems using a single connected platform.

Informed by the Capability Development Strategy 2017–20, the department delivered a range of development programs in 2016–17, with a strong focus on policy development; program design and delivery; economics; leadership and management; and data analysis. The department continued to deliver two-hour master classes on a range of topics for all staff and a series of workshops to enhance management capabilities for Executive Level staff.

The department also continued its two-year Graduate Development Program, which is designed to give graduates the skills and capabilities required to meet the challenges of working in the APS. The program is underpinned by formal and on-the-job learning and incorporates a graduate certificate in either economics or management in the second year.

In September 2016, as a result of the Administrative Arrangements Orders issued on 19 July 2016 and 1 September 2016, the department's energy policy and delivery functions were transferred to the Department of the Environment and Energy. As a result, 211 full-time equivalent staff were transferred to the Department of the Environment and Energy.

The department's workforce information is included in Appendix A3.

Work health and safety

The department remained focused on maintaining its safe systems of work and improving compensation and rehabilitation performance during 2016–17. The department worked with Comcare to complete phase one of Comcare's program of audits of federal employer work health and safety management systems. The department received positive outcomes and will continue to work with Comcare to continually improve its safety systems and complete phase two of the audit program.

In 2016–17, five incidents (a decrease of one compared to 2015–16) were deemed notifiable under section 38 of the *Work Health and Safety Act 2011* and reported to Comcare.

No investigations were conducted and no notices were issued under Part 10 of the Work Health and Safety Act.

Disability reporting mechanisms

Disability reporting is included in the Australian Public Service Commission's annual *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available on the Australian Public Service Commission's website (www.apsc.gov.au).

The National Disability Strategy 2010–2020 sets out a 10-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 tracks progress against each of the six outcome areas of the strategy and presents a picture of how people with a disability are faring. Reports are available on the Department of Social Services website (www.dss.gov.au).

Purchasing

During 2016-17, the department undertook its procurement in accordance with the Commonwealth Procurement Rules and the requirements of its Accountable Authority Instructions.

In accordance with the Commonwealth Procurement Rules, the department published its Annual Procurement Plan on AusTender to give prospective suppliers the opportunity to prepare for potential work with the department.

The department supports small business participation in the Australian Government procurement market. Participation statistics are available on the Department of Finance's website (www.finance.gov.au).

In accordance with paragraph 5.4 of the Commonwealth Procurement Rules, the department has procurement practices and internal policies in place to ensure that small and medium-sized enterprises are not unfairly discriminated against. These measures include but are not limited to:

- the mandatory use of the Commonwealth Contracting Suite for all low risk procurements up to \$200 000 (GST inclusive)
- formal procurement training, including a session on contracting with small and medium-sized enterprises
- a dedicated online Procurement Toolkit facilitating instant advice for procuring officers.

The department recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website (www.treasury.gov.au).

The department fully supports the Indigenous Procurement Policy and has met its purchasing target set by the government to ensure that opportunities for Indigenous employment and business continue to grow.

Consultants

During 2016-17, 178 new consultancy contracts were entered into involving total actual expenses of \$5 715 860 (GST inclusive). In addition, 59 ongoing consultancies were active during the year, involving total actual expenses in 2016-17 of \$5 900 209 (GST inclusive). Consultancy expenses for 2016-17 have been derived on an accrual basis and include contracts valued at less than \$10 000.

The department engages individuals and companies to provide professional services under contracts for service, taking into account the skills and resources required for the task, the skills available internally, and cost-effectiveness. 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 department's decision-making. Examples include the provision of complex legal advice; the engagement of technical experts to assist with awarding technical research grants; and independent evaluations to determine the effectiveness of the department's programs. The decision to engage a consultant is made in accordance with the *Public Governance, Performance and Accountability Act 2013* and relevant policies, including the Commonwealth Procurement Rules and the department's Accountable Authority Instructions.

Annual reports contain information about actual expenditure on contracts for consultancies in the financial year. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

During 2016–17, the department did not enter into contracts with a value of more than \$10 000 (inclusive of GST) which were exempt from being published on AusTender.

All contracts valued at \$100 000 or more (GST inclusive) let during 2016–17 allowed for the Auditor-General to have access to the contractor's premises.

Grant programs

Information on grants made by the department during 2016–17 is available on the department's website (www.industry.gov.au/AboutUs).

Advertising and market research

During 2016–17, the department conducted two advertising campaigns, in relation to country of origin labelling for food, and business.gov.au digital advertising.

Further information on these advertising campaigns is available on the department's website (www.industry.gov.au/AboutUs) and in the reports on Australian Government advertising prepared by the Department of Finance, which are available on the Department of Finance's website (www.finance.gov.au).

The department's payments for advertising and market research services are shown at Appendix A4.



CHAPTER FOUR

DEPARTMENTAL FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry, Innovation and Science

Opinion

In my opinion, the financial statements of the Department of Industry, Innovation and Science for the year ended 30 June 2017:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Department of Industry, Innovation and Science as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Industry, Innovation and Science, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
<p data-bbox="193 287 665 314">Completeness and accuracy of royalty revenue</p> <p data-bbox="193 325 665 443">I focused on this balance given the significant value of royalty revenue collected and reported by the Department of Industry, Innovation and Science (Industry) and the complexities associated with its administration.</p> <p data-bbox="193 455 665 622">The collection of royalties is reliant on administrative functions performed by other parties and is dependent on information provided by taxpayers in a self-assessment regime. The absence of an effective assurance framework over the collection and administration of royalties increases the risk of inaccurate or incomplete royalty revenue.</p> <p data-bbox="193 634 665 729">In 2015–16, a moderate audit finding was reported in the ANAO Report No. 33 2015–16 <i>Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016</i>.</p> <p data-bbox="193 740 665 790">For the year ended 30 June 2017, Industry reported royalty revenue of \$950.106m.</p>	<p data-bbox="678 287 1142 337">To audit the collection of administered royalty revenue, I performed the following audit procedures:</p> <ul data-bbox="678 348 1142 832" style="list-style-type: none"> <li data-bbox="678 348 1142 485">• evaluated the design and effectiveness of Industry’s framework to obtain assurance over the completeness of North West Shelf royalty revenue collections; activities relating to the collection of Joint Petroleum Development Area and Ranger Uranium Mine royalties; <li data-bbox="678 496 1142 565">• re-performed, on a sample basis, a selection of key assurance activities undertaken by Industry for its royalty revenue streams; <li data-bbox="678 576 1142 649">• examined, on a sample basis, supporting documentation to assess the accuracy of royalty revenue earned for 2016–17; <li data-bbox="678 660 1142 733">• examined large royalties received after 30 June 2017 to identify potential significant unrecorded royalty revenue; and <li data-bbox="678 744 1142 832">• analysed the relationship between production and commodity prices to assess the reasonableness of royalty revenue.

Accountable Authority’s Responsibility for the Financial Statements

As the Accountable Authority of the Department of Industry, Innovation and Science the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of Industry, Innovation and Science’s ability to continue as a going concern, taking into account whether the entity’s operations will cease as a result of an administrative restructure or for any other reason. The Secretary is also responsible for disclosing matters related to going concern as applicable and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Kristian Gage
Executive Director

Delegate of the Auditor-General

Canberra

6 September 2017

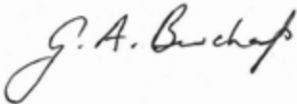
Department of Industry, Innovation and Science

STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

The Department of Industry, Innovation and Science (department) is on Tier 2 reporting requirements other than financial instruments and fair value measurement disclosures which are on Tier 1, as per section 18(3) of the Financial Reporting Rule. However, the department has obtained exemption from the Finance Minister from Tier 1 reporting disclosure for the Departmental financial instruments and fair value measurement.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Industry, Innovation and Science will be able to pay its debts as and when they fall due.



Glenys Beauchamp
Secretary



Brad Medland
Chief Financial Officer

5 September 2017

5 September 2017

Department of Industry, Innovation and Science
Statement of Comprehensive Income
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	293,456	306,781	314,957
Suppliers	1.1B	165,340	167,058	148,813
Grants	1.1C	3,499	7,822	210
Depreciation and amortisation	3.2A	38,089	42,351	43,486
Finance costs		-	122	-
Write-down and impairment of assets	1.1D	16,854	51	-
Losses from asset sales		338	14	-
Other expenses		604	712	728
Total expenses		518,180	524,911	508,194
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	67,826	57,565	62,862
Interest		63	98	-
Rental income		4,468	700	-
Other revenue	1.2B	12,191	9,465	6,099
Total own-source revenue		84,548	67,828	68,961
Gains				
Foreign exchange gains		3	-	-
Reversals of previous asset write-downs and impairments		2	5,186	-
Other gains	1.2C	24,852	125	728
Total gains		24,857	5,311	728
Total own-source income		109,405	73,139	69,689
Net cost of services		(408,775)	(451,772)	(438,505)
Revenue from Government	1.2D	365,838	400,205	395,710
Deficit attributable to the Australian Government		(42,937)	(51,567)	(42,795)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(2,166)	2,746	-
Total other comprehensive income/ (loss)		(2,166)	2,746	-
Total comprehensive loss attributable to the Australian Government		(45,103)	(48,821)	(42,795)

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Financial Position
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents ¹	3.1A	13,761	30,732	5,328
Trade and other receivables ¹	3.1B	104,446	144,413	162,053
Accrued revenue		3,394	2,186	2,635
Total financial assets		121,601	177,331	170,016
Non-financial assets				
Land and buildings	3.2A	108,061	132,168	119,498
Property, plant and equipment	3.2A	53,815	52,934	48,699
Laboratory equipment	3.2A	24,560	25,013	22,225
Intangibles	3.2A	48,699	42,265	51,683
Inventories		2,337	2,468	2,198
Prepayments		9,401	8,483	8,112
Total non-financial assets		246,873	263,331	252,415
Total assets		368,474	440,662	422,431
LIABILITIES				
Payables				
Suppliers	3.3A	17,662	20,040	47,169
Grants		270	1,177	1,983
Other payables	3.3B	45,406	56,531	40,556
Total payables		63,338	77,748	89,708
Provisions				
Employee provisions	6.1A	85,851	98,863	79,967
Other provisions	3.4A	1,747	20,825	16,557
Total provisions		87,598	119,688	96,524
Total liabilities		150,936	197,436	186,232
Net assets		217,538	243,226	236,199
EQUITY				
Contributed equity		471,444	452,029	482,057
Asset revaluation reserve		9,079	11,245	8,499
Accumulated deficit		(262,985)	(220,048)	(254,357)
Total equity		217,538	243,226	236,199

1. Restatement of comparatives as a result of reclassification of special account from Trade and other receivables to Cash and cash equivalents, as per the Financial Reporting Rule.

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Changes in Equity
for the year ended 30 June 2017

	Retained earnings		Asset revaluation reserve	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Opening balance				
Balance carried forward from previous period	(220,048)	(168,481)	11,245	8,499
Adjusted opening balance	(220,048)	(168,481)	11,245	8,499
Comprehensive income				
Deficit for the year	(42,937)	(51,567)	-	-
Other comprehensive income	-	-	(2,166)	2,746
Total comprehensive income	(42,937)	(51,567)	(2,166)	2,746
Total comprehensive income attributable to Australian Government	(42,937)	(51,567)	(2,166)	2,746
Closing balance attributable to Australian Government	(262,985)	(220,048)	9,079	11,245

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Statement of Changes in Equity
for the year ended 30 June 2017

	Contributed Equity		Total Equity	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
	Original Budget	Original Budget	Original Budget	Original Budget
	\$'000	\$'000	\$'000	\$'000
Opening balance				
Balance carried forward from previous period	452,029	388,205	452,052	228,223
Adjusted opening balance	452,029	388,205	452,052	228,223
Comprehensive income				
Deficit for the year	-	-	-	(51,567)
Other comprehensive income	-	-	-	2,746
Total comprehensive income	(42,937)	(2,166)	(45,103)	(48,821)
Total comprehensive income attributable to Australian Government	(45,103)	(48,821)	(45,103)	(42,795)
Transactions with owners				
Distribution to owners				
Restructuring	(13,905)	(14)	-	-
Appropriation (equity returns)	(448)	-	-	(14)
Contributions by owners	4,880	35,369	4,567	35,369
Equity injection - Appropriations	28,888	28,469	25,438	28,469
Departmental capital budget (DCB)	19,415	63,824	30,005	63,824
Total transactions with owners	471,444	452,029	482,057	243,226
Closing balance attributable to Australian Government	217,538	217,538	217,538	236,199

Accounting Policy**Equity injections**

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

Restructuring of Administrative Arrangements

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

Other Distributions to Owners

The Financial Reporting Rule requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Cash Flow Statement
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
OPERATING ACTIVITIES				
Cash received				
Appropriations ¹		466,862	452,219	400,475
Sale of goods and rendering of services		72,045	62,728	62,862
Net GST received		16,822	17,007	14,949
Rental income		4,845	781	-
Other		7,436	11,004	6,310
Total cash received		568,010	543,739	484,596
Cash used				
Employees		303,873	309,707	317,719
Suppliers		179,929	182,611	163,357
Grants		4,904	9,492	210
Section 74 receipts transferred to OPA		76,536	67,855	-
Other		2,491	1,866	215
Total cash used		567,733	571,531	481,501
Net cash from/(used by) operating activities		277	(27,792)	3,095
INVESTING ACTIVITIES				
Cash received				
Proceeds on sales of property, plant and equipment		154	140	-
Total cash received		154	140	-
Cash used				
Purchase of property, plant and equipment		25,468	20,956	25,438
Purchase of intangibles		17,025	18,890	8,307
Total cash used		42,493	39,846	33,745
Net cash used by investing activities		(42,339)	(39,706)	(33,745)
FINANCING ACTIVITIES				
Cash received				
Appropriations - Contributed equity		10,057	34,288	4,567
Appropriations - Departmental Capital Budget		29,697	28,866	25,438
Total cash received		39,754	63,154	30,005
Cash used				
Restructuring - Special accounts cash transferred out ²		14,663	-	-
Total cash used		14,663	-	-
Net cash from financing activities		25,091	63,154	30,005
Net increase/(decrease) in cash held		(16,971)	(4,344)	(645)
Cash and cash equivalents at the beginning of the reporting period		30,732	8,198	5,973
Adjustment to opening balance - Special Accounts ¹		-	26,878	-
Cash and cash equivalents at the end of the reporting period	3.1A	13,761	30,732	5,328

1. Restatement of comparatives as a result of reclassification of special account from Trade and other receivables to Cash and cash equivalents, as per the Financial Reporting Rule.
2. Transfer of special account to the Department of Environment and Energy as a result of the Administrative Arrangements Order of the 19 July 2016.

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science Budget Variance Commentary - Departmental for the year ended 30 June 2017

Budget Variance Commentary

The below table provides commentary for major differences between the actual and the original budgeted amounts that were first presented to parliament in respect of the reporting period from the department's 2016-17 Portfolio Budget Statements (PBS).

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% and \$10 million; or
- an item below this threshold that is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the entity.

Where an item was not originally budgeted for in the PBS, for example asset revaluations, rental income and sale of asset adjustments, explanation will only be provided if the variance is considered to be 'major'.

Explanations of major variances	Affected line items/statements
Transfer of the Energy function to the Department of the Environment and Energy as a result of the Administrative Arrangements Order of the 19 July 2016 (net assets relinquished of \$13.905 million)	Statement of Comprehensive Income - Revenue from Government (\$26 million), Employee Benefits (\$18 million) Statement of Financial Position - Appropriation receivables (\$26 million), Employee Provisions (\$8 million) Cash Flow Statement - Employee Payments (\$8 million) Statement of Changes in Equity – Restructuring (\$14 million)
Transfer of an accommodation lease to the Department of Communications and the Arts (net gain of \$9 million in Comprehensive Income)	Statement of Comprehensive Income - Write-down and impairment of asset (\$16 million), Other Gains (\$25 million) Statement of Financial Position – Land and buildings (\$16 million), Other Provisions (\$19 million), Other Payables (\$6 million).
Due to the timing of the original 2016-17 budget, the estimate for Suppliers Expense was set prior to a number of subsequent events occurring including increased costs associated with managing the Grants Hub including the Centre for Defence Industry Capability, which is offset by an increase in revenue. This has led to higher than budgeted Suppliers. This increase has been reflected in the 2016-17 Additional Estimates	Statement of Comprehensive Income - Suppliers Expense
Lease straight lining was budgeted in Suppliers Payables and has subsequently moved to Other Payables in the Additional Estimates to align with the financial statements	Statement of Financial Position - Suppliers Payables
Reclassification of special account balances from receivables to cash as per the Financial Reporting Rule	Statement of Financial Position - Cash and cash equivalents, Trade and other receivables
Budgeted section 74 receipts transferred to OPA are not shown separately in the cash flow statement but are netted off against operating cash received from appropriations	Cash Flow Statement – Appropriations, Section 74 receipts transferred to OPA (\$77 million)

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

**Department of Industry, Innovation and Science
Administered Schedule of Comprehensive Income
as at 30 June 2017**

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee benefits	2.1A	7,026	6,352	7,500
Suppliers	2.1B	76,412	89,677	94,070
Fees		40	40	40
Subsidies	2.1C	168,489	221,917	151,998
Grants	2.1D	490,589	427,335	477,500
Depreciation and amortisation	4.2A	1,227	726	993
Write-down and impairment of assets		-	2,288	-
Payments to corporate Commonwealth entities	2.1E	1,054,797	991,012	1,044,409
Total expenses		1,798,580	1,739,347	1,776,510
Income				
Revenue				
Taxation revenue				
Snowy Hydro land tax		-	174	171
Tradex receipts		942	1,301	800
Total taxation revenue		942	1,475	971
Non-taxation revenue				
Fees from regulatory services	2.2A	49,882	37,936	43,256
Fees		5,875	4,473	60,208
Interest		9,572	6,656	8,871
Dividends	2.2B	-	23,595	22,100
Royalties		950,106	979,091	701,046
Other non-taxation revenue		24,231	19,734	10,641
Total non-taxation revenue		1,039,666	1,071,485	846,122
Total revenue		1,040,608	1,072,960	847,093
Gains				
Reversals of previous financial instruments impairments		248	-	-
Total gains		248	-	-
Total income		1,040,856	1,072,960	847,093
Net cost of services		(757,724)	(666,387)	(929,417)
Deficit on continuing operations		(757,724)	(666,387)	(929,417)
OTHER COMPREHENSIVE INCOME				
Items subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		114,515	(38,159)	-
Total other comprehensive income		114,515	(38,159)	-
Total comprehensive loss		(643,209)	(704,546)	(929,417)

The above statement should be read in conjunction with the accompanying notes, including the budget variance commentaries.

Department of Industry, Innovation and Science
Administered Schedule of Assets and Liabilities
as at 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash in special accounts		82,509	104,917	106,979
Trade and other receivables	4.1A	118,847	112,405	113,350
Other investments	4.1B	3,660,784	4,036,341	3,916,230
Accrued revenue		84,618	73,276	64,725
Total financial assets		3,946,758	4,326,939	4,201,284
Non-financial assets				
Leasehold improvements	4.2A	192	231	126
Property, plant and equipment	4.2A	197	324	365
Intangibles	4.2A	3,825	4,671	1,429
Total non-financial assets		4,214	5,226	1,920
Total assets administered on behalf of Government		3,950,972	4,332,165	4,203,204
LIABILITIES				
Payables				
Suppliers	4.3A	12,523	11,735	7,197
Subsidies	4.3B	38,559	53,419	29,224
Grants	4.3C	44,570	48,690	60,814
Total payables		95,652	113,844	97,235
Provisions				
Employee provisions	6.1B	1,875	1,519	1,113
Total provisions		1,875	1,519	1,113
Total liabilities administered on behalf of Government		97,527	115,363	98,348
Net assets		3,853,445	4,216,802	4,104,856

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

Department of Industry, Innovation and Science Budget Variance Commentary - Administered for the year ended 30 June 2017

Budget Variance Commentary

The below table provides commentary for major differences between the actual and the original budgeted amounts that were first presented to parliament in respect of the reporting period from the department's 2016-17 Portfolio Budget Statements (PBS).

Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10% and \$10 million; or
- an item below this threshold that is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the entity.

Where an item was not originally budgeted for in the PBS, for example asset revaluations adjustments, explanation will only be provided if the variance is considered to be 'major'.

Explanations of major variances	Affected line items/statements
Transfer of the Energy function (including investment in Snowy Hydro Limited) to the Department of the Environment and Energy	Statement of Assets and Liabilities - Other Investments (\$540 million); Schedule of Comprehensive Income - Dividends
Unrealised budgeted proceeds from the auction of offshore petroleum exploration permits	Schedule of Comprehensive Income - Fees (\$55 million)
Increase in realised sales prices for Liquid Natural Gas (LNG)	Schedule of Comprehensive Income - Royalties (\$249 million) Statement of Assets and Liabilities - Accrued Revenue (\$20 million)
Timing differences for payments between financial years due to eligibility of milestone payments, adjusted at Additional Estimates: Clean Energy Initiative Programme; Victorian Innovation Investment Fund; Bindaree Beef; Entrepreneurs' Programme	Statement of Assets and Liabilities - Net effect: Grants payable (\$18 million), Cash in special accounts (\$29 million)
Lower demand for Entrepreneurs' Programme	Schedule of Comprehensive Income - Suppliers Expenses (\$17 million)
New measure announced during 2016-17 after finalisation of the 2016-17 PBS - Tasmania Jobs and Investment Fund	Statement of Assets and Liabilities - Cash in special accounts (\$4 million); Schedule of Comprehensive Income - Other Revenue (\$8 million), Grants expense (\$4 million)
Higher demand for assistance under the Automotive Transformation Scheme	Schedule of Comprehensive Income - Subsidies Expenses (\$17 million); Statement of Assets and Liabilities - Subsidies Payable (\$9 million)
Investment in the Australian Nuclear Science and Technology Organisation increased due to its acquisition during the year of the Australian Synchrotron	Schedule of Comprehensive Income - Asset Revaluation Reserve; Statement of Assets and Liabilities - Administered Investments (\$123 million)

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

Department of Industry, Innovation and Science
Administered Reconciliation Schedule
for the year ended 30 June 2017

	2017	2016
	\$'000	\$'000
Opening assets less liabilities as at 1 July	4,216,802	4,259,247
Net (cost of)/contribution by services		
Income	1,040,856	1,072,960
Expenses		
Payments to entities other than corporate Commonwealth entities	(743,783)	(748,335)
Payments to corporate Commonwealth entities	(1,054,797)	(991,012)
Other comprehensive income		
Revaluations transferred to/(from) reserves	114,515	(38,159)
Transfers (to)/from the Australian Government		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Payments to entities other than corporate Commonwealth entities	24,053	18,447
Payments to corporate Commonwealth entities	38,841	35,916
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	535,444	507,955
Payments to corporate Commonwealth entities	1,020,264	947,464
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	171,447	228,671
Payments to corporate Commonwealth entities	-	14,671
Special appropriations (unlimited)		
Payments to corporate Commonwealth entities	34,533	28,918
Appropriation transfers to OPA		
Transfers to OPA	(1,005,717)	(1,088,498)
Appropriation from prior years	987	3,395
Restructuring	(540,000)	(34,838)
Closing assets less liabilities as at 30 June	3,853,445	4,216,802

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

Department of Industry, Innovation and Science
Administered Cash Flow Statement
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Interest		2,431	124
Dividends		-	23,595
Fees		5,953	13,413
Royalties		938,764	999,476
Net GST received		49,648	50,526
Other		36,010	23,711
Levy receipts		34,645	28,878
Total cash received		<u>1,067,451</u>	<u>1,139,723</u>
Cash used			
Suppliers		82,179	93,111
Grants		545,530	499,917
Employees		7,418	7,142
Subsidies		183,349	236,321
Payment to corporate Commonwealth entities		1,054,797	991,053
Total cash used		<u>1,873,273</u>	<u>1,827,544</u>
Net cash from/(used by) operating activities		<u>(805,822)</u>	<u>(687,821)</u>
INVESTING ACTIVITIES			
Cash received			
Repayments of advances and loans		23,165	31,911
Total cash received		<u>23,165</u>	<u>31,911</u>
Cash used			
Investments		24,026	18,435
Purchase of intangibles		172	959
Purchase of property, plant and equipment		96	18
Corporate Commonwealth entity investments		38,841	35,916
Total cash used		<u>63,135</u>	<u>55,328</u>
Net cash from/(used by) investing activities		<u>(39,970)</u>	<u>(23,417)</u>
Net increase/(decrease) in cash held		<u>(845,792)</u>	<u>(711,238)</u>

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

Department of Industry, Innovation and Science
Administered Cash Flow Statement
for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash and cash equivalents at the beginning of the reporting period		104,917	125,849
Cash from Official Public Account			
Appropriations		1,707,178	1,693,754
Appropriation - Administered assets and liabilities		24,053	18,447
Equity appropriation - corporate Commonwealth entities		38,841	35,916
Special accounts		54,510	33,925
GST appropriations		55,711	49,375
Total cash from official public account		<u>1,880,293</u>	<u>1,831,417</u>
Cash to Official Public Account			
Appropriations		(1,005,717)	(1,088,498)
GST appropriations		(51,192)	(52,613)
Total cash to official public account		<u>(1,056,909)</u>	<u>(1,141,111)</u>
Cash and cash equivalents at the end of the reporting period		<u>82,509</u>	<u>104,917</u>

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the department for use by the Australian Government rather than the department is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Australian Government. These transfers to and from the OPA are adjustments to the administered cash held by the department on behalf of the Australian Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

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

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Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Overview

Objective of the Department of Industry, Innovation and Science

The Department of Industry, Innovation and Science (the department) is an Australian Government controlled and a not-for-profit entity. The department contributes to the Australian Government's vision for an agile economy, capitalising on Australia's commercial, innovative and scientific strengths by facilitating the growth and productivity of globally competitive industries. It also supports business innovation and the commercialisation of new ideas and supports businesses in transition as critical requirements for productivity and economic growth.

The Energy function was transferred to the Department of Environment and Energy as a result of the Administrative Arrangements Order (AAO) of the 19 July 2016.

The activities that contribute towards the outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the department in its own right. Administered activities involve the management or oversight by the department, on behalf of the Australian Government, of items controlled or incurred by the Australian Government. Administered activities are referred to in the shaded areas of these financial statements.

Basis of Preparation of the Financial Statements

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

The financial statements and notes have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards (AAS) and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements and notes have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

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

New Accounting Standards

All new/revised standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect to the department's financial statements.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes. Unless otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of AAS.

Taxation

The department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). Revenues, expenses, assets and liabilities are recognised net of GST, except:

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

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

Contingent Liabilities

The department was engaged in a number of legal matters on behalf of the Australian Government which involve, or may lead to, legal proceedings, which may result in the payment of damages and costs. It is not possible to estimate the amount of any eventual payment which may be required in relation to these matters.

Unquantifiable Administered Contingencies

The Australian and Western Australian governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) to indemnify the GJV against independent third party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project. The claims are subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. The Western Australian Government has indemnified the GJV, and the Australian Government has indemnified the Western Australian Government for 80 per cent of any amount determined to be payable under that indemnity.

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995-2000). In November 2009, the Australian Government agreed to the handback of former British Nuclear test site, Maralinga section 400, to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *Maralinga Nuclear Test Site Handback Deed*, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

On 21 April 2016, the minister for Industry, Innovation and Science signed a Deed of Indemnity between the Australian Government, ANSTO and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the Australian Government has formally agreed to indemnify ANSTO and ANSTO Officers, and ANM and ANM Officers, from any loss or liability arising from claims caused by ionising radiation. This deed will remain in place until April 2026.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

There are no departmental contingent liabilities as at 30 June 2017.

Events After the Reporting Period

There were no events occurring after 30 June 2017 that would have a material impact on these financial statements.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

1. Departmental Financial Performance

This section analyses the financial performance of the Department.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Employee Benefits		
Wages and salaries	212,910	216,208
Superannuation:		
Defined contribution plans	19,405	20,145
Defined benefit plans	20,926	21,222
Leave and other entitlements	30,253	39,354
Separation and redundancies	8,140	7,411
Other employee expenses	1,822	2,441
Total employee benefits	293,456	306,781

Accounting Policy

Accounting policies for employee related expenses are contained in the People and Relationship section.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Communication, marketing and freight	3,125	3,508
Contractors and consultants	36,309	34,232
Inventory related costs	7,721	8,755
Property operating expense	18,893	14,468
Rendering of services and maintenance	32,822	31,549
Travel	12,435	12,604
Other goods and services	11,572	13,585
Total goods and services supplied or rendered	122,877	118,701

Goods supplied	15,494	14,193
Services rendered	107,383	104,508
Total goods and services supplied or rendered	122,877	118,701

Other suppliers

Operating lease rentals	39,792	46,610
Workers compensation expenses	2,671	1,747
Total other suppliers	42,463	48,357
Total suppliers	165,340	167,058

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2017	2016
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	50,018	58,293
Between 1 to 5 years	178,471	153,365
More than 5 years	17,650	180,072
Total operating lease commitments	246,139	391,730

Leasing commitments

The department's lease payment commitments are primarily for accommodation for its operation around the country. The two major leases are office space and laboratories in Sydney, as well as office space in Industry House in Canberra.

Accounting Policy

Leases

All leases in the department are operating leases, as the risks and benefits are shared with the lessor.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the life of the lease on a straight line basis.

Note 1.1C: Grants

Australian Government entities	593	911
State and Territory Governments	9	498
Non-profit organisations	1,074	1,374
Other	1,823	5,039
Total grants	3,499	7,822

Note 1.1D: Write-Down and Impairment of Assets

Impairment of financial instruments	43	-
Impairment of leasehold improvements	16,498	-
Impairment of laboratory equipment	266	11
Write-down of inventories	47	40
Total write-down and impairment of assets	16,854	51

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

1.2. Own-Source Revenue and Gains

	2017	2016
Own-Source Revenue	\$'000	\$'000
Note 1.2A: Sale of Goods and Rendering of Services		
Sale of goods	3,823	3,780
Rendering of services	64,003	53,785
Total sale of goods and rendering of services	67,826	57,565

Accounting Policy

Revenue from the sale of goods is recognised when the risks and rewards of ownership have been transferred to the buyer; and the department retains no managerial involvement or effective control over the goods. The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Note 1.2B: Other Revenue

State receipts	3,990	4,248
Equipment Energy Efficiency receipts	-	379
Sponsorships	2,633	1,055
Other	4,431	2,677
Department of Foreign Affairs and Trade receipts	534	489
Resources received free of charge	603	617
Total other revenue	12,191	9,465

Commitments for sublease rental income receivables are as follows:

Within 1 year	490	420
Between 1 to 5 years	1,532	1,503
Total sublease rental income commitments	2,022	1,923

The Department's sublease rental income commitments receivable relate to the sublease of the childcare centre and part of the Questacon building in Canberra.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2017	2016
	\$'000	\$'000
Gains		
<u>Note 1.2C: Other Gains</u>		
Others	4	-
Reversal of makegood provision	79	125
Reversal of other provisions ¹	<u>24,769</u>	<u>-</u>
Total other gains	<u>24,852</u>	<u>125</u>

1. This was the reversal of the provisions for onerous lease (Note 3.4A) in relation to the surplus floor space for one of the department's leased premises in previous reporting periods. This lease was transferred to another Australian Government agency at the end of the reporting period.

Note 1.2D: Revenue from Government

Appropriations		
Departmental appropriations	<u>365,838</u>	<u>400,205</u>
Total revenue from Government	<u>365,838</u>	<u>400,205</u>

Accounting Policy

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the department gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

Resources Received Free of Charge

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

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 Australian Government agency or authority as a consequence of a restructuring of administrative arrangements (Refer to the Restructuring Note).

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

2. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the department does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1. Administered - Expenses

	2017	2016
	\$'000	\$'000
Note 2.1A: Employee benefits		
Wages and salaries	4,765	4,264
Superannuation		
Defined contribution plans	485	492
Defined benefit plans	465	316
Leave and other entitlements	1,311	1,280
Total employee benefits	7,026	6,352
Note 2.1B: Suppliers		
Services rendered		
Communication, marketing and freight	6,832	23,471
Consultants and contractors	12,859	14,389
Travel	827	609
Fee for service	47,432	42,440
Other	6,640	6,977
Total services rendered	74,590	87,886
Other suppliers		
Operating lease rentals	1,822	1,791
Total other suppliers	1,822	1,791
Total suppliers	76,412	89,677
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	1,237	1,292
Between 1 to 5 years	3,872	4,180
More than 5 years	-	910
Total operating lease commitments	5,109	6,382
Leasing commitments		
The department's administered lease payment commitments relate to office space for the National Offshore Petroleum Titles Administrator's operations in Perth and Melbourne.		

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

	2017 \$'000	2016 \$'000
Note 2.1C: Subsidies		
Subsidies in connection with external parties		
Assistance to industry	168,489	222,741
Resources related initiatives	-	(824)
Total subsidies	168,489	221,917
Note 2.1D: Grants		
Public sector		
Australian Government entities (related parties)	4,540	4,611
State and Territory Governments	279	13,131
Local Governments	-	2,046
Private sector		
Non-profit organisations	12,388	10,469
External entities	430,342	375,903
Other	25,679	12,910
Grants through State and Territory Governments	16,003	6,632
Multi-jurisdictional sector	1,358	1,633
Total grants	490,589	427,335
Note 2.1E: Payments to corporate Commonwealth entities		
Commonwealth Scientific and Industrial Research Organisation	787,267	750,280
Australian Nuclear Science and Technology Organisation	183,334	156,700
Australian Institute of Marine Science	41,552	40,483
Australian Renewable Energy Agency	-	14,671
National Offshore Petroleum Safety and Environmental Management Authority	34,533	28,878
Northern Australia Infrastructure Facility	8,111	-
Total payments to corporate Commonwealth entities	1,054,797	991,012

Accounting Policy

Grants and Subsidies

The department administers a number of grant and subsidy schemes on behalf of the Australian Government. Grant and subsidy liabilities are recognised to the extent that:

- the services required to be performed by the grantee have been performed; or
- the grant eligibility criteria have been satisfied, but payments due have not been made.

When the Australian Government enters into an agreement to make these grants and services but services have not been performed or eligibility conditions have not been met, this is considered a commitment.

Payments to corporate Commonwealth entities

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as either administered expenses or equity injections. The appropriation to the department is disclosed in the appropriations note.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

2.2. Administered - Income

	2017	2016
	\$'000	\$'000
Revenue		
Note 2.2A: Fees from Regulatory Services		
Petroleum fees	15,237	9,058
Levy receipts	<u>34,645</u>	<u>28,878</u>
Total fees from regulatory services	<u><u>49,882</u></u>	<u><u>37,936</u></u>
Note 2.2B: Dividends		
Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	-	195
Snowy Hydro Ltd	<u>-</u>	<u>23,400</u>
Total dividends	<u><u>-</u></u>	<u><u>23,595</u></u>

Accounting Policy

Revenue

All administered revenues relate to the activities performed by the department on behalf of the Australian Government. Administered revenues include fees, levies collected by the National Offshore Petroleum Safety and Environmental Management (NOPSEMA), and royalties.

Administered fee revenue is recognised only when it has been earned.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

3. Departmental Financial Position

This section analyses the department's assets used to generate financial performance and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

3.1. Financial Assets

	2017	2016
	\$'000	\$'000
Note 3.1A: Cash and Cash Equivalents		
Cash in special accounts	11,887	28,149
Cash on hand	16	20
Cash at bank	1,858	2,563
Total cash and cash equivalents	13,761	30,732
Note 3.1B: Trade and Other Receivables		
Good and services receivables		
Goods and services	7,191	8,596
Total goods and services receivables	7,191	8,596
Appropriations receivables		
Departmental appropriations	65,825	90,311
Departmental Capital Budget	1,460	2,269
Equity appropriations	27,194	40,968
Total appropriations receivables	94,479	133,548
Other receivables		
GST receivable from the Australian Taxation Office	2,036	2,208
Other	1,029	320
Total other receivables	3,065	2,528
Total trade and other receivables (gross)	104,735	144,672
Less impairment allowance		
Goods and services	(289)	(259)
Total impairment allowance	(289)	(259)
Total trade and other receivables (net)	104,446	144,413

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

	2017 \$'000	2016 \$'000
Reconciliation of the Impairment Allowance		
As at 1 July	259	279
Amounts written off	(13)	(28)
Amounts recovered and reversed	-	8
Increase/(Decrease) recognised in net cost of services	43	-
Total as at 30 June	289	259

Accounting Policy

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment, and assessed for impairment at the end of each reporting period.

Credit terms were 30 days.

Acquisition of Assets

Assets are recorded at cost on 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.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

3.2. Non-Financial Assets

Note 3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles 2017

	Buildings \$'000	Leasehold improvements \$'000	Property, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2016							
Gross book value	56,703	75,297	65,799	29,278	58,956	14,949	300,982
Work in progress	1,124	10,402	5,960	1,285	22,764	-	41,535
Accumulated depreciation, amortisation and impairment	(2,425)	(8,933)	(18,825)	(5,550)	(40,602)	(13,802)	(90,137)
Total as at 1 July 2016	55,402	76,766	52,934	25,013	41,118	1,147	252,380
Additions:							
Purchase or internally developed	2,811	2,857	16,344	5,274	13,075	769	41,130
Revaluations recognised through other comprehensive income	(1,582)	(584)	-	-	-	-	(2,166)
Impairments recognised in net cost of services	-	(16,498)	-	(266)	-	-	(16,764)
Depreciation / amortisation	(2,512)	(8,511)	(15,459)	(4,689)	(6,300)	(618)	(38,089)
Disposals:							
From disposal of entities or operations (including restructuring)	-	-	-	-	(492)	-	(492)
Other	(88)	(88)	(4)	(772)	-	-	(864)
Total as at 30 June 2017	54,119	53,942	53,815	24,560	47,401	1,298	235,135
Total as at 30 June 2017 represented by							
Gross book value	52,424	52,934	78,973	29,777	78,747	15,718	308,573
Work in progress	1,695	1,008	8,851	4,484	14,450	-	30,488
Accumulated depreciation, amortisation and impairment	-	-	(34,009)	(9,701)	(45,796)	(14,420)	(103,926)
Total as at 30 June 2017	54,119	53,942	53,815	24,560	47,401	1,298	235,135

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2017 for buildings and leasehold improvements by an independent valuer.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

All capital commitments totalling \$11.6 million (2015-16: \$15.0 million) are payable within 12 months. The major projects include \$4.3 million for the Single Business Service program, \$2.2 million for ICT infrastructure and equipment, \$0.4 million for document management and \$0.3 million for the flexible workplace leasehold improvements.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for:

- items of property with a project cost less than \$10,000 (which are expensed in the year of acquisition); and
- items of plant and equipment costing less than \$5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which individually cost less than \$5,000 but collectively cost \$50,000 or more, which are recognised in the statement of financial position).

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 the department where there exists an obligation to restore the property to its original condition. These costs are included in the value of the department's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent 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. The department has adopted a rolling revaluation, meaning that all assets will be subject to revaluation over a three year period. The Leasehold Improvements and Buildings asset classes were revalued effective 30 June 2017 by an independent valuer, using a fair value basis.

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 are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is 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 the department 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 made in the current, or current and future reporting periods, as appropriate.

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

	2017	2016
Buildings	8-40 years	8-40 years
Leasehold improvements	Lease term	Lease term
Laboratory equipment	3-10 years	3-10 years
Other property, plant and equipment	3-10 years	3-10 years

Impairment

All assets were assessed for impairment at 30 June 2017 and the result reported in note 3.2A and 4.2A. 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 impairment adjustment is reflected in the gross carrying value of the asset.

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 the department 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 further future economic benefits are expected from its use or disposal. No assets have been identified for sale or disposal within the next 12 months unless otherwise specified in the respective notes.

Intangibles

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

Purchases of software with a value of less than \$50,000 and internally developed software with a value of less than \$200,000 are expensed in the year of acquisition.

Bulk purchases of software that individually cost less than \$50,000, but as a group cost \$50,000 or more are recognised in the statement of financial position.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the department's software are 3 to 15 years (2015-16: 3 to 15 years).

Inventories

Inventories held for sale are valued at the lower of cost and net realisable value.

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

3.3. Payables

	2017	2016
	\$'000	\$'000
Note 3.3A: Suppliers		
Trade creditors and accruals	17,164	19,600
Other creditors	498	440
Total suppliers	17,662	20,040

Settlement is usually made within 30 days.

Note 3.3B: Other Payables

Lease straight lining and incentives	30,745	39,105
Unearned revenue	6,920	13,236
Wages and salaries	2,711	2,677
Superannuation	317	170
Other	4,713	1,343
Total other payables	45,406	56,531

Accounting Policy

Financial liabilities are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised in finance costs.

Liabilities are recognised to the extent that the goods or services have been received regardless of the fact that the department may not have been invoiced.

Superannuation

The liability for superannuation recognised as at 30 June 2017 represents outstanding contributions for the final fortnight of the year.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

3.4. Provisions

	2017	2016
	\$'000	\$'000
Note 3.4A: Other Provisions		
Provision for onerous lease ¹	-	18,974
Provision for restoration	<u>1,747</u>	<u>1,851</u>
Total other provisions	<u><u>1,747</u></u>	<u><u>20,825</u></u>

	Provision for onerous lease \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2016	18,974	1,851	20,825
Additional provisions made	-	22	22
Amounts reversed	(18,974)	(122)	(19,096)
Other movements	-	(4)	(4)
Total as at 30 June 2017	-	1,747	1,747

Accounting Judgements and Estimates

The department has made provisions to reflect the present value of the following obligations:

Provision for onerous lease

An onerous contract is considered to exist where the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The department recognised a provision in relation to surplus floor space for one of the department's leased premises in previous reporting periods. This lease was transferred to another Australian Government agency at the end of the reporting period, resulting in the reversal of this provision (Note 3.4A)¹.

Provision for restoration

The department currently has 11 agreements for the leasing of premises which have provisions requiring the department to restore the premises to their original condition at the conclusion of the lease.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

4. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result. The department does not control these assets but administers them on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered – Financial Assets

	2017	2016	
	\$'000	\$'000	
Note 4.1A: Trade and Other Receivables			
Loans			
Amortised cost	97,743	99,722	
Available for sale - Innovation and Investment Fund (IIF) loans (Rounds 1 & 2)	-	40,447	
Total loans	97,743	140,169	
Other receivables			
Grant recoveries and other receivables	24,826	17,666	
Net GST receivable	9,555	9,902	
Total other receivables	34,381	27,568	
Total trade and other receivables (gross)	132,124	167,737	
Less impairment allowance			
Loans - amortised cost	(831)	(975)	
Loans - available for sale - IIF loans (Rounds 1 & 2)	-	(40,447)	
Grant recoveries and other receivables	(12,446)	(13,910)	
Total impairment allowance	(13,277)	(55,332)	
Total trade and other receivables (net)	118,847	112,405	
Reconciliation of the Impairment Allowance			
Movements in relation to 2017			
	Advances and loans	Other receivables	Total
	\$'000	\$'000	\$'000
As at 1 July 2016	41,422	13,910	55,332
Amounts written off	(40,447)	(1,360)	(41,807)
Increase/(Decrease) recognised in net cost of services	(144)	(104)	(248)
Total as at 30 June 2017	831	12,446	13,277
Movements in relation to 2016			
	Advances and loans	Other receivables	Total
	\$'000	\$'000	\$'000
As at 1 July 2015	41,448	11,774	53,222
Amounts written off	-	(178)	(178)
Increase/(Decrease) recognised in net cost of services	(26)	2,314	2,288
Total as at 30 June 2016	41,422	13,910	55,332

Credit terms for receivables were net 30 days.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Loans and Receivables

The department's administered loans and receivables relate to a number of programmes that are delivered by the department on behalf of the Australian Government.

Loans which are subject to concessional treatment are carried at amortised cost using the effective interest method. Interest is credited to income as it accrues. Gains and losses due to impairment, de-recognition and amortisation are recognised through profit or loss.

Both loans and receivables are assessed for indicators of impairment (including collectability) at each balance date, with an allowance made for those assessed as being impaired.

As a result of the deregistration of IIF Investments Pty Ltd on 27 July 2016, the IIF loans (Rounds 1 & 2) have been written off in 2016-17.

Loans are classified as follows:

- R&D Start Programme loans. Loans with varying rates of interest, including interest free, which are repaid over a number of years. These loans have been assessed as fully impaired.
- Howe and Company Pty Ltd (trading as Howe Leather). A loan of \$25 million has been made to Australian Leather Holdings. This loan attracts interest at a rate of 4.25% above the 10 year Australian Government bond rate which was below the market rate for a comparable loan at the date the loan commenced. The total loan is due to be repaid in full by February 2022.
- Rio Tinto Aluminium Limited. This is an interest free loan of \$137 million repayable in 2024. The loan is being amortised at an annual rate of 6.6%. The loan is for the development of a multi-user energy facility with a capacity to supply other users and to form a research and technical development partnership with Rio Tinto establishing a 'Foundation for a Sustainable Minerals Industry'.

	2017	2016
	\$'000	\$'000
Note 4.1B: Other Investments		
Australian Institute of Marine Science	176,551	178,025
Australian Nuclear Science and Technology Organisation	1,095,648	943,532
Commonwealth Scientific and Industrial Research Organisation	2,198,824	2,197,625
National Offshore Petroleum Safety and Environmental Management Authority	15,674	10,917
Pre-Seed Fund	17,986	25,323
Innovation Investment Fund Round 1	20,510	20,838
Innovation Investment Fund Round 3	104,934	100,271
Innovation Investment Follow-On Fund	23,259	19,810
Northern Australia Infrastructure Facility	2,398	-
Quantum Computing	5,000	-
Snowy Hydro Ltd	-	540,000
Total other investments	3,660,784	4,036,341

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Administered investments in subsidiaries, joint ventures and associates are not consolidated as their consolidation is relevant only at the Whole-of-Government level. Administered investments are classified as “available for sale” and are measured at their fair value as at 30 June 2017. Fair value has been taken to be the Australian Government’s proportional interest in the entity valued at either times/earnings or net assets position as at reporting date.

The principal activities of the department’s administered investments are as follows:

Australian Institute of Marine Science

The principal activities are to provide marine research services, particularly tropical science, with the view to support the sustainable use and protection of the marine environment. The Australian Government owns 100% of this investment.

Australian Nuclear Science and Technology Organisation

The principal activities are the timely delivery of valued nuclear related scientific and technical advice services and products. The Australian Government owns 100% of this investment.

Commonwealth Scientific and Industrial Research Organisation

The principal activities are to enhance innovation, productivity and competitiveness in Australian industry, with improved understanding and management of the environment and natural resources through research. The Australian Government owns 100% of this investment.

National Offshore Petroleum Safety and Environmental Management Authority

The principal activities are to provide independent expert regulation for health and safety, environmental management and structural and well integrity for offshore petroleum facilities and activities in Commonwealth waters in accordance with the Offshore Petroleum and Greenhouse Gas Storage Act 2006. The Australian Government owns 100% of this investment.

Pre-Seed Fund

The Australian Government invested in a number of venture capital funds under the Pre-Seed Fund programme. The Pre-Seed Fund programme encourages the private sector to take a more active role in funding and managing the commercialisation of research from universities and Australian Government research agencies, through private sector venture capital fund managers.

Innovation and Investment Fund (IIF)

The Australian Government co-invested in a number of venture capital funds under the IIF programme:

- Rounds 1 and 3 of the IIF are designed to promote the commercialisation of Australian research and development by technology-based companies at the seed, start-up or early growth stages, through licensed private sector venture capital fund managers; and
- The Innovation Investment Follow-on Fund (IIFF) was a temporary programme in response to the impact of the global financial crisis on the availability of venture capital. The programme was funded through returns on investments made under the IIF programme. IIFF supported investments made under IIF Rounds 1 and 2, the Pre-Seed Fund, the former Renewable Energy Equity Fund and the former ICT Incubators programme.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Northern Australia Infrastructure Facility

The principal activities are to provide \$5 billion in concessional finance to encourage and complement private sector investment in infrastructure that benefits Northern Australia. The Australian Government owns 100% of this investment.

Quantum Computing

The Australian Government owns shares in Silicon Quantum Computing Pty Ltd. The principal activities of Silicon Quantum Computing Pty Ltd is to translate the Centre for Quantum Computations and Communications Technology research into a silicon quantum integrated circuit.

Snowy Hydro Ltd

The Australian Government owns 13% of Snowy Hydro Ltd which was corporatised in 2002. The principal activities of Snowy Hydro Ltd are the collection, diversion and storage of water and the generation and transmission of electricity. This investment was transferred to the Department of Environment and Energy as a result of the AAO of the 19 July 2016.

Department of Industry, Innovation and Science Notes to and forming part of the Financial Statements

4.2. Administered – Non-Financial Assets

Note 4.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles 2017

	Leasehold improvements \$'000	Other property, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
As at 1 July 2016					
Gross book value	299	445	7,157	2,083	9,984
Work in Progress	-	19	435	-	454
Accumulated depreciation, amortisation and impairment	(66)	(140)	(2,921)	(2,083)	(5,212)
Total as at 1 July 2016	231	324	4,671	-	5,226
Additions	68	29	147	-	244
Revaluations and impairments recognised in other comprehensive income	(29)	-	-	-	(29)
Depreciation/ Amortisation	(78)	(156)	(993)	-	(1,227)
Total as at 30 June 2017	192	197	3,825	-	4,214
Total as at 30 June 2017 represented by:					
Gross book value	192	493	7,593	2,083	10,361
Work in progress	-	-	146	-	146
Accumulated depreciation, amortisation and impairment	-	(296)	(3,914)	(2,083)	(6,293)
Total as at 30 June 2017	192	197	3,825	-	4,214

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2017 for leasehold improvements by an independent valuer.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Capital commitments totalling \$0.4 million (2015-16:\$1.4 million) related primarily to the development of the National Offshore Petroleum Titles Administrator (NOPTA) - Continuation of National Electronic Approvals Tracking System (NEATS) and are payable within 12 months.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Accounting Policy

Administered Property, Plant and Equipment

The department manages on behalf of the Australian Government assets held by the National Offshore Petroleum Titles Administrator (NOPTA), a statutory position established under section 695A of the Offshore Petroleum and Greenhouse Gas Storage Act 2006.

Administered intangibles

The department manages intangible assets relating to programmes that are delivered by the department on behalf of the Australian Government as follows:

- Syntroleum Technology – a licence utilising Gas-to-Liquids technology. This asset was recognised at cost and was amortised on a straight-line basis over the term of the licence (15 years). As at reporting date this asset is now fully amortised.
- The National Electronic Approvals Tracking System (NEATS) software – a public portal which provides access to publicly available information concerning offshore petroleum titles and applications.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

4.3. Administered – Payables

	2017	2016
	\$'000	\$'000
Note 4.3A: Suppliers		
Trade creditors and accruals	12,523	11,735
Total suppliers	12,523	11,735
Settlement is usually made within 30 days.		
Note 4.3B: Subsidies		
Subsidies in connection with		
Assistance to industry	38,559	53,419
Total subsidies	38,559	53,419
All subsidies are payable to external parties.		
Note 4.3C: Grants		
Non-profit organisations	41,427	40,111
Other	3,143	8,579
Total grants	44,570	48,690
Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.		

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

5. Funding

This section identifies the department's funding structure.

5.1. Appropriations

Note 5.1A: Annual Appropriations ('Recoverable GST exclusive')

	2017	2016
	\$'000	\$'000
Departmental		
Ordinary annual services		
Annual Appropriation ³	392,210	399,627
PGPA Act - Section 74 receipts	76,536	67,855
PGPA Act - Section 75 transfers	<u>(26,350)</u>	<u>578</u>
Total	<u>442,396</u>	<u>468,060</u>
Appropriation applied (current and previous years)	<u>467,570</u>	<u>452,218</u>
Variance	<u>(25,174)</u>	<u>15,842</u>
Capital Budget¹		
Annual Appropriation	28,938	28,469
PGPA - Section 75 transfers of PGPA Act	<u>(50)</u>	<u>-</u>
Total	<u>28,888</u>	<u>28,469</u>
Appropriation applied (current and previous years)	<u>29,697</u>	<u>28,866</u>
Variance	<u>(809)</u>	<u>(397)</u>
Other services		
Equity Injection	4,880	35,369
Appropriation applied (current and previous years)	<u>10,057</u>	<u>34,288</u>
Variance	<u>(5,177)</u>	<u>1,081</u>
Administered		
Ordinary annual services		
Administered items ³	572,126	848,124
PGPA Act - Section 75 transfers	<u>(2,548)</u>	<u>(179,988)</u>
Payments to corporate Commonwealth entities	<u>1,020,264</u>	<u>947,464</u>
Total	<u>1,589,842</u>	<u>1,615,600</u>
Appropriation applied (current and previous years)	<u>1,555,708</u>	<u>1,455,419</u>
Variance ²	<u>34,134</u>	<u>160,181</u>
Other Services		
Administered assets and liabilities	28,938	30,938
Payments to corporate Commonwealth entities	<u>38,841</u>	<u>35,916</u>
Total	<u>67,779</u>	<u>66,854</u>
Appropriation applied (current and previous years)	<u>62,894</u>	<u>54,363</u>
Variance ²	<u>4,885</u>	<u>12,491</u>

Notes:

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.
2. Administered variances are due to drawdowns against prior year appropriations and undrawn current year appropriations.
3. Section 51 quarantines in 2016-17: Departmental: \$0.02 million against 2016-17 annual appropriations; and Administered: \$13.90 million against 2016-17 annual appropriations and an additional \$67.44 million against 2015-16 annual appropriations.
4. No other entities spend money from the CRF on behalf of the department.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2017	2016
	\$'000	\$'000
Departmental		
Appropriation Act 2 2012-13	224	224
Appropriation Act 1 2013-14	1,414	1,414
Appropriation Act 4 2013-14	2,809	2,809
Appropriation Act 1 2014-15	422	422
Appropriation Act 2 2014-15	222	4,649
Appropriation Act 1 2015-16	297	88,897
Appropriation Act 1 2015-16 DCB	-	2,269
Appropriation Act 2 2015-16	19,207	30,651
Appropriation Act 4 2015-16	2,857	2,857
Appropriation Act 1 2015-16 Cash	-	2,583
Appropriation Act 1 2016-17	64,135	-
Appropriation Act 1 2016-17 Cash	1,874	-
Appropriation Act 1 2016-17 DCB	1,460	-
Supply Act 2 2016-17	1,778	-
Appropriation Act 2 2016-17	454	-
Appropriation Act 4 2016-17	313	-
Total departmental	97,466	136,775
Administered		
Appropriation Act 1 2012-13	61,487	61,487
Appropriation Act 2 2012-13	13,191	13,191
Appropriation Act 3 2012-13	4	4
Appropriation Act 4 2012-13	3,450	3,450
Appropriation Act 1 2013-14	29,365	29,365
Appropriation Act 2 2013-14	7,308	12,308
Appropriation Act 4 2013-14	53,241	53,267
Appropriation Act 1 2014-15	425,371	425,371
Appropriation Act 1 2015-16	148,846	184,951
Appropriation Act 2 2015-16	10,299	29,326
Appropriation Act 3 2015-16	10,246	13,155
Supply Act 2 2016-17	12,058	-
Appropriation Act 1 2016-17	44,550	-
Appropriation Act 2 2016-17	16,880	-
Appropriation Act 3 2016-17	28,598	-
Total administered	864,894	825,875

- The above balances include appropriations withheld under section 51 of the PGPA Act, which constitutes a permanent loss of control as well as temporarily quarantined amounts, as these have not been formally reduced by law prior to 30 June 2017.
- From 2014-15, each Appropriation Act includes an automatic repeal clause, whereby the Act will be extinguished as at the date specified in that Act. The Appropriation Acts for the 2012-13 and 2013-14 do not include this specific clause and are expected to be reduced through an omnibus repeal bill. Although balances reported for these years remain legally available, they are unavailable for the department to use.
- Departmental appropriations reduced under section 51: Appropriation Act 1 2016-17 by \$0.02 million; Appropriation Act 2 2015-16 by \$0.45 million; Appropriation Act 1 2014-15 by \$0.42 million; Appropriation Act 2 2014-15 by \$0.22 million.
- Administered appropriations reduced under section 51: Appropriation Act 1 2016-17 by \$13.90 million; Appropriation Act 1 2015-16 by \$129.86 million; Appropriation Act 3 2015-16 by \$9.32 million; Appropriation Act 1 2014-15 by \$412.92 million; Appropriation Act 2 2013-14 by \$4.95 million.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 5.1C: Disclosure by Agent in Relation to Annual and Special Appropriations ('Recoverable GST exclusive')

	Attorney- Generals	Department of Health	Department of Defence	ARENA
	2017 \$'000	2017 \$'000	2017 \$'000	2016 \$'000
Total receipts	506	-	-	-
Total payments	126,665	9,737	342	5,979

Note 5.1D: Special Appropriations Applied ('Recoverable GST exclusive')

Authority	Appropriation applied	
	2017 \$'000	2016 \$'000
<i>Textile, Clothing and Footwear Strategic Investment Program Act 1999</i>	-	21,325
<i>Automotive Transformation Scheme Act 2009</i> ¹	170,355	207,346
<i>Offshore Minerals Act 1994 (Act No. 28 of 1994)</i>	-	-
<i>Australian Renewable Energy Agency Act 2011</i>	-	14,671
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>	34,533	28,918
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	1,092	3,021
Total special appropriation applied	205,980	275,281

1. The total amount of assistance paid in respect of a year must not exceed \$300 million.

**Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements**

Note 5.2A: Special Accounts ('Recoverable GST exclusive')

	Energy 2015 Special Account ⁷		Energy Special Account		Climate Change Special Account	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward from previous period	14,723	-	-	11,696	-	5,260
Total increases	74	17,337	-	-	-	-
Available for payments	14,797	17,337	-	11,696	-	5,260
Total departmental decreases*	14,797	2,614	-	11,696	-	5,260
Total balance carried to the next period	-	14,723	-	-	-	-

*The decrease in the Energy 2015 Special Account includes the transfer of \$14.663 million to the Department of Environment and Energy as a result of the AAO of 19 July 2016.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Footnote No.	Section of PGPA Act appropriated under	Establishing Instrument and Purpose of Special Account	Sunset Date of Special Account Determination
1	78	<i>Determination 2009/21 – Clean Energy Initiative Special Account Establishment 2009</i> , to meet the costs and expenses related to initiatives to support the growth of clean energy generation and new technologies to reduce carbon emissions.	1 October 2019
2	78	<i>Determination 2011/09 – Services for Other Entities and Trust Moneys</i> , to enable the department to continue to hold and expend amounts on behalf of persons or entities other than the Commonwealth.	1 October 2021
3	80	<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i> , to meet costs, expenses and other obligations related to the performance of the Titles Administrator's functions or the exercise of the Titles Administrator's powers.	N/A
4	78	<i>PGPA Act Determination (Innovation, Science and Technology – Donations, Bequests and Sponsorship Special Account 2016) – Establishment</i> , for expenditure to conduct activities to promote greater understanding and awareness of science, technology, engineering, mathematics and innovation within the community and to support science education and research which promotes related fields. This is the extension of <i>Determination 2006/40 – Science and Technology Donations/Sponsorship Special Account Establishment 2006</i> which sunsetted on 1 October 2016. The full balance as at 30 June was invested in an interest bearing bank account.	1 October 2026
5	78	<i>PGPA Act Determination – Establishment of Australian Building Codes Board Special Account 2017</i> , for expenditure towards creating nationally consistent building codes, standards, regulatory requirements and regulatory systems in design, construction and use of buildings. This is the extension of <i>Determination 2006/68 – Australian Building Codes Board Special Account Establishment 2006</i> which sunsetted on 1 April 2017.	1 April 2027
6	78	<i>PGPA Act Determination – Establishment of Ranger Rehabilitation Special Account 2017</i> , for expenditure relating to the rehabilitation of the ranger project area in accordance with the Ranger Uranium Project Government Agreement (as amended) between the Commonwealth and Energy Resources of Australia Limited, Australian Atomic Energy Commission, Peko-Wallsend Operations Limited and Electrolytic Zinc Company of Australasia Limited. This is the extension of <i>Determination 2006/70 – Ranger Rehabilitation Special Account Establishment 2006</i> which sunsetted on 1 April 2017. The full balance as at 30 June was invested as a term deposit. Note that this special account is held in trust for the benefit of the Traditional Aboriginal Owners of the Ranger Project Area. This balance does not form part of the financial statements.	1 April 2027
7	78	<i>Determination 2015/07 – Energy Special Account 2015 - Establishment</i>) for activities that contribute to policy development in the national energy sector. This special account was transferred to the Department of Environment and Energy during 2016-17 as a result of the Administrative Arrangements Order (AAO) of the 19 July 2016.	1 October 2025

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

The department has the National Repository Capital Contribution Fund Special Account established under section 80 of the *Public Governance, Performance and Accountability Act 2013*. It is for the establishment and operation of a radioactive waste management facility. There had been no transactions debited or credited to it during the current or prior reporting period.

Note that the Fund is to be established after a facility licence that authorises a person to operate the facility is issued under the *Australian Radiation Protection and Nuclear Safety Act 1998*. This is anticipated to occur around 2020.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

5.3. Regulatory Charging Summary

	2017	2016
	\$'000	\$'000
Note 5.3A: Regulatory Charging Summary		
Amount applied		
Departmental ¹		
Annual appropriations	1,308	1,365
Administered		
Annual appropriations	468	2,307
Total amounts applied	1,776	3,672
Expenses		
Departmental ¹	2,238	2,310
Administered	14,115	16,953
Total expenses	16,353	19,263
Revenue		
Departmental ¹	930	945
Administered	17,969	13,052
Total revenue	18,899	13,997

No amounts were written off in the current or prior period.

1. The 2015-16 comparatives have been restated and exclude the commercial activities which are classified as non-regulatory under the new Australian Government Charging Framework.

Regulatory charging activities:

Departmental

Licensing and Appointments (from 2016-17 includes Certification of Licenses activity); and Pattern Approval Laboratory. Documentation - www.measurement.gov.au/Documents/Charging-Arrangements.docx.

Administered

National Offshore Petroleum Titles Administrator Fee.

Documentation - www.nopta.gov.au/documents/nopta-cris-2016-17-sept16.pdf

Greenhouse and Energy Minimum Standards National Legislative Framework.

This Energy function was transferred to the Department of Environment and Energy as a result of the AAO of the 19 July 2016.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

6. People and Relationships

This section describes a range of employment and post-employment benefits provided to our people.

6.1. Employee Provisions

	2017	2016
	\$'000	\$'000
Note 6.1A: Employee Provisions		
Leave	83,507	94,039
Separations and redundancies	2,344	4,824
Total employee provisions	85,851	98,863

Note 6.1B: Administered - Employee Provisions

Leave	1,875	1,519
Total employee provisions	1,875	1,519

Accounting Policy

Liabilities for 'short-term employee benefits' and termination benefits expected to be wholly settled within twelve months of the end of 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.

Leave

The liability for employee benefits includes provisions for annual leave and long service leave.

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2017 and management assessments relating to salary growth rates. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

The department recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap), the Australian Government Employees Superannuation Trust (AGEST) or non-government superannuation funds.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap, AGEST and other non-government superannuation funds are defined contribution schemes.

The liability for the defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The department makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Australian Government. The department accounts for the contributions as if they were contributions to defined contribution plans.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

6.2. Key Management Personnel Remuneration

Key Management Remuneration

	2017
	\$000
Short-term employee benefits	1,691
Post-employment benefits	270
Other long-term employee benefits	191
Termination benefits	-
Total Key Management Remuneration expenses	2,152

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly. The department has determined the KMP to be the Secretary and the Deputy Secretaries of the department and the Portfolio Ministers.

The total number of KMP included in the above table are 5.

The above KMP remuneration excludes the remuneration and other benefits of the Portfolio Ministers. Portfolio Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the department.

6.3. Related party transactions

Related party relationships

The department is an Australian Government controlled entity. Related parties to the department are Key Management Personnel including the Portfolio Minister and Executives, and other Australian Government entities.

Transactions with related parties

Given the breadth of government activities, related parties may transact with the department in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note. There were no significant transactions with related parties during the year. All related party transactions were in the ordinary course of business and do not require separate disclosure.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

7. Managing Uncertainties

This section analyses how the department manages financial risks within its operating environment.

7.1. Financial Instruments

	2017	2016
	\$'000	\$'000
Note 7.1A: Categories of Financial Instruments		
Financial Assets		
Cash and cash equivalents	13,761	6,386
Trade and other receivables	7,931	8,657
Accrued revenue	3,394	2,186
Total loans and receivables	25,086	17,229
Total financial assets	25,086	17,229
Financial Liabilities		
Suppliers	17,662	20,040
Grants payable	270	1,177
Other payables	11,633	14,579
Total financial liabilities measured at amortised cost	29,565	35,796
Total financial liabilities	29,565	35,796

Note 7.1B: Net Gains or Losses

The net gains/losses on financial instruments is immaterial.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

7.2. Administered - Financial Instruments

	2017	2016
	\$'000	\$'000
Note 7.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	82,509	104,917
Grant recoveries and other receivables	12,380	3,756
Loans - amortised cost	96,912	98,747
Total loans and receivables	191,801	207,420
Available for sale		
Administered investments	3,660,784	4,036,341
Total available for sale	3,660,784	4,036,341
Total financial assets	3,852,585	4,243,761
Financial Liabilities		
Financial Liabilities measured at amortised cost		
Grants and subsidies payable	83,129	102,109
Suppliers payable	12,523	11,735
Total financial liabilities measured at amortised cost	95,652	113,844
Total financial liabilities	95,652	113,844
Note 7.2B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	9,572	6,656
Dividends	-	23,595
Net gains on loans and receivables	9,572	30,251
Net gains on financial assets	9,572	30,251

The net gains/losses on financial liabilities is immaterial.

Note 7.2C: Fair Value of Financial Instruments

The department considers that the carrying amounts reported in the Administered Schedule of Assets and Liabilities are a reasonable approximation of the fair value of these financial assets and liabilities.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

Note 7.2D: Credit Risk

The department is exposed to credit risk through its financial assets of loans and other receivables. The maximum exposure to credit risk arises from potential default of a debtor. The carrying amount of loans and other receivables, net of impairment losses, represents the department's maximum exposure to credit risk.

Credit quality of financial assets not past due or individually determined as impaired (gross)

	Not past due nor impaired 2017 \$'000	Not past due nor impaired 2016 \$'000	Past due or impaired 2017 \$'000	Past due or impaired 2016 \$'000	Total 2017 \$'000	Total 2016 \$'000
Grant recoveries and other receivables	9,640	2,382	15,186	15,284	24,826	17,666
Loans - amortised cost	96,912	98,747	831	975	97,743	99,722
Loans - available for sale - IIF	-	-	-	40,447	-	40,447
Total	106,552	101,129	16,017	56,706	122,569	157,835

Ageing of financial assets that were past due but not impaired in 2017

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Grant recoveries and other receivables	683	-	2,057	2,740
Total	683	-	2,057	2,740

Ageing of financial assets that were past due but not impaired in 2016

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Grant recoveries and other receivables	10	1,136	228	1,374
Total	10	1,136	228	1,374

Note 7.2E: Liquidity Risk

The majority of the department's administered financial liabilities are grants and subsidies payable. The exposure to liquidity risk is based on the notion that the department will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding mechanisms available to the department and internal policies and procedures to ensure appropriate resources exist to meet any financial obligations.

Note 7.2F: Market Risk

The department's exposure to interest rate risk is primarily from its loans (at amortised cost). Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. However, the effect on profit and loss is assessed as immaterial given the low value of these financial instruments as at 30 June 2017.

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

7.3. Fair Value Measurement

Note 7.3A: Fair Value Measurements, Valuation Techniques and Inputs Used

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2017

	Fair value measurements at the end of the reporting period	
	2017	2016
	\$'000	\$'000
Non-financial assets:		
Buildings	54,119	55,402
Leasehold improvements	53,941	76,766
Property, plant and equipment ¹	19,104	18,207
Property, plant and equipment	34,712	34,727
Laboratory equipment	24,560	25,013
Total fair value measurements of assets in the statement of financial position	186,436	210,115

1. Level 2 property, plant and equipment. Note: The balance of the non-financial assets are categorised as Level 3.

7.4. Administered - Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities in the statement of financial position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Recurring and non-recurring fair value measurements – unobservable inputs for the asset or liability.

Accounting Policy

The department's valuation methodologies for its non-financial assets are provided by its independent valuer, which have been developed in accordance with AASB 13 Fair Value Measurement. The department tests the procedures of the valuation model as an internal management review at least once every 12 months (with a formal valuation undertaken once every three years). If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of timing of the last valuation.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Note 7.4A: Administered Fair Value Measurements, Valuation Technique and Inputs Used

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities

	Fair value measurements at the end of the reporting period		Category (Level 1, 2, or 3)	For Levels 2 and 3 fair value measurements
	2017 \$'000	2016 \$'000		Valuation technique(s) \$'000
Financial assets:				
Other investments - Snowy Hydro Ltd ¹	-	540,000	Level 2	Income
Other investments - Other	3,660,784	3,496,341	Level 3	Cost
Total financial assets	3,660,784	4,036,341		
Non-financial assets:				
Property, plant and equipment ²	197	324	Level 2	Market Approach
Leasehold Improvements	192	231	Level 3	Depreciated replacement cost
Total non-financial assets	389	555		
Total fair value measurements of assets in the administered schedule of assets and liabilities	3,661,173	4,036,896		

For the following level 2 measurements, the inputs used are as follows:

1. Operating results to estimate future earnings; and
2. Prices derived from observed transactions of similar equipment

Note 7.4B: Administered Reconciliation for Recurring Level 3 Fair Value Measurements

Recurring Level 3 fair value measurements - reconciliation

	2017 \$'000	2016 \$'000
Opening balance	3,496,572	3,612,020
Total gains/(losses) recognised in other comprehensive income	114,515	(103,158)
(Disposals)/ Additions (including Restructuring)	-	(34,838)
Issues	62,937	54,392
Settlements	(12,970)	(31,776)
Depreciation	(78)	(68)
Closing balance	3,660,976	3,496,572
Changes in unrealised gains/(losses) recognised in net cost of services for assets held at the end of the reporting period	-	-

Department of Industry, Innovation and Science

Notes to and forming part of the Financial Statements

8. Other Information

This section provides other disclosures relevant to the department's financial environment for the year.

8.1. Restructuring

As a result of the AAO of 19 July 2016 the Energy function was relinquished to the Department of Environment and Energy.

As a result of the AAO of 21 September 2015 the Australian Renewable Energy Agency (ARENA) function was relinquished to the Department of Environment and the following functions were assumed during 2015-16:

1. The Digital Economy function from the Department of Communications and the Arts, involving only the transfer of departmental assets and liabilities.
2. The Office of Northern Australia function from the Department of Infrastructure and Regional Development, involving only the transfer of departmental assets and liabilities.

Note 8.1A: Departmental Restructuring

	ASSUMED			RELINQUISHED	
	2017	2016	2016 Office of Northern Australia ²	2017 Energy	2016 ARENA
		Digital Economy ¹	Department of Infrastructure and Regional Development	Department of Environment and Energy	Department of Environment
	\$'000	\$'000	\$'000	\$'000	\$'000
FUNCTIONS ASSUMED/RELINQUISHED					
Assets relinquished					
Appropriation receivables	-	540	296	8,150	1,453
Special accounts	-	-	-	14,663	-
Trade receivables	-	-	-	74	-
Intangibles	-	-	-	492	-
Total assets assumed/relinquished	-	540	296	23,379	1,453
Liabilities assumed/relinquished					
Employee provisions	-	554	296	8,150	1,453
Unearned revenue	-	-	-	1,057	-
Payables	-	-	-	267	-
Total liabilities assumed/relinquished	-	554	296	9,474	1,453
Net assets/(liabilities) assumed/relinquished	-	(14)	-	13,905	-
Income assumed					
Recognised by the receiving entity	-	5,202	2,934		
Recognised by the losing entity	-	813	590		
Total income assumed	-	6,015	3,524		
Expenses assumed					
Recognised by the receiving entity	-	5,202	2,934		
Recognised by the losing entity	-	813	590		
Total expenses assumed	-	6,015	3,524		

In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

Department of Industry, Innovation and Science
Notes to and forming part of the Financial Statements

Note 8.1B: Administered Restructuring				
	ASSUMED		RELINQUISHED	
	2017	2016	2017	2016
			Energy	ARENA
		Digital Economy ¹		
		Department of Communications and the Arts	Department of Environment and Energy	Department of Environment
	\$'000	\$'000	\$'000	\$'000
FUNCTIONS RELINQUISHED				
Assets relinquished				
Investments	-	-	540,000	34,838
Total assets relinquished	-	-	540,000	34,838
Net assets relinquished	-	-	540,000	34,838
Expenses assumed				
Recognised by the receiving entity	-	2,147		
Recognised by the losing entity	-	1,562		
Total expenses assumed	-	3,709		



CHAPTER FIVE

DEPARTMENTAL APPENDICES

Appendix A1: Entity resource statement

Table 16: Entity resource statement, 2016-17

	Actual available appropriations for 2016-17 \$'000	Payments made 2016-17 \$'000	Balance remaining 2016-17 \$'000
1/ Ordinary Annual Services			
Departmental appropriation			
Prior year departmental appropriation	92 580	90 869	1711
Departmental appropriation	421 127	329 153	91 974
s. 75 adjustments	(26 400)	-	(26 400)
s. 74 receipts	76 536	76 536	-
Total	563 843	496 558	67 285
Administered expenses			
Outcome 1	572 126	535 444	
Payments to corporate Commonwealth entities	1 020 264	1 020 264	
Total	1 592 390	1 555 708	
Total ordinary annual services	2 156 233	2 052 266	

	Actual available appropriations for 2016-17 \$'000	Payments made 2016-17 \$'000	Balance remaining 2016-17 \$'000
2/ Other services			
Departmental non-operating			
Equity Injections	4880	10 057	-5177
Total	4880	10 057	-5177
Administered non-operating			
Administered Assets and Liabilities	28 938	24 053	
Payments to corporate Commonwealth entities—non-operating	38 841	38 841	
Total	67 779	62 894	
Total other services	72 659	72 951	
3/ Special Appropriations			
Special appropriation limited by amount			
<i>Automotive Transformation Scheme Act 2009</i>		170 355	
<i>Offshore Minerals Act 1994</i>		-	
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>		34 533	
Total special appropriation		204 888	
Special Accounts			
Opening balance	133 069		
Appropriation receipts	58 510		
Non-appropriated receipts to special accounts	42 111		
Payments made		139 294	
Closing balance			94 396
Total Resourcing and Payments	2 462 582	2 469 398	

Appendix A2: Expenses and resources for Outcome 1

Table 17: Expenses and resources for Outcome 1, 2016–17

Outcome 1: Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.	Budget 2016–17 \$'000 (a)	Actual Expenses 2016–17 \$'000 (b)	Variation 2016–17 \$'000 (a) - (b)
Program 1: Supporting Science and Commercialisation			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	194 439	195 666	(1227)
Special Appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	0	0
Total for Program 1	194 439	195 666	(1227)
Program 2: Growing Business Investment and Improving Business Capability			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1)	306 730	277 880	28 850
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	69 612	69 103	509
Special Appropriations	165 290	159 307	5983
Special Accounts	45 541	41 827	3714
Expenses not requiring appropriation in the Budget year	1032	0	1032
Total for Program 2	588 205	548 117	40 088
Program 3: Program Support			
Departmental expenses			
Departmental appropriation	444 606	466 575	(21 969)
Special Appropriations	0	0	0
Special Accounts	10 209	12 912	(2703)
Expenses not requiring appropriation in the Budget year	51 137	38 693	12 444
Total for Program 3	505 952	518 180	(12 228)

Outcome 1: Enabling growth and productivity for globally competitive industries through supporting science and commercialisation, growing business investment and improving business capability and streamlining regulation.	Budget 2016-17 \$'000 (a)	Actual Expenses 2016-17 \$'000 (b)	Variation 2016-17 \$'000 (a) - (b)
Outcome 1 Totals by Appropriation Type			
Administered Expenses			
Ordinary Annual Services (Appropriation Act No. 1)	501 169	473 546	27 623
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	69 612	69 103	509
Special Appropriations	165 290	159 307	5983
Special Accounts	45 541	41 827	3714
Expenses not requiring appropriation in the Budget year	1032	0	1032
	782 644	743 783	38 861
Departmental expenses			
Departmental appropriation	444 606	466 575	(21 969)
Special Appropriations	0	0	0
Special Accounts	10 209	12 912	(2703)
Expenses not requiring appropriation in the Budget year	51 137	38 693	12 444
	505 952	518 180	(12 228)
Total expenses for Outcome 1	1 288 596	1 261 963	26 633

Appendix A3: Workforce statistics

Table 18: Ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 1	9	5	16	3	25	8
APS 2	3	3	13	10	16	13
APS 3	69	67	61	52	130	119
APS 4	146	123	75	55	221	178
APS 5	181	172	144	136	325	308
APS 6	449	397	317	307	766	704
EL 1	345	305	351	311	696	616
EL 2	131	116	199	183	330	299
CRS 1	2	2	8	6	10	8
CRS 2	0	0	3	3	3	3
SES Band 1	26	22	36	31	62	53
SES Band 2	4	2	13	12	17	14
SES Band 3	1	1	2	0	3	1
Secretary	1	1	0	0	1	1
Total	1367	1216	1238	1109	2605	2325

APS = Australian Public Service; CRS = Chief Research Scientist; EL = Executive Level; SES = Senior Executive Service

Note: This table does not include 159 casuals employed by the department at 30 June 2016 and 155 casuals employed by the department at 30 June 2017.

Table 19: Non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 1	3	4	1	1	4	5
APS 2	0	0	1	0	1	0
APS 3	9	8	4	7	13	15
APS 4	19	20	13	16	32	36
APS 5	11	6	9	4	20	10
APS 6	16	15	23	11	39	26
EL 1	15	8	16	10	31	18
EL 2	3	4	10	1	13	5
CRS 1	0	0	0	0	0	0
CRS 2	0	0	0	0	0	0
SES Band 1	0	0	1	1	1	1
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Secretary	0	0	0	0	0	0
Total	76	65	78	51	154	116

APS = Australian Public Service; CRS = Chief Research Scientist; EL = Executive Level; SES = Senior Executive Service

Note: This table does not include 159 casuals employed by the department at 30 June 2016 and 155 casuals employed by the department at 30 June 2017.

Table 20: Ongoing and non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 1	12	9	17	4	29	13
APS 2	3	3	14	10	17	13
APS 3	78	75	65	59	143	134
APS 4	165	143	88	71	253	214
APS 5	192	178	153	140	345	318
APS 6	465	412	340	318	805	730
EL 1	360	313	367	321	727	634
EL 2	134	120	209	184	343	304
CRS 1	2	2	8	6	10	8
CRS 2	0	0	3	3	3	3
SES Band 1	26	22	37	32	63	54
SES Band 2	4	2	13	12	17	14
SES Band 3	1	1	2	0	3	1
Secretary	1	1	0	0	1	1
Total	1443	1281	1316	1160	2759	2441

APS = Australian Public Service; CRS = Chief Research Scientist; EL = Executive Level; SES = Senior Executive Service

Note: This table does not include 159 casuals employed by the department at 30 June 2016 and 155 casuals employed by the department at 30 June 2017.

Table 21: Ongoing and non-ongoing employees by full-time or part-time status, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Attendance type	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
Full-time	2295	2161	132	104	2427	2265
Part-time	310	164	22	12	332	176
Total	2605	2325	154	116	2759	2441

Note: This table does not include 159 casuals employed by the department at 30 June 2016 and 155 casuals employed by the department at 30 June 2017.

Table 22: Ongoing and non-ongoing employees by location, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Location	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
ACT	1748	1534	98	66	1846	1600
NSW	389	345	40	45	429	390
Vic.	251	236	7	3	258	239
Qld	69	67	3	0	72	67
SA	34	39	2	0	36	39
WA	82	72	3	2	85	74
Tas.	20	20	0	0	20	20
NT	11	8	1	0	12	8
Overseas	1	4	0	0	1	4
Total	2605	2325	154	116	2759	2441

Note: This table does not include 159 casuals employed by the department at 30 June 2016 and 155 casuals employed by the department at 30 June 2017.

Table 23: Indigenous employees, 30 June 2016 and 30 June 2017, Department of Industry, Innovation and Science

Employment status	2016	2017
Ongoing	31	36
Non-ongoing	1	0
Total	32	36

Table 24: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2017, Department of Industry, Innovation and Science and IP Australia SES

Classification	Enterprise agreement coverage	Employment arrangement		Salary range ¹	
		s. 24 determination	Common law agreement	Minimum (\$)	Maximum (\$)
APS 1	13	0	0	42 737	50 892
APS 2	13	0	0	52 438	58 493
APS 3	134 (1)	0	0	57 296	68 023
APS 4	214 (3)	0	0	63 486	78 480
APS 5	318 (7)	0	0	71 228	88 198
APS 6	730 (43)	0	0	77 950	107 879
EL 1	634 (115)	0	0	98 730	145 000
EL 2	300 (143)	4	0	120 235	221 066 ²
CRS 1	8 (8)	0	0	145 019	156 621
CRS 2	3 (3)	0	0	176 165	184 555
SES Band 1	0	0	62	198 312	230 000
SES Band 2	0	0	16	250 385	277 897
SES Band 3	0	0	2	350 000	350 000
Total	2367	4	80		

APS = Australian Public Service; CRS = Chief Research Scientist; EL = Executive Level; SES = Senior Executive Service

¹ The department also provides staff with a number of non-salary benefits that are not included under the provisions of the enterprise agreement, such as:

- access to childcare centres (for staff based in Canberra)
- annual influenza immunisation
- early intervention for case management
- a return-to-work program for non-compensable injuries and illnesses
- in-house capability development programs
- contributions to relevant professional memberships
- mental health and wellbeing support
- internal and external mobility/secondment opportunities.

² Salary range reflects arrangements for recognition of specialist skills and knowledge.

Note: This table does not include 155 casuals employed by the department at 30 June 2017. Numbers in brackets indicate employees whose salary is supplemented by an individual flexibility arrangement provided under the enterprise agreement. IP Australia's SES figures are included with the department's figures to ensure non-identification of individual recipients. Geoscience Australia's SES figures are included in Table 45.

Table 25: Performance payments from 1 July 2016 to 30 June 2017, Department of Industry, Innovation and Science and IP Australia SES

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1-6	5	21 251	4250	2150	8599
EL 1	23	111 968	4868	2000	10 592
EL 2	45	408 144	9070	1500	13 493
CRS 1-2 and SES Band 1-3	6	40 000	6667	5000	10 000
Total	79	581 363	7359		

APS = Australian Public Service; CRS = Chief Research Scientist; EL = Executive Level; SES = Senior Executive Service

Note: IP Australia's SES figures are included with the department's figures to ensure non-identification of individual recipients.

Appendix A4: Advertising and market research

Appendix A4 sets out GST-inclusive payments that the department made to external organisations for advertising and market research services in 2016–17. Payments of \$13 000 or less (GST inclusive) are not reported.

Table 26: Payments for advertising and market research, 2016–17, Department of Industry, Innovation and Science

Name of recipient	Services	Total (\$)
Advertising agencies		
Clemenger BBDO Melbourne Pty Ltd	Development and production of advertising campaign for country of origin labelling for food	627 205.73
Embrace Society	Culturally and linguistically diverse and Indigenous services for the advertising campaign for country of origin labelling for food	242 412.50
Mitchell & Partners Australia Pty Ltd	Development and execution of creative materials for business.gov.au digital advertising campaign	37 306.50
Direct mail		
Nil		
Market research		
AMR Interactive Pty Ltd	Concept testing of advertising materials for the business.gov.au digital advertising campaign	20 200.00
Colmar Brunton Pty Ltd	R&D Tax Incentive program participant engagement evaluation	127 477.00
Hall & Partners Open Mind	Evaluation of the effectiveness of the advertising campaign for country of origin labelling for food	104 115.00
National Capital Educational Tourism Project	Educational science tourism market research and product development	30 800.00
Sandwalk Partners	Regional science tourism market research and product development	43 300.06
Taylor Nelson Sofres (Kantar Public)	Business sector client experience research	109 450.00
Media advertising		
Dentsu Mitchell Media Australia Pty Ltd	Newspaper advertising for the Biomedical Translation Fund Program	15 946.62
	Digital advertising to promote the R&D Tax Incentive e-learning course for tax agents and accountants	32 735.45
	Media placement for the country of origin labelling for food advertising campaign	5 225 285.99
	Public notice placement for the country of origin labelling forum	18 174.18
	Television advertising for the Questacon Mathamazing exhibition	15 858.99
	Television advertising for the Questacon Above and Beyond exhibition	49 470.30
	Print advertising in QantasLink magazine for Questacon	16 060.00

Name of recipient	Services	Total (\$)
Evolution 7	Entrepreneur's Programme Digital Marketing Strategy Program for the ICT Digital and Professional Services	34 900.00
Mitchell & Partners Australia Pty Ltd	Media placement for the Business Research and Innovation Initiative campaign	38 366.01
	Media placement for the business.gov.au digital advertising campaign	360 488.24
Polling organisations		
Omnipoll	Polling the general public regarding National Science Week awareness	13 392.50

Appendix A5: Ecologically sustainable development and environmental performance

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires the department to report annually on how its activities accord with and contribute to the principles of ecologically sustainable development and the environmental performance of its internal operations.

The department seeks to uphold the principles of ecologically sustainable development through the development and delivery of policies, plans, programs, legislation, advice, education, and scientific services that reflect economic as well as environmental and social sustainability. For example, in 2016-17:

- the Cooperative Research Centres (CRC) Programme enabled industry-led research partnerships to solve specific industry problems, with CRCs addressing a range of challenges facing Australia, including ecological sustainability
- through the National Measurement Institute, the department provided scientific services to government, regulators, industry and research stakeholders, including measurement and testing services to support planning and decision-making on environment-related issues.

Implementation of these activities integrates both long-term and short-term economic, environmental, social and equitable considerations. Further information about the department's core business activities can be found in the Annual Performance Statements in Chapter 2.

A report on the environmental performance of the department's internal operations can be found on the department's website (www.industry.gov.au/AboutUs).

Appendix A6: Reports addressing special legislative requirements

This appendix sets out information that the department is required to report on each year as part of its administration of the following legislation:

- *Australian Jobs Act 2013*
- *Automotive Transformation Scheme Act 2009*
- *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

Australian Jobs Act

The *Australian Jobs Act 2013* (the Jobs Act) commenced on 27 December 2013. The primary objective of the Jobs Act is to provide full, fair and reasonable opportunities for Australian entities to bid for work on major Australian projects. The Jobs Act requires the development and implementation of an Australian Industry Participation (AIP) plan for each major Australian project with capital expenditure of \$500 million or more, and establishes a statutory position, the Australian Industry Participation Authority (the Authority). Section 83 of the Jobs Act requires the Authority to prepare an annual report on its operations. This report addresses that requirement for 2016–17.

The Hon Christopher Pyne MP appointed Mr Mike Lawson as the Acting Authority for a 12-month term commencing on 21 May 2016. On 8 May 2017, the Hon Craig Laundy MP appointed Dr Gary Richards as the Acting Authority for a 12-month term commencing on 21 May 2017.

The Authority and the Jobs Act

The Authority's role is to evaluate, approve and publish summaries of AIP plans and to monitor and report on the implementation of plans. AIP plans apply the AIP National Framework principles and outline how a project proponent will provide full, fair and reasonable opportunity to Australian entities to supply goods and services to a project. The Jobs Act also requires compliance reporting on the AIP plan both for the project's construction phase and immediately thereafter for two years into the operations phase.

In 2016–17, the Authority approved 11 AIP plans for projects with total capital expenditure of more than \$39.3 billion.

Monitoring

The Authority employs a number of strategies to encourage major project proponents to comply voluntarily and deal with non-compliance appropriately. These include promoting awareness of the Jobs Act, engaging with project proponents to promote compliance, and monitoring compliance.

The Authority's monitoring of industry activity for compliance with the Jobs Act is ongoing. A database of current and future projects has been developed through analysis of information on major projects gathered from a range of publicly available and internal sources, including Deloitte Access Economics' quarterly Investment Monitor, Australian Securities Exchange notices, the Office of the Chief Economist's Resources and Energy Major Projects listings, the Mining Intelligence Center website, the Construction Intelligence Center website, AusIndustry's state and territory managers' reports, and announcements in national media.

In 2016–17, the Authority:

- wrote to 14 project proponents alerting them to their potential obligations under the Jobs Act and providing guidance on meeting their obligations (up from 10 in 2015–16)
- received formal notification of 15 major projects with current or future obligations under the Jobs Act (down from 16 in 2015–16)

- approved 11 draft AIP plans (up from seven in 2015–16) and published the AIP plan summaries at www.industry.gov.au/aip within the prescribed one-day time frame in accordance with the Jobs Act
- agreed to the withdrawal of one approved AIP plan due to project deferment (down from five in 2015–16)
- accepted that five major projects had met the requirements under the Australian Jobs (Australian Industry Participation) Rule 2014 for an exception to providing a draft AIP plan (up from one in 2015–16)
- received, evaluated and accepted 20 AIP plan compliance reports (up from 18 in 2015–16).

Consultations

The Authority continued to work closely with major project proponents to help them better understand and meet their obligations under the Jobs Act. The Authority also engaged with state governments and Industry Capability Network stakeholders to discuss issues in relation to the Jobs Act, including exceptions and projects with Jobs Act obligations. The Authority's consultations ensure that project proponents and their supply chains are aware of and understand their obligations under the Jobs Act, and that Australian entities are aware of and understand the opportunities available to them on major projects through the use of AIP plans.

Self-assessment

As part of its self-assessment under the government's Regulator Performance Framework, the Authority conducted a survey in 2015–16 to obtain feedback and comments on its performance from 10 selected stakeholders, including those with AIP plans under the Jobs Act. The self-assessment process maps the Authority's current baseline regulatory practices and articulates a pathway to better practices. The 2015–16 self-assessment report is now published on the department's website (www.industry.gov.au/industry/IndustryInitiatives/PortfolioRegulationReform).

Industry Capability Network Limited

An industry capability network (ICN) supports the AIP National Framework by connecting potential suppliers to project opportunities through a national database of industry capability and project opportunities. The government has committed funding to the Industry Capability Network Limited to transition the ICN Gateway service to an updated database for company capability and opportunities, together with a new standardised customer relationship management solution for ICN offices.

The Authority and Commonwealth procurements, grants and investments

On 28 July 2009, the government released the Australian Government Procurement Statement announcing that it would strategically apply the AIP National Framework principles to large Commonwealth procurements. Since 1 January 2010, companies bidding on Commonwealth procurements of \$20 million or more have been required to put AIP plans in place. This requirement was extended on 1 July 2012 to Commonwealth grants and Commonwealth-funded infrastructure projects; on 1 July 2013 to selected Clean Energy Finance Corporation investment projects; and in May 2016 to investments by the Northern Australia Infrastructure Facility.

In 2015, to reduce regulatory burden for business and in line with the Australian Government's broader agenda of cutting red tape, the procedure for all tenderers of Commonwealth procurements to prepare an AIP plan as part of their tender was discontinued. Instead, if a tenderer is successful, an AIP plan will be prepared and implemented post tender.

The Authority ensures that government agencies and potential suppliers are aware of and understand their obligations for Commonwealth procurements, grants and investments. The Authority assists them to meet their obligations by developing user guides and templates for AIP plans and processes. During 2016–17, the Authority also regularly published guidance in the Department of Finance’s Procurement Bulletin to highlight that AIP policy is a procurement-connected policy.

AIP plans in Commonwealth funding

As shown in Table 27, at 30 June 2017, a total of 334 AIP plans had been approved for Commonwealth procurements and grants and Clean Energy Finance Corporation investments valued at \$20 million or more (up by 13 since the 2015–16 report). No AIP plans have been developed yet for Northern Australia Infrastructure Facility projects.

Table 27: AIP plan statistics in Commonwealth funding, as at 30 June 2017

AIP plans in Commonwealth procurements (since 1 January 2010)	
No. of AIP plans approved	307 (3)
No. of released approaches to market requiring AIP plans	63 (5)
Value of contracts requiring AIP plans	\$14.4 billion (\$0.5 billion)
No. of approaches to market exempted from AIP plan requirement	142 (32)
AIP plans in Commonwealth grants and Commonwealth-funded infrastructure projects (since 1 July 2012)	
No. of AIP plans approved	13 ^{1,2} (1)
No. of grants exempted from AIP plan requirement	13 (1)
AIP plans in Commonwealth investments—Clean Energy Finance Corporation (since 1 July 2013)	
No. of AIP plans approved	14 (9)
No. of investments exempted from AIP plan requirement	6 (2)

1 Two of these AIP plans were for projects included under the National Partnership Agreement on Land Transport Infrastructure Projects.

2 One of these AIP plans is for a project receiving Commonwealth funding by way of equity investment.

Note: Numbers in brackets represent the increase since 30 June 2016.

Publication of summaries

Since 1 July 2012, the department has published summaries of AIP plans online, including details on how project proponents will acquire and use information on Australian industry capabilities and how they will communicate opportunities to Australian suppliers.

As at 30 June 2017, 33 summaries had been published:

- 10 for Commonwealth procurements (no addition in 2016–17)
- eight for Commonwealth grants, including one added in 2016–17
- 15 for Clean Energy Finance Corporation investments, including 10 added in 2016–17.

Automotive Transformation Scheme Act

The Automotive Transformation Scheme (ATS) aims to encourage competitive investment and innovation in the Australian automotive industry to place it on an economically sustainable footing, improve environmental outcomes, and promote the development of workforce skills.

Section 27A of the *Automotive Transformation Scheme Act 2009* requires the Secretary to report annually on assistance paid to ATS participants (Table 28) and the Australian automotive industry's progress towards achieving economic sustainability, environmental outcomes and workforce skills development (Table 29).

Table 28: Total assistance paid to ATS participants for the 12-month period ending 31 March 2017

Participants	Capped assistance (\$)	Uncapped assistance (\$)	Total assistance(\$)
Motor vehicle producers	115 123 088	15 553 519	130 676 607
Automotive component producers	69 288 032	0	69 288 032
Automotive machine tool producers	1 570 589	0	1 570 589
Automotive service providers	382 235	0	382 235
Total	186 363 944	15 553 519	201 917 463

Table 29: Progress made by ATS participants in achieving economic sustainability, environmental outcomes, and workforce skills development during the 12-month period ending 31 March 2017

Economic sustainability	
Capability development	75 per cent of ATS participants reported increased capability through participation in change management processes, down from 80 per cent in the previous year.
Business performance	77 per cent of ATS participants reported improved business performance through increased productivity, an increase from 74 per cent in the previous year. 65 per cent reported that they had found new customers, down from 67 per cent in the previous year.
Environmental outcomes	
Manufacturing process	82 per cent of ATS participants reported better environmental outcomes resulting from improved manufacturing processes, no change from the previous year.
Environmentally sustainable cars	55 per cent of ATS participants reported contributing to the manufacture of more environmentally sustainable cars, up from 51 per cent in the previous year.
Workforce skills development	
Applicable post-school qualifications	21 per cent of ATS participants' workforces had certificate I and II qualifications (down 4 percentage points from the previous year). 19 per cent had certificate III and IV qualifications (no change from the previous year). 10 per cent had other trade qualifications (down 1 percentage point from the previous year). 6 per cent had diplomas or advanced diplomas (no change from the previous year). 25 per cent had bachelor degrees or higher qualifications (up 1 percentage point from the previous year).

ATS = Automotive Transformation Scheme

Source: ATS participants' updated business plans provided under regulation 2.27 of the Automotive Transformation Scheme Regulations 2010.

Offshore Petroleum and Greenhouse Gas Storage Act

The National Offshore Petroleum Titles Administrator (NOPTA) is appointed by the Secretary, pursuant to section 695A of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (the Act). The roles and functions of NOPTA are described in section 695B of the Act and NOPTA is supported by a branch of the department's Resources Division.

NOPTA was established on 1 January 2012 as part of the Australian Government's reform program for the Commonwealth offshore oil and gas industry. NOPTA is responsible for providing technical advice and information to the responsible Commonwealth Minister and the relevant state and territory ministers, as members of the respective Joint Authorities.

NOPTA operates from two sites, Perth and Melbourne. In Perth, it is co-located with the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA).

NOPTA's operating costs are funded by the offshore petroleum and greenhouse gas industries through cost recovery.

An independent statutory ministerial review of NOPTA was completed on 30 June 2015, and the government response to the review was tabled on 2 December 2015. An Implementation Progress Report, which details the work carried out in progressing recommendations arising from the review, was provided to the responsible Commonwealth Minister in August 2016. The report noted that progress had been achieved against all agreed recommendations.

In 2016–17, NOPTA:

- published its inaugural self-assessment against the Regulator Performance Framework, which mandates six key performance indicators and an annual, externally validated self-assessment process—NOPTA self-assesses that it has implemented the framework and met its key performance indicators (KPIs) effectively
- published its 2017–2020 Corporate Plan, which maintains a strong focus on the six KPIs of the Regulator Performance Framework
- conducted its annual stakeholder survey to assess client satisfaction with NOPTA's performance in key areas—as was the case in 2015 and 2016, respondents reported high overall levels of satisfaction with NOPTA, its staff and its processes
- completed a review of the National Electronic Approvals Tracking System (NEATS) to identify industry's expectations for the next development phase for the system (known as the NEATS 2020 project)—the key finding was that there is no immediate need for any major investment to further develop NEATS
- assisted Geoscience Australia in the development and implementation of the National Offshore Petroleum Information Management System, to provide improved access to a wider range of petroleum data for industry stakeholders
- developed an internal risk register to complement the broader divisional and departmental risk plans—NOPTA identified 19 key risks in the people, process and technological categories; no risks are rated as 'high', and the majority of risks are medium in severity and adequately controlled
- developed an internal special conditions database to ensure a collaborative effort within NOPTA to monitor titleholders' compliance with any conditions or expectations placed on their titles by a Joint Authority
- developed an internal ICT strategy to articulate priorities for the period 1 May 2017 to 31 December 2019, taking into account outcomes arising from the NEATS 2020 report
- developed and updated a range of new or existing guidelines, factsheets and application forms for titleholders
- continued to enhance its relationship with NOPSEMA, including the provision of web-based geographic information system services, to simplify and streamline regulatory processes for industry.

PART B:
GEOSCIENCE AUSTRALIA



Australian Government
Geoscience Australia

The Hon Barnaby Joyce MP
Deputy Prime Minister
Minister for Resources and Northern Australia
Parliament House
CANBERRA ACT 2600

Senator the Hon Arthur Sinodinos AO
Minister for Industry, Innovation
and Science
Parliament House
CANBERRA ACT 2600

Dear Ministers

I present to you the 2016-17 annual report of Geoscience Australia for tabling before the parliament, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

I certify that Geoscience Australia has prepared a fraud risk assessment and fraud control plan; has in place fraud prevention, detection, investigation and reporting mechanisms that meet its needs; and has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

A handwritten signature in black ink that reads 'Johnson'.

James Johnson
12 September 2017

CC: The Hon Craig Laundy MP
Assistant Minister for Industry, Innovation and Science



CHAPTER SIX

GEOSCIENCE AUSTRALIA OVERVIEW

Chief Executive Officer's review

As Australia's pre-eminent public sector geoscience organisation and the nation's trusted adviser on the geology and geography of Australia, Geoscience Australia continued its vital work supporting Australian Government priorities in 2016–17.

To help build Australia's resource wealth, Geoscience Australia has commenced work on the new \$100 million Exploring for the Future programme. This four-year programme will produce an integrated resources prospectus for key targeted regions in northern Australia to boost Australia's attractiveness as a destination for investment in resource exploration and management. Over the past six months, Geoscience Australia has commenced a wide-ranging data acquisition program across regions where there are gaps in data and knowledge for minerals, energy and groundwater resources.

To ensure community safety and to assist with preparedness for natural disasters, Geoscience Australia provided essential information to all levels of government, emergency managers and the community. In collaboration with Engineers Australia and the Bureau of Meteorology, we released the first major update to the Australian Rainfall and Runoff Guidelines in 30 years. The new guidelines provide a significant improvement in better practice flood modelling, incorporating a series of national guidelines and fundamental datasets for flood modelling across Australia. We provided mapping services and support to Emergency Management Australia's Crisis Coordination Centre covering bushfires and flooding across a number of states, including Tropical Cyclone Debbie and subsequent flooding in Queensland and northern New South Wales.

In securing Australia's water resources, Geoscience Australia is finalising its contribution to the Australian Government's Bioregional Assessment Programme. This programme has improved understanding of the potential impacts of coal mining and coal seam gas extraction on Australia's water resources. We will continue these efforts in the next phase of the programme, which commenced in July 2017, expanding its focus to identify any potential impacts of

unconventional shale and tight gas development on water resources and water-dependent assets such as wetlands and groundwater bores. This work supports responsible decision-making about groundwater and is fundamental to addressing the nation's critical water security challenges. Geoscience Australia has also completed the final phase of a major groundwater investigation to determine options for securing the water supply of the Broken Hill region.

Contributing to the management of Australia's marine jurisdiction, Geoscience Australia continued its support of the search for missing flight MH370, acquiring over 278 000 square kilometres of bathymetry data within the search area. While these data were collected for the sole purpose of locating the missing aircraft, the data will be of interest to the scientific community as it is some of the first high-resolution data of this area of the sea floor. The data were publicly released in July 2017. In other marine jurisdiction work, Geoscience Australia completed marine mapping surveys of the unique seabed habitats of Bynoe Harbour in the Northern Territory and the Sabrina Coast in Antarctica. These surveys support the development of habitat maps that describe the sea floor flora and fauna, and programs that monitor the health of these sea floor ecosystems. We also continued vital work to update maritime boundaries data and determine the location of Australia's territorial sea baseline.

To advance the provision of fundamental geographic information, Geoscience Australia welcomed the announcement of \$15.3 million over two years to transform an international award winning pilot project, the Australian Geoscience Data Cube, into Digital Earth Australia. Digital Earth Australia will make it quicker and easier to access Earth observation satellite data, translating almost 30 years of data into readily accessible information and insights about Australia's changing landscape and coastline. In December 2016, Geoscience Australia received an additional \$12 million in funding to undertake a trial of a Satellite-Based Augmentation System (SBAS). Together with partners CRC for Spatial Information and Land Information New Zealand, this technology will improve the accuracy of positioning from 5 metres to 10 centimetres across the country, enabling new advancements across the transport, agriculture, construction and mining industries.

In support of maintaining Australia's geoscience knowledge and capability, Geoscience Australia continued to improve the capacity of the Observatories network. In October 2016, the refurbished satellite ground station antenna at Alice Springs passed its final review and achieved certification as one of only three partners in the International Landsat Ground Network, along with stations in the United States and Germany. This result will help secure access to critical data for many years to come. We also made improvements to the National Offshore Petroleum Information Management System, an online data discovery and delivery system for Australian offshore petroleum wells and surveys. This was released to industry at the Australian Petroleum Production and Exploration Association Conference and Exhibition in May 2017 and was the recipient of the National Archives Australia Award for Digital Excellence.

Geoscience Australia conducted its biennial stakeholder satisfaction survey in 2017, with over 200 stakeholders participating. Overall satisfaction with Geoscience Australia was very high, at 91 per cent, an improvement on previous results. Clients identified the professionalism and capability of staff and quality of products as key strengths. Geoscience Australia acknowledges their feedback and is committed to continuous improvement in delivering quality products and services to clients.

Geoscience Australia also completed its first-ever Science Review, which saw each scientific program within Geoscience Australia reviewed in terms of its fitness for purpose, with particular consideration of the organisation's Science Principles and Strategic Plan, by external panels of experts. As with the stakeholder satisfaction survey, reviewers reported a high level of scientific effectiveness, quality and impact. This body of work will be a key input into upcoming efforts to define our strategic directions for the coming years.

Geoscience Australia is not only striving to improve its service to external stakeholders, but has commenced the process to modernise and upgrade staff facilities. This includes the opening of an onsite childcare facility and the commencement of a building refresh project. These projects will provide staff with a modern office environment to facilitate work-life balance, and improve collaboration and innovation in the workplace. Going hand in hand with this new environment is the Science First initiative to drive information technology efficiencies and provide first-class scientific computing facilities to all staff.

In closing, I would like to acknowledge the retirement of Chief Executive Officer Dr Chris Pigram in March 2017 and thank him for his 42 years of service, including six as Chief Executive Officer. His leadership and scientific achievements are recognised across industry, government, and the public sector. His efforts have left the organisation in a strong position as I begin my new role as Chief Executive Officer.

Further details on Geoscience Australia's work and performance in 2016-17 are provided in the annual performance statements section in Chapter 7 of this report.

Overview

Role and functions

Geoscience Australia is Australia's pre-eminent public sector geoscience organisation and the nation's trusted adviser on the geology and geography of Australia. It applies science and technology to describe and understand the Earth for the benefit of Australia.

Geoscience Australia delivers a wide range of products and services that address important national issues to assist government and the community to make informed decisions about the use of natural resources, the management of the environment, and community safety.

Geoscience Australia contributes to Australian Government priorities through six key strategic priorities:

- Building Australia's resource wealth—maximise benefits from Australia's minerals and energy resources, now and into the future
- Ensuring Australia's community safety—Australian communities are more resilient to natural hazards
- Securing Australia's water resources—optimise and sustain the use of Australia's water resources
- Managing Australia's marine jurisdictions—maximise benefits from the sustainable use of Australia's marine jurisdiction
- Providing fundamental geographic information—understand the location and timing of processes, activities and changes across Australia to inform decision-making for both natural and built environments
- Maintaining geoscience knowledge and capability—maintain an enduring and accessible knowledge base and capability to enable evidence-based policy and decision-making by government, industry and the community.

These strategic priorities form the foundation of the organisation's ongoing portfolio of work.

Organisational structure

Figure 4 shows the organisational structure of Geoscience Australia at 30 June 2017. The department's organisational chart (Figure 1 in Chapter 1) shows how Geoscience Australia fits into the overall portfolio structure.

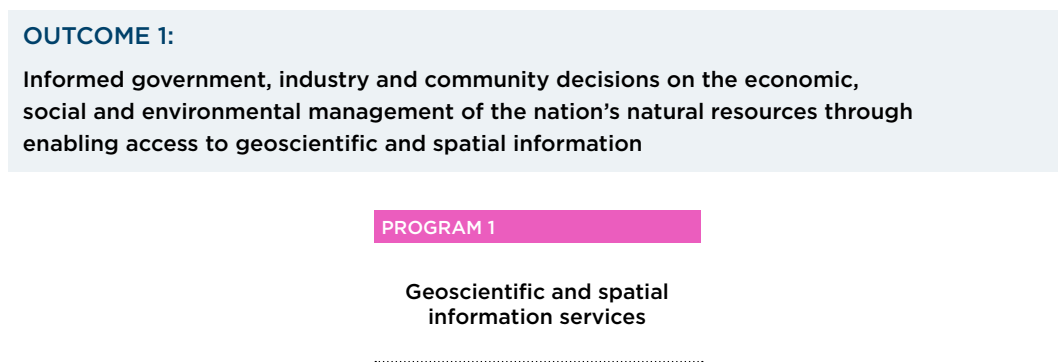
Figure 4: Geoscience Australia organisational structure, 30 June 2017



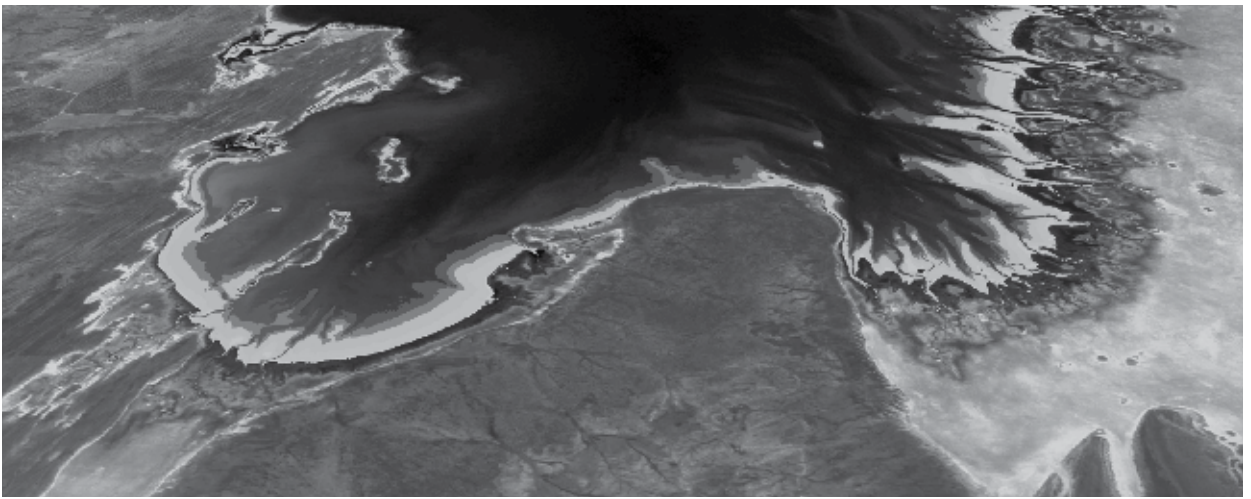
Outcome and program structure

Geoscience Australia has one outcome and one program, as shown in Figure 5.

Figure 5: Geoscience Australia outcome and program structure, 2016–17



Program 1 contributes to the outcome by applying geoscience knowledge and capability to acquire, store and manage Australia’s national fundamental geological and geographic information. This enables Australia to make critical decisions regarding the nation’s natural resource potential and marine environment, helps to build community resilience to natural hazards and ensures sustainable Australian communities by managing precious groundwater resources.



CHAPTER SEVEN

GEOSCIENCE AUSTRALIA REPORT ON PERFORMANCE

Annual performance statements

Introductory statement

As the accountable authority of Geoscience Australia, I am pleased to present the annual performance statements of Geoscience Australia for 2016-17, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, these statements are based on properly maintained records, accurately reflect the performance of Geoscience Australia and comply with section 39(2) of the PGPA Act.

A handwritten signature in black ink that reads "Johnson". The signature is fluid and cursive.

James Johnson
6 September 2017

Purpose

Geoscience Australia's purpose aligns to six key strategic priority areas:

- Building Australia's resource wealth—maximise benefits from Australia's minerals and energy resources, now and into the future
- Ensuring Australia's community safety—Australian communities are more resilient to natural hazards
- Securing Australia's water resources—optimise and sustain the use of Australia's water resources
- Managing Australia's marine jurisdictions—maximise benefits from the sustainable use of Australia's marine jurisdiction
- Providing fundamental geographic information—understand the location and timing of processes, activities and changes across Australia to inform decision-making for both natural and built environments
- Maintaining geoscience knowledge and capability—maintain an enduring and accessible knowledge base and capability to enable evidence-based policy and decision-making by government, industry and the community.

In achieving its purpose, Geoscience Australia provides applied research and information. It delivers a wide range of products to assist government and the community to make informed decisions about the use of natural resources, the management of the environment, and community safety.

Performance reporting structure

The Annual Performance Statements report performance in line with the measures detailed in the 2016–17 Portfolio Budget Statements and the 2016–17 Corporate Plan. Performance is assessed using program deliverables and key performance indicators for the entity and each of the six key strategic priority areas. Performance commentary is also provided when significant progress was made against a program deliverable identified as a target for a future year.

Entity-level performance

Performance criteria reviewing entity-level performance based on stakeholder satisfaction are provided in Table 30.

Table 30 Stakeholder satisfaction—key performance indicators

Performance criterion ¹	2016–17 target	2016–17 result
<i>Overall entity</i>		
Overall level of stakeholder satisfaction with Geoscience Australia	Using a biennial stakeholder survey, Geoscience Australia is targeting a favourable response rate of >80%	91% Geoscience Australia conducts a biennial stakeholder survey to measure the level of satisfaction with its products and services. The survey was completed in March 2017. Results of the 2017 survey showed that overall satisfaction with Geoscience Australia remains very high.
Stakeholder satisfaction with the quality of Geoscience Australia's products and services		92% Consistent with previous results, stakeholders reported in the 2017 survey that Geoscience Australia's products and services were of very high quality, accurate and reliable.
Stakeholder satisfaction with the timeliness of Geoscience Australia in delivering its products and services		73% While the level of stakeholder satisfaction with the timeliness of Geoscience Australia's products and services was largely positive, it is an area identified for improvement.
<i>Program performance</i>		
Geoscience Australia is using the most appropriate science and techniques to develop products that are fit for purpose	Science evaluations undertaken by a panel of independent experts will assess key elements of Geoscience Australia's program against the performance criteria	A series of science evaluations conducted by independent, external panels and chaired by Geoscience Australia's Chief Scientist were completed in December 2016. The evaluations focused on the quality of science in terms of it being fit for purpose and meeting stakeholder needs. The findings of the science evaluations concluded that Geoscience Australia is highly regarded by its stakeholders and that the quality of science is consistently very high, effective and largely fit for purpose. The evaluations also identified a number of areas where Geoscience Australia could improve, including adopting a more strategic approach to stakeholder engagement and collaborations; and a more strategic approach to develop capability and internal capacity to meet the organisation's future direction and strategic priorities.
Geoscience Australia maintains and develops appropriate capability based on strategic priorities		
Geoscience Australia develops partnerships and collaborations to ensure access to required capability and capacity to deliver appropriate science		
Geoscience Australia's science principles are being applied		

¹ Source: 2016–17 Portfolio Budget Statements.

Building Australia's resource wealth

Objective

Maximise benefits from Australia's minerals and energy resources, now and into the future.

Role

To achieve this objective, Geoscience Australia attracts exploration investment to Australia by building a prospectus of minerals and energy resource potential.

Performance criteria and results

Table 31: Building Australia's resource wealth—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
<p>Energy Pre-Competitive Resource</p> <p>Undertake geological studies of the evolution and resource potential of onshore and offshore energy systems, including new data acquisition and delivery</p>	<p>As part of the Exploring for the Future programme, collaborative agreements were signed between Geoscience Australia, the Northern Territory Geological Survey and the Geological Survey of Queensland to acquire 1100 km of seismic data in the region between Mount Isa and Tennant Creek; 30% of acquisition has been completed. Preliminary analysis of the data shows a previously unknown basin which has the potential to be a new energy province.</p> <p>New petroleum systems studies in the Browse Basin and Houtman Sub-basin have revealed previously unknown petroleum potential, which has resulted in enhanced industry interest in exploring the region.</p> <p>Geoscience Australia signed an agreement with a commercial provider to access its multi-client 3D seismic data in offshore northwest Australia, which will enable Geoscience Australia to assess potential new petroleum systems.</p>
<p>Management of the National Low Emissions Carbon Infrastructure funding</p>	<p>Program activities were deferred due to a lack of suitable samples from industry drilling activities for carbon dioxide storage analysis.</p>
<p>Minerals Pre-Competitive Resource</p> <p>Provide new pre-competitive data collection, processing and delivery in greenfields undercover Australia in collaboration with state and Northern Territory governments</p>	<p>As part of the Exploring for the Future programme, three geophysical and geological sampling surveys commenced in the Tennant Creek to Mount Isa region and a stratigraphic drilling program commenced in the Coompana region of South Australia. The survey data will provide new information, including increased resolution on the depth of cover. This will enable Geoscience Australia and the state and Northern Territory geological surveys to assess potential new minerals systems.</p> <p>A total of 21 collaborative geophysical surveys were completed in New South Wales, the Northern Territory, Queensland, South Australia, Victoria and Western Australia. The data and associated science products were publicly released and will provide a new understanding of the mineral resource potential of Australia.</p> <p>A stratigraphic drilling program commenced in the Southern Thomson region (Queensland and New South Wales) to provide new data on an exploration frontier. Final results from the stratigraphic drilling program in the Stavely region (Victoria) were publicly released.</p>

Performance criterion ¹	2016–17 result
Undertake geological studies of the evolution and resource potential of undercover greenfields regions to support mineral exploration investment in collaboration with state and Northern Territory governments	<p>Geoscience Australia promoted the first national-scale assessment of nickel prospectivity, which enhanced industry interest in exploring for this commodity.</p> <p>The first-ever regional-scale lead isotope map, covering the eastern third of Australia, was produced and publicly released. This novel map provides new insights into the geology and mineral potential of eastern Australia.</p> <p>Geoscience Australia provided input into the development of stage 2 of UNCOVER, the Australian Mineral Industry Research Association Roadmap for Exploration Under Cover. This will assist in defining future government and industry programs for improving the prospectivity of under-explored regions of Australia.</p>
<p>Resources Advice and Promotion</p> <p>Deliver supporting information for the Offshore Petroleum Acreage Release</p> <p>Deliver components of the China Australia Geological Storage of CO₂ Project</p> <p>Deliver investment promotions at key international resource seminars and trade conventions</p>	<p>The 2017 Offshore Petroleum Exploration Acreage Release was announced by the Minister for Resources and Northern Australia in May 2017 at the annual conference of the Australian Petroleum Production and Exploration Association. Geoscience Australia supported the release by providing the latest geological information for the regions contained in the Acreage Release, and made all associated seismic and well data available through the National Offshore Petroleum Information Management System. Geoscience Australia supported the Department of Industry, Innovation and Science to promote exploration opportunities to key international markets in June 2017.</p> <p>The China Australia Geological Storage of CO₂ Project delivered a carbon capture and storage workshop with 100 participants in Urumqi, China, in June 2017. Seven researcher exchanges with the China Geological Survey were completed in March 2017. The aim of these exchanges is to build publicly available knowledge in both nations on aspects of the geological storage of carbon dioxide.</p> <p>Geoscience Australia undertook international minerals and energy promotions events in China (China Mining, China–Australia Mineral Investment Seminar), Japan (Japan–Australia Mineral Investment Seminar), Korea (Korea–Australia Mineral Investment Seminar), India (International Mining & Machinery Exhibition), Canada (Prospectors & Developers Association of Canada Convention), and Singapore (Southeast Asia Petroleum Exploration Society Conference). All events focused on promoting mineral and energy investment opportunities in onshore and offshore areas of Australia.</p>
<i>Key performance indicators</i>	
Stakeholder satisfaction with Geoscience Australia's acreage release products and services Target: 80%	79% The stakeholder survey reported a favourable level of satisfaction, although slightly below target, with Geoscience Australia's acreage release products and services.
Number of external stakeholders viewing Geoscience Australia's pre-competitive information Target: 15	16 Geoscience Australia regularly scans media channels for references to private industry use of its products.

¹ Source: 2016–17 Corporate Plan.

Analysis of performance

During 2016–17, Geoscience Australia continued to deliver world-class pre-competitive data to industry to attract minerals and energy exploration investment to Australia. The organisation is well regarded for its data holdings, their quality and diversity, and their ease and cost of access. This is evidenced by the number of requests for data and associated products.

The minerals and petroleum industries have indicated increased interest in exploration investment, and we expect strong interest again in exploration investment opportunities in 2017. Geoscience Australia continued to promote exploration investment opportunities, including by strongly supporting state and Northern Territory government programs.

During 2016–17, the Exploring for the Future programme began consultation with state and territory partners in Queensland, the Northern Territory and Western Australia to scope science projects and sign collaborative agreements. Sample and data acquisition has commenced in the region between Tennant Creek and Mount Isa. Soil samples have been processed by the Centre for Appropriate Technology, a not-for-profit Aboriginal and Torres Strait Islander corporation. A deep seismic survey has commenced to image the deep crust across the Queensland and Northern Territory border.

Based on feedback, Geoscience Australia is extremely well regarded by government at the Commonwealth, state and territory levels, as well as by the resources industry.

Ensuring Australia’s community safety

Objective

Australian communities are more resilient to natural hazards.

Role

To achieve this objective, Geoscience Australia supports Australia’s capability to manage the impact of natural hazards.

Performance criteria and results

Table 32: Ensuring Australia’s community safety—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
Community Safety Deliver an updated National Seismic Hazard Assessment map ²	A draft National Seismic Hazard Assessment was completed by 26 May to deliver preliminary hazard values to the Standards Australia subcommittee for consideration in the update of <i>Structural design actions, part 4: Earthquake actions in Australia</i> , AS1170.4. The draft hazard values represented the mean peak ground acceleration values for rock sites for a probability of exceedance of 10% in 50 years. This complete revision to the 2013 National Seismic Hazard Assessment will be publicly released in 2017–18.

Performance criterion ¹	2016–17 result
<p>Deliver single point of access to flood risk studies through the Australian Flood Risk Information Portal</p>	<p>The number of flood studies in the Australian Flood Risk Information Portal increased significantly in 2016–17. There are now over 1100 flood studies in the portal, with more to be delivered soon.</p> <p>Geoscience Australia developed a web-based upload facility to make it easier for councils to submit their flood studies and data to the portal.</p> <p>Geoscience Australia made progress in its work to remove licensing restrictions that limit access to flood risk information. The Western Australian Office of Emergency Management has adopted Geoscience Australia's advice in establishing Natural Disaster Resilience Program funding agreements that adopt open licensing for project outputs. Critically, the Attorney-General's Department has effectively endorsed the licensing through its co-funding of the Natural Disaster Resilience Program.</p>
<p>Seismology</p> <p>Provide ongoing nuclear monitoring for detection of suspected nuclear tests</p> <p>Provide 24 hour, seven days per week earthquake monitoring and alert</p>	<p>Geoscience Australia analysed continuous seismic data to identify clandestine nuclear weapon detonations. Geoscience Australia detected and provided rapid notification of North Korea's fifth nuclear detonation, which occurred on 9 September 2016, to the Australian Safeguards and Non-proliferation Office and the Defence Intelligence Organisation.</p> <p>Geoscience Australia analysed and catalogued 1578 significant earthquakes from around the world. In the Australasian region a total of 1496 earthquakes occurred with 696 occurring in Australia. Alerts for 161 earthquakes were provided to the Australian Government Crisis Coordination Centre. The largest Australian earthquake during 2016–17 occurred offshore from Bowen, Queensland on 18 August 2016 and had a magnitude of 5.8.</p>
<p>Situational Awareness Information Framework</p> <p>Provide advice and spatial capability to support the Australian Government's response to national disasters</p>	<p>Geoscience Australia provided remote and onsite staff training, spatial support and advice to the Australian Government Crisis Coordination Centre. Geoscience Australia liaison officers directly supported the Australian Government response to a range of disasters, such as bushfires and floods, including cyclone Debbie and subsequent flooding in Queensland and northern New South Wales. Geoscience Australia produced 853 exposure reports and situation awareness maps to support government briefings and information dissemination to state and territory organisations, to assist response and recovery efforts.</p> <p>To further enhance the government's situational awareness capability, Geoscience Australia commenced developing a digital emergency management web services catalogue, EM-LINK, to be delivered by September 2017. EM-LINK will enable access to Commonwealth, state and territory web services to provide a consistent, real-time view of meteorological data and data related to incident and emergency management that can be shared in real time to inform government decision-making.</p>

Performance criterion ¹	2016–17 result
Deliver updated information products to Airservices Australia to support air safety	<p>As part of its long-term collaboration and obligations under the Civil Aviation Safety Regulations 1988, Geoscience Australia delivered updated aeronautical charts and national vertical obstruction datasets to Airservices Australia during 2016–17.</p> <p>These updates are biannual publications and were delivered to Airservices Australia on time. They included 15 visual navigation charts and 23 visual terminal charts, including revised topographic mapping underlays. The navigation charts covered flight planning and operations when nearing controlled airspace or restricted areas, and the visual charts were for aeronautical operations in the vicinity of major aerodromes.</p> <p>Geoscience Australia continued to expand and improve the content of Airservices Australia's National Vertical Obstructions Database. The database now contains 37 704 vertical obstruction features, 925 of which were added during the year. All existing features in the database with a height above landscape of 150 feet (45.7 metres) have been assessed and corrected. In total, 10 290 features in the database have been revised, including 5082 with a height between 150 feet and 328 feet (45.7 metres to 100 metres) and 3687 with a height above 328 feet (100 metres).</p>
Develop and deliver updated information using the national Exposure Information System to support Australian Government programs	<p>Geoscience Australia produced and delivered:</p> <ul style="list-style-type: none"> • the 2016 version of exposure information products, incorporating updated national and state data sources, in November 2016 • 835 exposure reports for the Crisis Coordination Centre to support response and recovery from disasters • approximately 200 other exposure reports, including 130 reports for the Department of the Prime Minister and Cabinet to assist contextual understanding of specific areas of interest to the department. <p>Geoscience Australia completed a three-year research project to deliver the <i>Natural Hazard Exposure Information Framework</i> report to the Bushfire and Natural Hazards Cooperative Research Centre. This report brings together for the first time a comprehensive description of exposure information definitions, standards and existing capabilities, and can be used by the community safety sector as a reference in future risk assessment and emergency management response and recovery activities.</p>
<i>Key performance indicators</i>	
Stakeholder satisfaction with Geoscience Australia's community safety products and services Target: 80%	<p>85%</p> <p>The stakeholder survey reported a highly favourable level of satisfaction with Geoscience Australia's earthquake hazard and impact products and services. Additionally, the survey reported that 82% of respondents indicated the products and services to be of high quality.</p> <p>Geoscience Australia also conducted a specific stakeholder survey with the Crisis Coordination Centre staff in February 2017. The survey covered Geoscience Australia's performance, training and communication. Overall, based on 22 respondents, the results were positive. Survey results and respondents' comments will assist in future improvements.</p>
Availability of the national bushfire monitoring system, Sentinel, between October and March Target: 90%	<p>97%</p> <p>The Sentinel Hotspots application exceeded uptime expectations; the majority of outages were caused by failures in the processing system. The system is being rebuilt in preparation for the 2017–18 fire season.</p>

Performance criterion ¹	2016–17 result
Respond to requests to activate the International Charter for Space and Major Disasters within 24 hours Target: 90%	100% The International Charter for Space and Major Disasters was activated twice in 2016–17, for the Lachlan River floods in September 2016 and for cyclone Debbie in March 2017. Geoscience Australia also triggered the Copernicus Emergency Management Service for both events.
Respond to requests for geospatial information to the Australian Government Crisis Coordination Centre within two hours between October and March and within 24 hours during steady state periods Target: 90%	100% Geoscience Australia provided the Crisis Coordination Centre with all requested situational awareness mapping and exposure reports for bushfires and cyclone Debbie, and provided information support for overseas incidents related to terrorism and security.
National vertical obstacle products comply with Civil Aviation Safety Regulations and are delivered monthly, or as specified, to Airservices Australia and the Royal Australian Air Force Target: 100%	100% Geoscience Australia's national elevation and vertical obstruction products complied with Civil Aviation Safety Regulations 1988 and were delivered to Airservices Australia and the Royal Australian Air Force in accordance with the specified monthly delivery schedule.
Earthquake alerts issued within agreed timeframes Target: 100%	99% System performance issues and intermittent partial outages in the seismograph network contributed to minor delays in issuance of some earthquake notifications in the second quarter of 2016–17. These issues are being addressed in the short term through system tuning and procedural changes, and in the longer term through the earthquake and tsunami warning system modernisation project. In the final quarter of 2016–17, 100% of earthquake alerts were issued within the agreed time frames.
Nuclear events detected within agreed timeframes Target: 100%	100% The Australian Government was informed of the detected nuclear test within agreed time frames.

¹ Source: 2016–17 Corporate Plan.

² This criterion is identified in the 2016–17 Corporate Plan as a target for 2017–18.

Analysis of performance

Every year, Australian communities are affected by natural disasters such as bushfires, floods and cyclones. The Attorney-General's Department has identified the need for a national, shared and consistent view of information on natural hazards and emergency management, built on emerging government web services at the Commonwealth, state and territory levels. Geoscience Australia is developing the EM-LINK capability to bridge the gap between the individual web services to build national situation awareness. EM-LINK will also provide a focus for better long-term management of the web services and assist in the implementation of standards and improved information workflows.

Exposure information is used to support natural hazard and vulnerability modelling for impact analysis. During 2016–17, Geoscience Australia continued to develop the currency and accuracy of publicly available exposure information, through advancements in data content and customised reports for the Attorney-General's Department and the broader emergency management

sector. However, significant challenges in the data access, analytics and infrastructure areas are increasingly impacting on our ability to sustain and improve the exposure capability to meet the needs of the emergency management community. Scoping a future development strategy and implementation plan will be a key focus of 2017-18.

Geoscience Australia will continue to support Airservices Australia's regulatory responsibilities for aircraft safety through the provision of aeronautical charts, topographic information and information on the locations of vertical obstructions for low-flying aircraft.

The Department of Defence remains heavily reliant on Geoscience Australia's information to support the department's domestic emergency response functions. The re-establishment of enabling services to Defence will be a further key focus for 2017-18.

Throughout 2016-17, Geoscience Australia continued to provide technical advice and intelligence on natural disasters and their impacts to a range of government and industry stakeholders. This included Australian Government departments; the Productivity Commission; Council of Australian Governments committees; and state government bodies, including emergency services organisations.

Geoscience Australia also provided tools and products to support other organisations in managing natural disaster impacts. These included the:

- Australian Rainfall and Runoff (ARR) Guidelines – In November 2016, Geoscience Australia released the first major update to the ARR in 30 years. The ARR is a national guideline document that can be used for the estimation of design flood characteristics in Australia. Geoscience Australia supports ARR as part of its role to provide authoritative, independent information and advice to the Australian Government and other stakeholders to support risk mitigation and community resilience. This is the 4th edition of ARR, after the 1st edition was released by Engineers Australia in 1958.
- Bushfire Attack Level Toolbox—This tool allows local governments, emergency managers and communities to better understand the potential exposure of buildings to bushfire, based on local topography and vegetation. It was made openly available with support from the Department of Fire and Emergency Services in Western Australia.
- Australian Seismic Site Conditions Map—This map enables stakeholders (in sectors such as emergency management, insurance and construction) to manage their seismic hazard risk, and will also be a key input to a near real-time seismic hazard impact analysis tool that is under development. This product is a revision and upgrade of the National Regolith Site Classification Map of Australia published in 2007.

Geoscience Australia continued to enhance the Australian Reinsurance Pool Corporation's blast loss capability, which is now enabled for all five major state capital central business districts. The capability was showcased in two publications released at the Global Terrorism Risk Insurance Conference in October 2016 in Canberra.

Significant progress was made on advancing the understanding of flood vulnerability and mitigation. A research project of the Bushfire and Natural Hazards Cooperative Research Centre, led by Geoscience Australia, completed experimental testing of building material resilience to flood, and delivered an economic study of the effectiveness of flood levee upgrade investment for Launceston, Tasmania. In addition, a range of flood vulnerability models were developed for different building types, using National Emergency Management Project funding (from the Attorney-General's Department) and a collaboration with the City of Sydney.

Geoscience Australia undertook post-disaster surveys following cyclone Debbie, which made landfall on 28 March 2017. Street view imagery was taken of all affected communities and imagery of damage caused by severe wind and storm surges was captured. The outcomes will improve understanding of vulnerability to cyclone effects and opportunities to mitigate it.

In collaboration with the Department of Foreign Affairs and Trade, Geoscience Australia successfully completed the first year of the Technical Disaster Risk Reduction program in Papua New Guinea and the regional Pacific PacSAFE program. These programs are building local and regional capacity for managing natural disasters.

Geoscience Australia's Disaster Management Innovation program in Indonesia delivered a series of strong results, including a national seismic hazard map for Indonesia; a new strong motion analysis module for SeiscompP3; and eastern Indonesian extensions for the Indonesian Government's tsunami hazard database.

Securing Australia's water resources

Objective

Optimise and sustain the use of Australia's water resources.

Role

To achieve this objective, Geoscience Australia informs the understanding of the location, quantity, quality and sustainable use of Australia's groundwater resources and surface water systems.

Performance criteria and results

Table 33: Securing Australia's water resources—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
<p>Evaluating Australia's Groundwater Systems</p> <p>Provide authoritative, independent information and advice to the Australian Government and other stakeholders on groundwater resources, processes and impacts</p>	<p>Geoscience Australia delivered:</p> <ul style="list-style-type: none"> • 21 advice products on the potential impacts on groundwater of extractive industries to the Department of Industry, Innovation and Science—18 related to coal and coal seam gas and three related to uranium exploration or mining activities • technical expert reviews of water monitoring and management plans for two projects with approval under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> to the Department of the Environment and Energy.
<p>Deliver final suite of contracted products and data for Lake Eyre Basin bioregion as part of the Bioregional Assessment Programme</p>	<p>The suite of five model-data analysis products (hydrological conceptual and numerical models and reports) for the bioregional assessment of the Galilee subregion was delivered to the project client, the Department of the Environment and Energy, in March 2017. The finalisation of those products was postponed to prioritise the delivery of the final tranche of impact and risk analysis products for the Galilee bioregional assessment.</p> <p>Geoscience Australia expects to deliver the final products for the bioregional assessment to the client by the second quarter of 2017–18.</p>
<p>Deliver final suite of contracted products and data for the Broken Hill Managed Aquifer Recharge project</p>	<p>Phase 4 of the Broken Hill Managed Aquifer Recharge project delivered the final suite of data and products and a comprehensive report to WaterNSW in 2016–17.</p>

Performance criterion ¹	2016–17 result
<p>Acquire and deliver new pre-competitive groundwater data and information in collaboration with state and Northern Territory governments</p>	<p>Geoscience Australia acquired and delivered new pre-competitive groundwater data and information for the Fitzroy (West Kimberley) region and new pre-competitive geoscience datasets for the Ord Bonaparte Plains groundwater project, in collaboration with the Western Australian Government's Water for Food program.</p> <p>New pre-competitive geoscience datasets were also collected for the Ord Stage 3 Keep River groundwater project, in collaboration with the Northern Territory Government.</p> <p>Geoscience Australia delivered a scoping report on the Christmas Island Groundwater Project to the Commonwealth Department of Infrastructure and Regional Development.</p> <p>In November 2016, the Australian Government finalised funding for the Exploring for the Future programme—a new four-year initiative to collect new baseline geoscience data and information to support resource development in northern Australia. Five new regional groundwater projects have been scoped as part of this programme, in collaboration with relevant state and/or Northern Territory government entities. Initial ground and airborne pre-competitive geoscience data collection for all five projects commenced in 2016–17.</p>
<p>Groundwater and Surface Water Innovation</p> <p>Develop new work flows and approaches to integrate and analyse multiple datasets in a high performance computing environment</p> <p>Integrate new Earth observation products with groundwater and surface water data to understand groundwater systems through time.</p> <p>Assess hydrogeophysical and remote sensing technologies for groundwater system mapping and characterisation in the Australian landscape context</p>	<p>New work flows and approaches were developed and documented for data integration and analysis in a high performance computing environment, and were presented at an international geoscience conference in 2016–17.</p> <p>Hydrochemistry data for more than 500 bores across Australia was uploaded and is now publicly available via the Bureau of Meteorology Australian Groundwater Explorer web system.</p> <p>New workflows for analysing the Australian Geoscience Data Cube vegetation condition data have been refined for testing in regional groundwater projects within the Exploring for the Future programme.</p> <p>Non-invasive approaches to map aquifer properties in Australian landscapes were developed and demonstrated in three project test regions.</p> <p>Trials of new computer codes which model regional geophysical data to map near-surface geology and groundwater systems in 2.5 dimensions were undertaken.</p>
<p><i>Key performance indicators</i></p>	
<p>Stakeholder satisfaction with Geoscience Australia's water resources products and services Target: 80%</p>	<p>90%</p> <p>The stakeholder survey reported a highly favourable level of satisfaction with Geoscience Australia's water resources products and services. Delivering products and services to agreed time lines was noted as an area for improvement.</p>
<p>Requests for groundwater resource management advice under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> responded to within agreed timeframes Target: 95%</p>	<p>100%</p> <p>Geoscience Australia delivered 18 advice products on impacts to groundwater in relation to referrals and approvals under the Water Trigger Amendment of the <i>Environment Protection and Biodiversity Conservation Act</i>. All were delivered within agreed time frames.</p>

Performance criterion ¹	2016–17 result
Surface water foundation spatial datasets meet legal and policy needs of the <i>Water Act 2007</i> and the National Climate Change Adaptation Framework. Target: 100%	100% Updated surface water and delineated catchments datasets were supplied to the Bureau of Meteorology to support the application of the <i>Water Act 2007</i> .

¹ Source: 2016–17 Corporate Plan.

Analysis of performance

Geoscience Australia is recognised as a provider of transparent, science-based information and advice to governments and other decision-makers on potential opportunities for water development in key regions of Australia, as well as the potential impacts to groundwater of resource development.

During 2016–17, Geoscience Australia delivered components of the Australian Government’s Bioregional Assessment Programme for the Lake Eyre Basin bioregion (which includes the Galilee subregion), in partnership with the Department of the Environment and Energy, the Bureau of Meteorology, the Commonwealth Scientific and Industrial Research Organisation and state governments. The Bioregional Assessment Programme will be completed in 2017–18.

As part of the new, four-year Exploring for the Future programme, Geoscience Australia will deliver new data and information on the location, quality and quantity of groundwater resources to support potential agriculture, resource and community supply development in key areas of northern Australia. In 2017–18, the programme will focus on the acquisition of a significant range of new pre-competitive information in targeted areas including the East Kimberley region of Western Australia and into the Northern Territory, the southern Northern Territory, and the Upper Burdekin and Surat regions of Queensland.

Managing Australia's marine jurisdictions

Objective

Maximise benefits from the sustainable use of Australia's marine jurisdiction.

Role

To achieve this objective, Geoscience Australia contributes to the sustainable development of marine resources and conservation of key ecosystems.

Performance criteria and results

Table 34: Managing Australia's marine jurisdictions—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
<p>Marine Jurisdiction and Coastal Zone</p> <p>Provide advice and information to support policy and operations in Australia's marine jurisdiction under the <i>Seas and Submerged Lands Act 1973</i>, the <i>Offshore Petroleum and Greenhouse Gas Storage (Environmental) Regulations 2009</i> and the <i>Antarctic Treaty (Environment Protection) Act 1980</i></p> <p>Deliver information to support the Australian Transport Safety Bureau's search for missing airlines flight MH370</p> <p>Deliver new seabed data and information products in collaboration with partners of the Australian Government's National Environmental Science Programme—Marine Biodiversity Hub</p>	<p>Geoscience Australia provided geoscientific and geographic evidence as part of the Australian Government delegation to the United Nations Conciliation Commission to assist in the determination of the maritime boundary between Australia and East Timor. Geoscience Australia also provided significant maritime boundary advice on a range of international issues, including assisting Pacific island nations to determine agreed maritime boundaries, via collaboration with the Department of Foreign Affairs and Trade, the Department of Immigration and Border Protection, the Department of Defence, and the International Seabed Authority's Legal and Technical Commission. Domestically, Geoscience Australia provided advice on spatial aspects of legislation regarding Great Barrier Reef Marine Park management regulations, biosecurity, fisheries and regulation of offshore renewables.</p> <p>Geoscience Australia continued to release authoritative representations of boundaries via the Australian Marine Spatial Information System, and worked with the Australian Hydrographic Service, the Australian Maritime Safety Authority and the Australian Border Force to deliver essential administrative boundary and bathymetry information to underpin government and commercial operations in Australia's marine zone. We also continued leading the development of international standards to facilitate the exchange of boundary information between organisations and nations.</p> <p>Geoscience Australia continued to work with state and territory land information entities to remap Australia's territorial sea baseline in order to provide greater certainty on the location of law enforcement zones; this work is now 80% complete. The remapping is expected to be completed by 2019.</p> <p>Geoscience Australia delivered the bathymetric data collected in the search for missing flight MH370 in the Indian Ocean on behalf of the Australian Transport Safety Bureau. The bathymetry data was released to the public in July 2017.</p> <p>As part of the National Environmental Science Programme's Marine Biodiversity Hub, in collaboration with the Australian Institute of Marine Science, Geoscience Australia delivered datasets, models and visualisation products to support the management of Commonwealth marine parks. These products are publicly available online at the North West Atlas website (northwestatlas.org).</p>

Performance criterion ¹	2016–17 result
Establish a collaborative national program on bathymetry data acquisition and management with key Commonwealth and state government agencies.	Geoscience Australia hosted a workshop in May 2017 to progress the development of a national plan for bathymetry acquisition and associated guidelines for data collection. The workshop was undertaken in collaboration with marine research institutions and Commonwealth and state entities (including the Australian Hydrographic Service, Australian Institute of Marine Science and Commonwealth Scientific and Industrial Research Organisation).
Implement a shallow-water seafloor mapping program in high-use near-shore regions adjacent to the three Australian Antarctic research stations, Casey, Davis and Mawson, in collaboration with Australian Antarctic Division and Royal Australian Navy	Geoscience Australia conducted a bathymetric mapping and seafloor sampling survey in nearshore waters offshore from Davis Station in the Australian Antarctic Territory. This was undertaken in collaboration with the Royal Australian Navy and the Australian Antarctic Division. The survey mapped 111 square kilometres in priority areas for navigation and environmental information.
<i>Key performance indicators</i>	
Stakeholder satisfaction with Geoscience Australia's marine jurisdictions products and services Target: 80%	86% The stakeholder survey reported a highly favourable level of satisfaction with Geoscience Australia's marine jurisdictions products and services.
Authoritative representations of Australia's maritime boundaries are accessible via the interactive mapping platform Target: 90%	90% The authoritative representations of Australia's maritime boundaries are available in the Australian Marine Spatial Information System that is accessible via Geoscience Australia's interactive mapping tool at http://www.ga.gov.au/interactive-maps/#/theme/amsis .
Availability of new marine and coastal bathymetry data via Geoscience Australia's website within six months of being compliant with data standards Target: 100%	No new bathymetry datasets were released in 2016–17. Several datasets from surveys in 2016–17 are on track for delivery in 2017–18, including datasets from the search area for missing flight MH370 and the Antarctic survey area offshore from Davis Station.

¹ Source: 2016–17 Corporate Plan.

Analysis of performance

Geoscience Australia delivered high-quality information and evidence to support decision-making and policy development for the marine and coastal zone, including the provision of expert advice to government on Australia's marine jurisdiction. Two major Australian Government priorities—the finalisation of the boundary with East Timor, led by the Department of Foreign Affairs and Trade, and the search for missing airliner MH370, led by the Australian Transport Safety Bureau—could not have been undertaken without the authoritative advice and expertise provided by Geoscience Australia. In addition, the domestic operations of the Australian Hydrographic Service, the Australian Border Force, the Australian Maritime Safety Authority, Parks Australia and the Australian Antarctic Division heavily depended upon Geoscience Australia information to inform marine spatial planning, the management of marine protected areas, navigation and on-water activities.

The need for authoritative and defensible information to support policy and operations in the marine zone remains high. Improved access to data, and partnerships for the coordination of acquisition of new data, continue as challenges for stakeholders and will be priorities for improvement in 2017–18. The provision of geoscientific information as evidence to support Australia’s foreign policy position will continue to be a priority. Geoscience Australia will continue to build and maintain enduring national products covering the marine zone, leading to more efficient and standardised work flows for marine spatial datasets and information, from point of data acquisition to public release. In addition, dependencies on legacy technology will be removed for the Australian Marine Spatial Information System as it moves to a more sustainable delivery and visualisation platform during 2017–18.

Providing fundamental geographic information

Objective

Understand the location and timing of processes, activities and changes across the Australian continent to inform decision-making for both natural and built environments.

Role

To achieve this objective, Geoscience Australia provides reliable national fundamental information about the geographies of the nation.

Performance criteria and results

Table 35: Providing fundamental geographic information—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
Positioning	
Deliver the new National Coordinate Datum (Geocentric Datum of Australia 2020)	The Geocentric Datum of Australia 2020 (GDA2020) has been computed and a request has been made to the National Measurement Institute to update the Recognised-value Standard of Measurement of Position. The new datum will be gazetted when it has been approved by the institute.
Deliver components of the National Positioning Infrastructure project	The Satellite-Based Augmentation System (SBAS) Testbed component of the National Positioning Infrastructure project is progressing well. Transmission of SBAS signals from space commenced on 1 June 2017. Planning for a comprehensive testing program across nine industry sectors in Australia, including agriculture, aviation, construction, mining, maritime transport, road transport, rail transport, spatial, and utilities, is progressing to schedule.
Provide Geodetic Environmental Monitoring	All contract milestones for the New South Wales Government’s Camden environmental monitoring project have been delivered.

Performance criterion ¹	2016–17 result
<p>National Location Information Framework</p> <p>Develop new analysis and collection management tools for the Foundation Spatial Data Framework to enable Australia's Spatial Data Infrastructure²</p> <p>Provide spatial data advice to the Australian Government's Open Data Policy</p>	<p>Geoscience Australia launched the Foundation Spatial Data Framework Location Information Knowledge Platform (FSDF-LINK) at the Locate17 conference in Sydney in April 2017, after significant platform development activities and coordination with states and territories over the previous 12 months.</p> <p>The FSDF-LINK brings together the knowledge surrounding the core datasets identified within Australia's Spatial Data Infrastructure, improving the discoverability and accessibility of FSDF data, while providing an evidence base to inform improvements to the infrastructure.</p> <p>Geoscience Australia is assisting the governments of New Zealand and Queensland, and the Australian Government departments of Immigration and Border Protection, and Agriculture and Water, to develop their own spatial data frameworks.</p> <p>Geoscience Australia continued to enhance the Elevation Information System (ELVIS) to provide easier offline access to Australia's large-volume elevation datasets. Over eight terabytes of elevation information, covering 17 000 individual requests, was provided to government and commercial users during 2016–17, to assist in infrastructure development, urban design, transport planning, environment management, and public safety. Due to the success of the application, Geoscience Australia is now working with all state and territory mapping organisations to facilitate delivery of their large-volume elevation datasets to consumers, using a central location for discoverability and delivery.</p> <p>Geoscience Australia continued to partner with the Cooperative Research Centre for Spatial Information on the development of an open spatial analytics demonstrator. Stage 1 was completed in June 2017, covering the development of a workflow to generate national digital elevation products on the National Computational Infrastructure, using open-source and easily shared algorithms. Complementing this research was work undertaken to improve the creation of other foundation spatial products, including increasing the timeliness of topographic maps and exploring additional sources for updating transport datasets.</p> <p>Geoscience Australia provided advice to the Department of the Prime Minister and Cabinet on efforts to implement an open, national geocoded address dataset; modernise Australia's property information systems; and use the FSDF-LINK to assist with improving the website data.gov.au. Geoscience Australia also worked closely with the Department of the Prime Minister and Cabinet to provide an Australian Government position on open data, custodianship and foundation spatial data to the Productivity Commission's inquiry on data availability and use, and to ANZLIC—the Spatial Information Council.</p>

Performance criterion ¹	2016–17 result
<p>Develop and deliver information products using the Foundational Spatial Data Framework to support Australian Government programs</p>	<p>Geoscience Australia continued to provide data products and specialised services to support Australian Government programs, building upon its national foundation spatial datasets and expertise. Major deliveries during 2016–17 included:</p> <ul style="list-style-type: none"> • the completion of the acquisition of 70 000 square kilometres of high-resolution elevation and land cover information in the Murray–Darling Basin, to assist the Murray–Darling Basin Authority and the New South Wales Government with environmental planning and water security • the delivery of infrastructure and topographic information, and the operation of information delivery platforms, for renewable energy planning and investment (with the Australian Renewable Energy Agency) and infrastructure planning in northern Australia (with the Australian Trade Commission) • the completion of enhancements to national elevation, surface water and catchment datasets to assist the Bureau of Meteorology to meet its water forecasting obligations • the delivery of mapping to support the Department of the Prime Minister and Cabinet’s Indigenous affairs programs, in particular mapping the location of the extent of legislation restricting the sale of petrol and alcohol in the Northern Territory. <p>Geoscience Australia also continued to operate the NationalMap platform, in collaboration with the Department of the Prime Minister and Cabinet, in order to facilitate access to and visualisation of datasets in data.gov.au. In June 2017 this agreement was extended for six months. Geoscience Australia’s national base maps continue to be heavily used in such information delivery and viewing platforms.</p> <p>Geoscience Australia continued to lead the development of many national datasets identified in the Foundation Spatial Data Framework through its executive support to the Intergovernmental Committee on Surveying and Mapping.</p>
<p>Australian Geoscience Data Cube (AGDC)</p> <p>Deliver improved performance and capability of the AGDC including the addition of new measurements, analysis techniques and collection management tools</p> <p>Develop and deliver information products using the AGDC to support Australian Government programs</p> <p>Manage Australia’s engagement with international satellite operators</p>	<p>Work continued on the development of tools to enable real-time assessment of collection quality and completeness. More than 10 updated releases of the AGDC core code base were provided and new stacking code was implemented to enable optimised file access for time-series analysis.</p> <p>The program produced updated versions of the Intertidal Extents Model and Water Observations from Space products; validated and improved the Fractional Cover product; and published the Intertidal Digital Elevation Model. Additional funding in the 2017–18 Budget is enabling the development of new products over the next two years. The AGDC program is now to be known as Digital Earth Australia.</p> <p>The program and the Committee on Earth Observation Satellites committed to joint development of the open-source Open Data Cube.</p>

Performance criterion ¹	2016–17 result
<i>Key performance indicators</i>	
Stakeholder satisfaction with Geoscience Australia's fundamental geographic information products and services Target: 80%	83% The stakeholder survey reported a highly favourable level of satisfaction with Geoscience Australia's fundamental geographic information products and services. How these products and services are accessed through the organisation's website is noted as an area for improvement.
Data availability from geodetic observatory networks Target: 95%	98% The Australian Regional Global Navigation Satellite System Network achieved 98 per cent data availability.
Data availability from South Pacific Earth monitoring network Target: 95%	93% The South Pacific Regional Global Navigation Satellite System network achieved 93 per cent data availability. The target of 95 per cent was not reached due to failure of a particular piece of hardware at multiple locations. This issue is uncommon and has since been rectified.
Foundation Spatial Data Framework products are accessible through the National Map and interactive mapping platforms Target: 60%	70% The Foundation Spatial Data Framework products maintained by Geoscience Australia as listed in FSDF-LINK are available to access via NationalMap and other Geoscience Australia interactive mapping platforms. This covers Geoscience Australia's datasets for place names, transport, elevation and bathymetry, surface water, positioning and many administrative boundaries. Geoscience Australia's imagery and land cover datasets remain to be made more accessible as web services.

¹ Source: 2016–17 Corporate Plan.

² This criterion is identified in the 2016–17 Corporate Plan as a target for 2017–18.

Analysis of performance

Australian Government entities, and industry, are increasingly aware of the importance of location as evidence for policymaking, operations and decision-making. Geoscience Australia's leadership in increasing accessibility to its information holdings, in ways that are easier for general users to find and consume, makes decision-making more defensible. Geoscience Australia's work in organising its information holdings to allow analysis through time—particularly showing changes in tidal extents, the location of water in the landscape, and changes to land cover—provides greater and more trusted insight for such decision-making.

Geoscience Australia's performance in this strategic priority area is a result of the increasing demand for fundamental geographic information, and the growing supply of such information. Society is moving from 'open data' to 'open information' that is easier for both specialists and non-specialists to use. There is a growing understanding of the importance of trusted information to provide confidence for decision-making. The growth in demand and supply is forcing many organisations to collaborate and share infrastructure or find innovative approaches to organising and delivering information in useful forms.

In 2017–18, Geoscience Australia's major challenge in this strategic priority area is to continue to operationalise the infrastructure which supports the provision of its national, enduring, fundamental geographic information. Making Digital Earth Australia operational, continuing to make the datasets of the Foundation Spatial Data Framework easily useable and relevant, and sharing platforms for the discovery, visualisation and delivery of trusted fundamental geographic information will be major areas of focus.

The Satellite-Based Augmentation System (SBAS) is an international standard for the delivery of precise and high-integrity positioning data across regions. First transmissions from the SBAS Testbed commenced 1 June 2017, improving the performance of GPS to approximately 50 centimetres, down from 5 metres. The development of a 10 centimetre accuracy positioning capability will be progressed in 2017–18. There has been significant industry interest in experimenting with the new capability, as evidenced by the significant response to the call for expressions of interest in SBAS testing.

Maintaining geoscience knowledge and capability

Objective

Maintain an enduring and accessible knowledge base and capability to enable evidence-based policy and decision-making by government, industry and the community.

Role

To achieve this objective, Geoscience Australia ensures that geoscientific and geospatial data, information and collections are gathered, managed and made accessible for the use of all Australians both now and into the future.

Performance criteria and results

Table 36: Maintaining geoscience knowledge and capability—program deliverables and key performance indicators

Performance criterion ¹	2016–17 result
<i>Program deliverables</i>	
Observatories	
Geomagnetic data acquisition and delivery	Geoscience Australia maintained critical infrastructure and delivered standards-compliant observed and derived data in near real time for Earth monitoring and community safety in Australia and neighbouring countries, and provided data to similar organisations around the world to add to global coverage. The networks detected seismic, infrasound, hydro-acoustic and geomagnetic activity in Australia and the Antarctic regions, and are the foundation upon which the successful earthquake, tsunami, nuclear test, and geomagnetic monitoring functions of Geoscience Australia and the Department of Foreign Affairs and Trade are built.
Hydro-acoustic data acquisition and delivery	The data collected by Geoscience Australia are used in modelling risks associated with natural hazards and the vulnerability of infrastructure to hazards, and in coordinating emergency management support and assisting regional disaster management projects.
Infrasound data acquisition and delivery	The geophysical network underpins the work on earthquakes and tsunamis in the Joint Australian Tsunami Warning Centre and significantly contributes to international efforts to monitor nuclear tests.
Satellite remote sensing data acquisition and delivery	Geomagnetic data were used in regional and global mathematical models of the geomagnetic field, in resource exploration and exploitation, to monitor space weather, to study the electrical structure of the Australian lithosphere, and for other scientific research.
	The satellite remote sensing data acquisition and delivery facility operated at the Alice Springs ground station directly contributed to Digital Earth Australia and the Sentinel bushfire monitoring system. The data acquisitions supporting daily operational data capture and processing activities for the Australian Government specifically supported Geoscience Australia and partner entities such as the Commonwealth Scientific and Industrial Research Organisation and the Bureau of Meteorology.

Performance criterion¹	2016–17 result
Fulfil Geoscience Australia's obligations under its agreement with the United States Geological Survey for the Landsat Ground Station Network at the Alice Springs antenna	The certification of the Alice Springs ground station as an LGN (Landsat Ground Network) station directly supporting the Landsat program and the obligations in the agreement between Geoscience Australia and United States Geological Survey was a major achievement in 2016–17.
Science Support Deliver fit-for-purpose analytical data	Geoscience Australia provided quality, fit-for-purpose geochemistry and geochronological data to support internal activities and external collaborators, within agreed time frames. External clients included the Australian Antarctic Division, Australian Institute of Marine Science, and state and territory geological surveys.
Provide fit-for-purpose support to science work programs	Delivery of Geoscience Australia's work program was supported with fit-for-purpose specialist science services that assisted in field planning, field equipment repairs and modifications and laboratory services.
Petroleum Data Repository Maintenance of an efficient and sustainable collaborative framework for the management of offshore petroleum data and samples in conjunction with the National Offshore Petroleum Titles Administrator and the Geological Survey of Western Australia	Geoscience Australia established a new collaborative agreement with the National Offshore Petroleum Titles Administrator and the Western Australian Department of Mines, Industry Regulation and Safety in June 2017 to manage seismic data and well data for offshore petroleum exploration.
Operate a web-based platform for the discovery and delivery of offshore petroleum data and samples	A new information management system was launched in May 2017 at the annual conference of the Australian Petroleum Production and Exploration Association. All offshore data and metadata were loaded into the system, and an enhanced user interface and cloud-based data management system were implemented to provide efficiencies in data discovery and delivery.
<i>Key performance indicators</i>	
Stakeholder satisfaction with Geoscience Australia's geographic knowledge and capability Target: 80%	94% The stakeholder survey reported a highly favourable level of satisfaction with Geoscience Australia's geographic knowledge and capability products and services.
Scheduled satellite passes acquired Target: 98%	99% The 2016–17 targets were met successfully, particularly for Landsat-7 and Landsat-8 satellite events.
Data availability from infrasound and hydro-acoustic networks Target: 98%	95% Technical issues and minor delays in receiving equipment disrupted data collection.
Data availability from geodetic observatory networks Target: 95%	98% Data availability from the geodetic observatory network performed above target, including 100 per cent availability from the satellite laser ranging network.
Data availability from the Australian Seismic Network Target: 90%	94% The Australian Seismic Network provided continuous data in excess of the target.

Performance criterion ¹	2016–17 result
Geomagnetism data collected and added to archive Target: 98%	99% Seven observatories positioned around Australia performed well, collecting geomagnetism data with minimal data interruptions.
Uptime of Geoscience Australia's Landsat collection Target: 75%	99% The Landsat Archive is maintained on the National Computational Infrastructure provided by the Australian National University.
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i> (OPGGSA) data and sample submissions are processed within 5–10 working days Target: 100%	100% All OPGGSA data and samples were processed within 10 working days of submission.
Stakeholder satisfaction with the National Offshore Petroleum Information Management System (NOPIMS) data provision and delivery Target: 75%	85% A survey of NOPIMS clients indicated a high level of satisfaction with the provision and delivery of NOPIMS data

¹ Source: 2016–17 Corporate Plan.

Analysis of performance

The performance of the Observatories program has shown a significant improvement since 2015–16. The Observatories program continues to underpin mission-critical activities for Geoscience Australia and the continual acquisition and delivery of data for other Australian Government stakeholders.

The availability of data from infrasound and hydro-acoustic networks was impacted by delays in receiving equipment from the manufacturer.

The seismic network continued to increase its data availability while expanding and upgrading the network. This included conducting initial discussions, with surveys about the handover and upgrade of sites in South Australia. Data was also collected from temporary seismometers installed in locations of significant earthquake activity in the Petermann Ranges (Northern Territory), Bowen (Queensland) and Norseman (Western Australia).

The satellite remote sensing data acquisition and delivery facility operating from Alice Springs achieved certification as a Landsat Ground Network (LGN) station in October 2016. The Alice Springs ground station performs daily Landsat-7 and Landsat-8 acquisitions and delivery for the LGN, specifically enhancing satellite data security for Australian continental coverage while supporting the Landsat program for global satellite data coverage. Geoscience Australia has directly partnered with the United States Geological Survey and the German Aerospace Center (DLR) to achieve this goal. During the first half of 2016–17 acquisitions were adversely influenced by ongoing project and LGN certification activities.

In May 2017, the improved National Offshore Petroleum Information Management System was publicly released. All offshore data and metadata were loaded into the system and an enhanced user interface and cloud-based data management system were implemented to provide efficiencies in data discovery and delivery.

Financial performance

Operating result

In 2016–17, Geoscience Australia had an operating deficit of \$7.3 million, before adjusting for unfunded depreciation and amortisation of \$6.1 million and rent straight-lining of \$4.0 million (for which a loss has been approved). The result excluding depreciation, amortisation and rent straight-lining was an operating surplus of \$2.8 million.

Geoscience Australia's total income for the year was \$181.5 million, comprising \$142.6 million in appropriations from government and \$38.9 million from the sale of goods and services to related and external entities.

Geoscience Australia's expenses were \$188.8 million. The major expense categories were employee expenses of \$72.6 million, supplier expenses of \$109.9 million and depreciation and amortisation of \$6.1 million.

The note on departmental budget variances in the financial statements compares the actual results to the original budget disclosed in the 2016–17 Portfolio Budget Statements, as required by the new Australian Accounting Standards Board 1055 Budgetary Reporting accounting standard.

Financial sustainability

Total equity as at 30 June 2017 was \$21.6 million. Total assets were \$133.9 million. Total liabilities were \$112.3 million. Geoscience Australia has sufficient financial assets to pay its suppliers and other payables as and when they fall due. Non-financial assets consist mainly of plant and equipment and property (land and buildings) owned by Geoscience Australia.

Administered items

Geoscience Australia administered one grant on behalf of government in 2016–17. A grant of \$0.02 million was made available to the Australian National Commission for the United Nations Educational, Scientific and Cultural Organization for the International Geological Correlation Programme.



CHAPTER EIGHT

GEOSCIENCE AUSTRALIA MANAGEMENT AND ACCOUNTABILITY

Corporate governance

Geoscience Australia's corporate governance arrangements and practices guide its management and operations to improve overall performance and strengthen accountability.

Geoscience Australia's governance framework includes advisory bodies and committees, as well as Accountable Authority Instructions, policies and procedures and guidelines.

The Chief Executive Officer is supported by an Advisory Board and Portfolio Board. The Advisory Board comprises Senior Executive Service officials, plus four staff from the Executive Level (EL) and Australian Public Service (APS) classifications. The Board's EL and APS staff members have even female and male representation. The Advisory Board is supported by five committees—the Audit and Risk Committee; Security Committee; ICT Strategy Committee; Work Health and Safety Committee; and Workplace Relations Committee—and the Cultural Reference Group. The Portfolio Board comprises Senior Executive Service officials and advises the Chief Executive Officer on investment priorities and organisation resource allocation.

Geoscience Australia's corporate plan is reviewed and updated annually to ensure that the organisation's portfolio of work reflects current Australian Government priorities and policy requirements. The corporate plan is implemented through more detailed annual work plans.

Geoscience Australia's governance practices comply with all statutory requirements and are reviewed regularly to ensure that they remain relevant and effective.

Fraud control

Geoscience Australia's fraud control framework is consistent with better practice and provides assurance that the organisation's fraud control strategies are robust. Ongoing fraud awareness training is provided for all staff. As required by the Fraud Rule and the Commonwealth Fraud Control Policy, Geoscience Australia reviews and updates its fraud control plan biennially. The plan details fraud prevention, detection, investigation and reporting procedures. The current plan was reviewed by an external expert.

Compliance with finance law

There were no significant issues of non-compliance with the finance law reported to the responsible minister as part of the entity's internal compliance reporting process for 2016–17.

External scrutiny

In 2016–17, no judicial or administrative tribunal decisions were relevant to Geoscience Australia. No investigations into the organisation's operations were conducted by the Commonwealth Ombudsman or by any parliamentary committee.

Geoscience Australia appeared before the Senate Standing Committee on Economics for Senate estimates hearings once in 2016–17, on 2 March 2017. Geoscience Australia was not required by the committee to attend the supplementary budget estimates hearing in October 2016 or the budget estimates hearing in May–June 2017.

Geoscience Australia appeared before the Parliamentary Standing Committee on Public Works on 31 March 2017 in relation to the refurbishment of their Symonston offices.

Information Publication Scheme

Under Part II of the *Freedom of Information Act 1982*, Geoscience Australia is required to publish information to the public as part of the Information Publication Scheme. A plan showing the information Geoscience Australia publishes in accordance with the scheme is available on Geoscience Australia's website (www.ga.gov.au/ips).

Management of human resources

Key people management activities undertaken during 2016–17 included the development of a new Geoscience Australia People Strategy 2017–2022, which was launched in June 2017. The People Strategy includes a range of actions to be implemented which focus on five key areas: culture; workforce alignment; leadership and management; careers and performance; and learning and recognition. The Geoscience Australia Cultural Reference Group continued to drive the Inclusive Culture Program to improve opportunities for employee diversity and inclusiveness. The implementation of actions under the Geoscience Australia Gender Strategy and Indigenous Employment Strategy, which were launched in 2015–16, progressed well during 2016–17.

Geoscience Australia supported and developed employees through study scholarships, study leave and financial assistance, development grants for high-performing employees and in-house learning and development programs. The Geoscience Australia graduate program continued. Eight graduates successfully completed the 2016 program and moved into employment positions in January 2017. Nine new graduates commenced the 2017 program, seven in science disciplines and two in ICT. Geoscience Australia's workforce statistics tables are in Appendix B3.

In 2016–17 one employee received a performance payment. To avoid disclosing personal information performance bonus figures have not been published.

Work health and safety

Geoscience Australia is committed to a system-based approach to ensuring the health, safety and wellness of workers and visitors. This approach is championed by the Chief Executive Officer through all levels of the organisation.

During 2016–17, the wellbeing program continued Geoscience Australia's investment in employee health and wellness. Key initiatives undertaken included:

- redeveloping work health and safety (WHS) policies and procedures to ensure clarity of the Geoscience Australia WHS system and associated roles and responsibilities
- redeveloping the rehabilitation management system, including drafting policies and procedures and conducting capability assessments for the rehabilitation case managers
- conducting an external audit of the rehabilitation management system, resulting in 92 per cent compliance, an improvement of 22 percentage points compared to the previous audit in 2015–16
- offering influenza virus vaccinations to all employees, resulting in 52 per cent of employees being vaccinated, an increase of nine percentage points compared to 2015–16
- engaging a new employee assistance program provider and promoting the program and the tools provided
- conducting a pilot resilience training program aimed at providing employees and managers with the tools to manage and respond to change effectively.

During 2016–17, Geoscience Australia reported three notifiable incidents to Comcare. Two required no further action; one required formal investigation that resulted in the issuing of one Comcare statutory notice. Of the three notifications, one related to electrical-related incidents, one to a motor vehicle related incident and one to exposure to hazardous chemicals.

Disability reporting mechanisms

Disability reporting is included in the Australian Public Service Commission's annual *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available on the Australian Public Service Commission's website (www.apsc.gov.au).

The National Disability Strategy 2010–2020 sets out a 10-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 tracks progress against each of the six outcome areas of the strategy and presents a picture of how people with a disability are faring. Reports are available on the Department of Social Services website (www.dss.gov.au).

Purchasing

During 2016–17, Geoscience Australia undertook its procurements in accordance with the Commonwealth Procurement Rules and the requirements of its Accountable Authority Instructions.

Geoscience Australia supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise and small enterprise participation statistics are available on the Department of Finance's website (www.finance.gov.au).

Geoscience Australia recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website (www.treasury.gov.au).

Consultants

During 2016-17, Geoscience Australia entered into 13 new consultancy contracts; total consultancy expenditure was \$0.532 million (GST exclusive). No ongoing consultancy contracts were active during 2016-17.

Geoscience Australia's policy on selecting and engaging consultants and approving expenditure takes into account all relevant legislation, the Commonwealth Procurement Rules and Geoscience Australia's Accountable Authority Instructions.

The procurement method is determined having regard to the cost, value for money and nature of the work involved.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

The Chief Executive Officer did not exempt any contract let during 2016-17 from publication on AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

All contracts valued at \$100 000 or more (GST inclusive) let during 2016-17 allowed for the Auditor-General to have access to the contractor's premises.

Grant programs

Information on grants awarded by Geoscience Australia during 2016-17 is available on the organisation's website (www.ga.gov.au/about).

Advertising and market research

During 2016-17, Geoscience Australia did not pay advertising agencies or marketing, polling or direct mail organisations above the reporting threshold of \$13 000 per payment (GST inclusive).



CHAPTER NINE

GEOSCIENCE AUSTRALIA FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Resources and Northern Australia

Opinion

In my opinion, the financial statements of Geoscience Australia for the year ended 30 June 2017:

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

The financial statements of Geoscience Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement;
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Peter Kerr

Executive Director

Delegate of the Auditor-General


Canberra

6 September 2017

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that Geoscience Australia will be able to pay its debts as and when they fall due.

Signed 

Dr James Johnson
Chief Executive Officer

06/09/2017

Signed..... 

Vanessa Graham
Chief Finance and Human
Resources Officer

06/09/2017

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Statement of Comprehensive Income*for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	72,557	75,719	74,392
Suppliers	1.1B	109,902	93,047	111,908
Depreciation and amortisation	3.2A	6,120	8,525	8,136
Finance costs - unwinding of discount	3.4A	13	17	50
Write-Down and Impairment of Assets	1.1C	171	10	-
Foreign Exchange Losses		-	10	-
Losses from asset sales		25	114	-
Total expenses		188,788	177,442	194,486
Own-Source Income				
Own-source revenue				
Sale of Goods and Rendering of Services	1.2A	38,144	41,236	41,890
Interest		-	9	-
Rental Income	1.2B	47	-	-
Other Revenue	1.2C	662	702	92
Total own-source revenue		38,853	41,947	41,982
Gains				
Reversal of write-downs and impairment	1.2D	6	5	-
Total gains		6	5	-
Total own-source income		38,859	41,952	41,982
Net cost of services		(149,929)	(135,490)	(152,504)
Revenue from Government	1.2E	142,619	121,258	139,668
Deficit on continuing operations		(7,310)	(14,232)	(12,836)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		5,962	(315)	-
Total other comprehensive income		5,962	(315)	-
Total comprehensive loss attributed to the Australian Government		(1,348)	(14,547)	(12,836)

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Statement of Financial Position

as at 30 June 2017

		2017	2016	Original Budget
	Notes	\$'000	\$'000	\$'000
ASSETS				
Financial assets				
Cash and Cash Equivalents		2,253	2,447	2,500
Trade and Other Receivables	3.1A	77,425	82,049	51,772
Accrued revenue		2,172	1,441	1,270
Total financial assets		81,850	85,937	55,542
Non-financial assets				
Land	3.2A	1,255	1,240	765
Buildings	3.2A	365	365	325
Leasehold improvements	3.2A	9,840	2,737	9,369
Heritage and cultural	3.2A	2,254	2,254	2,365
Plant and equipment	3.2A	30,975	26,323	28,439
Computer software	3.2A	305	1,306	1,644
Prepayments		7,051	4,449	4,896
Total non-financial assets		52,045	38,674	47,803
Total assets		133,895	124,611	103,345
LIABILITIES				
Payables				
Suppliers	3.3A	32,731	23,613	30,818
Other Payables	3.3B	51,459	57,882	34,205
Total payables		84,190	81,495	65,023
Provisions				
Employee Provisions	5.1A	26,071	27,635	26,898
Other Provisions	3.4A	1,990	728	700
Total provisions		28,061	28,363	27,598
Total liabilities		112,251	109,858	92,621
Net assets		21,644	14,753	10,724
EQUITY				
Contributed equity		45,731	37,492	45,732
Reserves		13,775	7,813	8,128
Accumulated deficit		(37,862)	(30,552)	(43,136)
Total equity		21,644	14,753	10,724

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Statement of Changes in Equity

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
CONTRIBUTED EQUITY				
Opening balance		37,492	32,926	37,494
Transactions with owners				
Contributions by owners				
Equity injection - Appropriations	4.1A	3,700	10	3,700
Departmental capital budget	4.1A	4,539	4,556	4,539
Total transactions with owners		8,239	4,566	8,239
Other movements		-	-	(1)
Closing balance as at 30 June		45,731	37,492	45,732
RETAINED EARNINGS				
Opening balance		(30,552)	(16,320)	(30,300)
Comprehensive income				
Deficit for the period		(7,310)	(14,232)	(12,836)
Total comprehensive income		(7,310)	(14,232)	(12,836)
Closing balance as at 30 June		(37,862)	(30,552)	(43,136)
ASSET REVALUATION RESERVE				
Opening balance		7,813	8,128	8,128
Comprehensive income				
Other comprehensive income				
Change in make good provision	3.4A	(1,150)	(111)	-
Revaluation and impairments	3.2A	7,112	(204)	-
Total comprehensive income		5,962	(315)	-
Closing balance as at 30 June		13,775	7,813	8,128
TOTAL EQUITY				
Opening balance		14,753	24,734	15,322
Comprehensive income				
Deficit for the period		(7,310)	(14,232)	(12,836)
Other comprehensive income				
Change in make good provision	3.4A	(1,150)	(111)	-
Revaluation and impairments	3.2A	7,112	(204)	-
Total comprehensive income		(1,348)	(14,547)	(12,836)
Transactions with owners				
Contributions by owners				
Equity injection - Appropriations	4.1A	3,700	10	3,700
Departmental capital budget	4.1A	4,539	4,556	4,539
Total transactions with owners		8,239	4,566	8,239
Other movements		-	-	(1)
Closing balance as at 30 June		21,644	14,753	10,724

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Accounting Policy*Equity Injections*

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

Cash Flow Statement*for the period ended 30 June 2017*

	2017	2016	Original Budget
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	191,719	167,032	188,667
Sale of goods and rendering of services	36,799	39,974	35,330
Interest	-	9	-
Net GST received	7,765	7,281	7,927
Other	689	612	-
Total cash received	236,972	214,908	231,924
Cash used			
Employees	73,612	77,610	73,619
Suppliers	114,528	97,742	108,338
Net GST paid	-	-	7,927
Section 74 receipts transferred to OPA	47,039	39,934	35,330
Total cash used	235,179	215,286	225,214
Net cash from operating activities	1,793	(378)	6,710
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	2	1	-
Total cash received	2	1	-
Cash used			
Purchase of property, plant and equipment	8,938	4,146	13,549
Purchase of intangibles	126	267	1,400
Total cash used	9,064	4,413	14,949
Net cash used by investing activities	(9,062)	(4,412)	(14,949)
FINANCING ACTIVITIES			
Cash received			
Other	19	-	-
Appropriations - Contributed equity	2,517	10	3,700
Appropriations - Departmental capital budget	4,539	4,556	4,539
Total cash received	7,075	4,566	8,239
Net cash from financing activities	7,075	4,566	8,239
Net decrease in cash held	(194)	(224)	-
Cash and cash equivalents at the beginning of the reporting period	2,447	2,671	2,500
Cash and cash equivalents at the end of the reporting period	2,253	2,447	2,500

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

Variance commentary is consolidated in the Departmental Budget Variance Commentary note.

Administered Schedule of Comprehensive Income*for the period ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	Original Budget \$'000
NET COST OF SERVICES				
Expenses				
Grants	2.1A	20	20	20
Total expenses		<u>20</u>	<u>20</u>	<u>20</u>
Net cost of services		<u>(20)</u>	<u>(20)</u>	<u>(20)</u>
Total comprehensive loss		<u>(20)</u>	<u>(20)</u>	<u>(20)</u>

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

Administered Reconciliation Schedule			
	Notes	2017 \$'000	2016 \$'000
Opening assets less liabilities as at 1 July		-	-
Net cost of services			
Expenses			
Payments to entities other than corporate Commonwealth entities		(20)	(20)
Transfers from the Australian Government			
Appropriation transfers from Official Public Account			
Annual appropriations			
Payments to entities other than corporate Commonwealth entities		20	20
Closing assets less liabilities as at 30 June		-	-
The above schedule should be read in conjunction with the accompanying notes.			
Accounting Policy			
<i>Administered Cash Transfers from the Official Public Account</i>			
Cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.			

Administered Cash Flow Statement*for the period ended 30 June 2017*

	2017	2016
Notes	\$'000	\$'000
OPERATING ACTIVITIES		
Cash used		
Grants	20	20
Total cash used	20	20
Net cash used by operating activities	(20)	(20)
Cash from Official Public Account		
Appropriations	20	20
Total cash from official public account	20	20
Cash and cash equivalents at the end of the reporting period	-	-
This schedule should be read in conjunction with the accompanying notes.		

Departmental Budget Variance Commentary

The financial statements provide a comparison of the original budget as presented in the 2016-17 Portfolio Budget Statements (PBS) to the 2016-17 final outcome as presented in accordance with Australian Accounting Standards for Geoscience Australia. The Budget is not audited.

Variances are considered to be 'major' based on the following criteria:

- (a) the variance between budget and actual is greater than +/-10% of the budget for the line item; or
- (b) the variance between budget and actual is greater than +/-2% of the sub-total (i.e. total expenses, total income, total assets or total liabilities); or
- (c) the variance between budget and actual is below this threshold but is considered important for the reader's understanding, or it is sensitive or relates to a large offsetting movement.

In some instances, a budget has not been provided for in the PBS, for example non-cash items such as asset revaluations, foreign exchange and sale of asset adjustments.

Unless the variance is considered 'major' no explanation has been provided.

Statement of Comprehensive Income

Depreciation and amortisation expenses are lower than budget (25%) as a result of delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade.

Total expenses are lower than budget (3%) primarily due to lower depreciation and amortisation expenses (explained above).

Sales of goods and rendering of services income is lower than budget (9%) due to delays in some anticipated work, including Lord Howe Rise offshore surveys and drilling projects, offset by new projects not anticipated in the budget.

Other revenue reflects salary sacrifice contributions from employees not included in the budget.

Total own-source revenue is lower than budget (8%) largely due to delays in some anticipated work (explained above).

The **Deficit on continuing operations** is an improvement on budget (\$5.5 million) mainly due to lower total expenses and additional revenue from Government included in 2016-17 Portfolio Additional Estimates Statements for the National Positioning Infrastructure Program (\$3.0 million), offset by lower sales of goods and rendering of services revenue.

Statement of Financial Position

Cash and cash equivalents are lower than budget reflecting the cash held position at 30 June 2017.

Trade and other receivables are significantly higher than budget largely as a result of increases in unearned revenue from Commonwealth and State Government income streams which were not anticipated in the budget and higher GST receivable and Trade receivables due to a greater volume of services completed and invoiced than estimated in the budget.

Accrued revenue is higher than budget (\$0.9 million) mainly due to a greater volume of completed services not invoiced than estimated in the budget.

Total financial assets are higher than budget primarily as a result of higher receivables and accrued revenue (explained above).

Non-financial assets are higher than budget by (9%) mainly as a result of increases to land, buildings, leasehold improvements and plant and equipment due to the asset revaluation undertaken at 30 June 2017, offset by delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade.

Computer software is lower than budget (\$1.3 million) due to lower than anticipated capital spending for 2016-17.

Prepayments are higher than budget (\$2.2 million) largely due to a greater volume of services paid in advance of completion.

Total payables are higher than budget (29%) primarily due to an increase in other payables (51%) predominately reflecting increases in unearned revenue from Commonwealth and State Government income streams not anticipated in the budget.

Other provisions are higher than budget (\$1.3 million) due to the revaluation of make good provisions at 30 June 2017.

Statement of Changes in Equity

Equity is significantly higher than budget, mainly due to:

- a) **Reserves** being higher as a result of the revaluation at 30 June 2017 of property, plant and equipment assets, offset by the increase in make good provision, none of which was anticipated in the budget; and
- b) **Accumulated deficit** having improved on the budget, reflecting the improvement in the deficit on continuing operations (as explained in Statement of Comprehensive Income section).

Cash Flow Statement

Total cash received from operating activities is higher than budget (2%) primarily reflecting increased **appropriations** from Government included in 2016-17 Portfolio Additional Estimates Statements for the National Positioning Infrastructure Program (\$3.0 million).

Total cash used for operating activities is higher than budget (4%) mainly due to increased section 74 receipts returned to the OPA and GST received and used being separated in the budget instead of being reported as a net amount.

Total cash used for investing activities is lower than budget (39%) mainly due to lower **purchases of property, plant and equipment** as a result of: delays in anticipated capital expenditure on the Symonston Building Refresh Project, equipment purchases and antenna upgrade (\$4.6 million); and lower **purchases of intangibles** (\$1.3 million) than anticipated.

Appropriations - Contributed equity is lower than budget due to delays with equipment purchases for the Exploring for the Future measure and the deferral of the Trans-Pacific Partnership measure changes to procurement systems.

Overview

Objectives of the Entity

Geoscience Australia (GA) is an Australian Government controlled entity. It is a not-for-profit entity. The objective of GA is to assist government and the community to make informed decisions about the use of natural resources, the management of the environment and community safety.

GA is structured to meet a single outcome: to inform government, industry and community decisions on the economic, social and environmental management of the nation's natural resources through enabling access to geoscientific and spatial information.

The continued existence of the entity in its present form and with its present programmes is dependent on Government policy and on continued funding by Parliament for the entity's administration and programmes.

GA's activities contributing toward this outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the entity in its own right. Administered activities involve the management or oversight by the entity, on behalf of the Government, of items controlled or incurred by the Government.

GA administers a grant to the International Geological Correlation Program on behalf of the Government.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The financial statements have been prepared in accordance with:

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

GA's financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. 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, unless disclosure of the full amount is specifically required.

New Accounting Standards Requirements

Adoption of New Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards issued by the Australian Accounting Standards Board are applicable and adopted in this reporting period.

AASB 124 Related Party Disclosures

AASB 13 Fair Value Measurement

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards issued by the Australian Accounting Standards Board are applicable and are expected to have a material impact on GA's financial statements for the future reporting periods.

AASB 9 Financial Instruments (effective date 1 January 2018)

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (effective date 1 January 2018)

AASB 15 Revenue from Contracts with Customers (effective date 1 January 2018)

AASB 16 Leases (effective date 1 January 2019)

AASB 1058 Income of Not-for-Profit Entities (effective date 1 January 2019)

Taxation

GA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses, assets and liabilities 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 creditors.

Reporting of Administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Events After the Reporting Period

There were no events occurring after 30 June 2017 that would have material impact on both departmental and administered financial statements.

Departmental Financial Performance

This section analyses the financial performance of Geoscience Australia for the year ended 2017.

1.1 Expenses

	2017	2016
	\$'000	\$'000
1.1A: Employee Benefits		
Wages and salaries	55,561	55,103
Superannuation		
Defined contribution plans	4,746	4,497
Defined benefit plans	5,551	7,704
Leave and other entitlements	4,580	6,924
Separation and redundancies	2,119	1,491
Total employee benefits	72,557	75,719

Accounting Policy

Accounting policies for employee related expenses are contained in 5.1A Employee Provisions

1.1B: Suppliers

Goods and services supplied or rendered

Consultants	532	628
Contractors	38,995	27,778
Travel	4,543	3,846
IT services	22,985	16,962
Property operating	5,695	6,495
Office supplies	971	972
Direct operational costs	3,990	3,928
Other	5,082	5,979
Total goods and services supplied or rendered	82,793	66,588

Goods supplied

	3,505	3,687
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Services rendered

	79,288	62,901
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Total goods and services supplied or rendered

	82,793	66,588
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Other suppliers

Operating lease rentals	26,660	26,124
Workers compensation expenses	449	335
Total other suppliers	27,109	26,459
Total suppliers	109,902	93,047

Leasing commitments

GA's operating lease commitments are primarily for accommodation which are under operating lease agreements. The major lease is for the Symonston Office in Canberra with a lease expiry date of 31 May 2032.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within 1 year	23,943	25,264
Between 1 to 5 years	110,068	106,777
More than 5 years	335,322	364,064
Total operating lease commitments	469,333	496,105

Accounting Policy

All leases in GA are operating leases, as the risks and benefits are substantially retained with the lessor.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets. Lease incentives are recognised as other payables and amortised over the life of the lease on a straight line basis.

1.1C: Write-Down and Impairment of Assets

Impairment of financial instruments	-	2
Impairment of intangible assets	-	8
Revaluation decrements	171	-
Total write-down and impairment of assets	171	10

1.2 Own-Source Revenue and gains

	2017	2016
	\$'000	\$'000

Own-Source Revenue**1.2A: Sale of Goods and Rendering of Services**

Sale of goods	505	492
Rendering of services	37,639	40,744
Total sale of goods and rendering of services	38,144	41,236

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) GA retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction flow to GA.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefit associated with the transaction will flow to GA.

The stage of completion of contracts at the reporting date is determined by reference to:

- a) surveys of work performed;
- b) services performed to date as a percentage of total services to be performed; or
- c) the proportion of costs incurred to date to the estimated total costs of the transaction.

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

1.2B: Rental Income

Operating lease		
Other	47	-
Total rental income	47	-

Subleasing rental income commitments

GA has subleased the childcare centre area at GA's Symonston Office in Canberra. The underlease has a 10 year initial term expiring on 30 April 2027, with the option to extend for a further 5 years.

Commitments for sublease rental income receivables are as follows:

Within 1 year	39	-
Between 1 to 5 years	931	-
More than 5 years	-	-
Total sublease rental income commitments	970	-

1.2C: Other Revenue

Audit fees	94	90
Employee Contributions (Salary sacrifice arrangements)	510	538
Other	58	74
Total other revenue	662	702

Accounting Policy**Resources Received Free of Charge**

Resources received free of charge are recognised as revenue 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.

	2017 \$'000	2016 \$'000
Gains		
<u>1.2D: Reversal of write-downs and impairment</u>		
Reversal of impairment losses	6	5
Total reversals of previous asset write-downs and impairments	6	5
<u>1.2E: Revenue from Government</u>		
Appropriations		
Departmental appropriations	142,619	121,258
Total revenue from Government	142,619	121,258

Accounting Policy*Revenue from Government*

Amounts appropriated for departmental expenses for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when GA gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Income and Expenses Administered on Behalf of Government

This section analyses the activities that Geoscience Australia does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

2.1 Administered - Expenses

	2017 \$'000	2016 \$'000
2.1A: Grants		
Private sector		
Not-for-profit organisations	20	20
Total grants	<u>20</u>	<u>20</u>

Accounting Policy

GA administers a grant to the International Geological Correlation Program on behalf of the Government.

Departmental Financial Position

This section analyses Geoscience Australia's assets used to conduct its operations and the operating liabilities incurred as a result.
Employee related information is disclosed in the People and Relationships section.

3.1 Financial Assets

	2017 \$'000	2016 \$'000
3.1A: Trade and Other Receivables		
Goods and services receivables		
Goods and services	7,455	9,403
Total goods and services receivables	7,455	9,403
Appropriations receivable		
Appropriation receivable	67,206	68,084
Total appropriations receivable	67,206	68,084
Other receivables		
Statutory receivables	2,355	1,295
Other	409	3,269
Total other receivables	2,764	4,564
Total trade and other receivables (gross)	77,425	82,051
Less impairment allowance	-	(2)
Total trade and other receivables (net)	77,425	82,049

Credit terms for goods and services were within 30 days (2016: 30 days).

Accounting Policy

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Reconciliation of the Impairment Allowance

Movements in relation to 2017

	Goods and services \$'000
As at 1 July 2016	(2)
Amounts written off	-
Amounts recovered and reversed Increase/ (Decrease) recognised in net cost of services	-
Total as at 30 June 2017	2
	-

Movements in relation to 2016

	Goods and services \$'000
As at 1 July 2015	(24)
Amounts written off	16
Amounts recovered and reversed Increase/ (Decrease) recognised in net cost of services	8
Total as at 30 June 2016	(2)
	(2)

Accounting Policy

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

3.2 Non-Financial Assets

3.2A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Heritage and cultural ¹ \$'000	Plant and equipment \$'000	Computer Software \$'000	Total \$'000
As at 1 July 2016							
Gross book value	1,240	365	4,428	2,254	39,601	9,059	56,947
Accumulated depreciation, amortisation and impairment	-	-	(1,691)	-	(13,278)	(7,753)	(22,722)
Total as at 1 July 2016	1,240	365	2,737	2,254	26,323	1,306	34,225
Additions							
Purchase	-	-	3,147	-	6,698	126	9,971
Revaluations and impairments recognised in other comprehensive income	15	19	4,417	-	2,661	-	7,112
Revaluations recognised in net cost of services	-	-	-	-	(171)	-	(171)
Reversal of impairments recognised in net cost of services	-	-	-	-	-	4	4
Depreciation and amortisation	-	(19)	(461)	-	(4,526)	(1,114)	(6,120)
Disposals - Other	-	-	-	-	(10)	(17)	(27)
Total as at 30 June 2017	1,255	365	9,840	2,254	30,975	305	44,994
Total as at 30 June 2017 represented by							
Gross book value	1,255	365	9,840	2,254	30,975	8,670	53,359
Accumulated depreciation, amortisation and impairment	-	-	-	-	-	(8,365)	(8,365)
Total as at 30 June 2017	1,255	365	9,840	2,254	30,975	305	44,994

1. Land, buildings and other property, plant and equipment that met the definition of a heritage and cultural item were disclosed in the heritage and cultural asset class.

Heritage and Cultural item were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: no indicators of impairment were found)
Land, Buildings - Leasehold improvement assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: \$481,000)

Plant and equipment assets were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment were found in 2017 (2016: \$109,000)
Intangibles were assessed for impairment in accordance with the impairment policy stated below. No indicators of impairment for purchased software were found in 2017 (2016: nil)

Property, plant and equipment replaced in the building refurbishment will be disposed of over the next 12 months. No intangibles are expected to be sold or disposed of within the next 12 months.

Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated below. Land, Buildings and Leasehold improvement assets were revalued in 2017 with a revaluation increment of \$4,451,000 credited to the Asset Revaluation Reserve and included in Other Comprehensive Income (2016: Land and Buildings were revalued with a revaluation increment of \$481,000). Plant and equipment assets were revalued in 2017 with a revaluation increment of \$2,490,000 credited to the Asset Revaluation Reserve and included in Other Comprehensive Income (2016: no revaluation). Heritage and cultural assets were revalued in 2017 with no fair value changes (2016: Revalued with \$111,000 revaluation decrement).

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

Property, plant, equipment and intangible assets commitments total \$826,052.

Accounting judgements and Estimates***Land and buildings***

The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer (Australian Valuation Solutions). It is estimated that the land will continue to be used for research activities and buildings held for specialised purposes.

Property, plant and equipment

The fair value of property, plant and equipment has been assessed by the independent valuer (Australian Valuation Solutions). In some cases, there is insufficient observable market evidence and non-market approaches are utilised.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. 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.

Tangible Assets**Asset Recognition Threshold**

Purchases of leasehold improvements and plant and equipment are recognised initially at cost in the Statement of Financial Position, except for assets costing less than the relevant asset recognition threshold. Asset recognition thresholds can be found in the table below.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent 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 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 accumulated depreciation and accumulated impairment as at the revaluation date are eliminated against the gross carrying amount of the asset and the asset is 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 the entity using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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 and methods:

Asset Type	Threshold	2017	2016
Building on freehold land	N/A	40 years	40 years
Leasehold improvements	\$25,000	7 years	7 years
Plant and equipment	\$2,500	4-25 years	4-25 years
Collections	\$2,500	Indefinite	Indefinite

Impairment

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

The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 the entity 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 further future economic benefits are expected from its use or disposal.

Intangible Assets

GA's intangibles comprise software. These assets, except for purchases costing less than \$2,500, 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) 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 GA's software are 2 to 6 years (2016: 2 to 6 years).

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

Heritage and Cultural Assets

The key objective of GA's collection is to maintain geoscience knowledge and capability. GA's heritage and cultural assets comprise:

- a collection of minerals which are primarily held for public exhibition and education; and
- the Commonwealth Paleontological Collection (CPC) – which includes internationally recognised reference specimens used to define fossil species under the International Codes of Botanical and Zoological Nomenclature. Such assets are irreplaceable and have indefinite useful lives.

GA's Collections Management Policy uses accepted best practice standards and guidelines including those of SPECTRUM¹, ICOM² and Museums Australia³ to manage GA's collection.

Geoscience Australia museum has registered as a Deductible Gift Recipient (DGR) and the Cultural Gifts Program (CGP) during this reporting period.

Collections not recognised as assets

Through the process of national geological mapping, both onshore and in Australia's marine jurisdiction, and the national stewardship of cores, cuttings, and other samples and data submitted to that agency under the Petroleum Search Subsidy Act [PSSA] 1957-1961, Petroleum [Submerged Lands] Act 1967 amended, and the Offshore Petroleum and Greenhouse Gas Storage Act 2006, GA has diverse and comprehensive geoscience collections used for scientific research and analysis purposes. The collections have been acquired since the inception of GA's forerunner organisation, the Bureau of Mineral Resources, Geology and Geophysics (BMS), in 1946.

The rock and core collections include:

- geological reference samples of surface rock and cores collected during the mapping of Australia;
- physical cores and cuttings samples from offshore petroleum wells and stratigraphic boreholes;
- oil, gas and other fluid samples submitted under the various petroleum legislation.

Numerous data collections are maintained including fundamental types such as:

- two and three dimensional seismic and non-seismic geophysical data;
- satellite earth observation data;
- geospatial data particularly geodetic data for positioning purposes; and
- elevation and bathymetry.

These are national, and in some cases international CPC collections that have enduring scientific value for the nation. These collections are deemed irreplaceable, with an indefinite useful life. They are not recognised as assets of GA as their value is not reliably measureable.

1. <http://obs-traffic.museum/spectrum-uk-museum-documentation-standard-1>
2. http://icom.museum/fileadmin/user_upload/pdf/Codes/code_ethics2013_eng.pdf
3. https://www.museumsaustralia.org.au/sites/default/files/uploaded-content/website-content/SubmissionsPolicies/ma_code_of_ethics_1999.pdf

3.3 Payables

	2017	2016
	\$'000	\$'000
3.3A: Suppliers		
Trade creditors	282	75
Accruals	10,318	6,115
Operating lease rentals	22,131	17,423
Total suppliers	32,731	23,613
Supplier payables are settled within 30 days (2016: 30 days).		
3.3B: Other Payables		
Salaries and wages	753	397
Superannuation	80	44
Separations and redundancies	177	78
Lease incentive	15,841	19,556
Prepayments received/unearned income	34,343	37,704
Other	265	103
Total other payables	51,459	57,882
Total payables	84,190	81,495

Accounting PolicyPrepayments received/unearned income

Unearned income represents receipts for goods or services that are not recognised as revenue at reporting date.

Lease incentive

Operating Lease incentives are recognised as an integral part of the net consideration agreed for the use of the leased asset and the rental reduction is recognised over the lease term on a straight-line basis. Lease incentives in other payables represent lease incentives received but not recognised at reporting date.

3.4 Other Provisions**3.4A: Other Provisions**

	Provision for maintenance \$'000	Provision for restoration \$'000	Total \$'000
As at 1 July 2016	-	728	728
Additional provisions made	99	-	99
Change in make good provision	-	1,150	1,150
Finance costs - unwinding of discount	-	13	13
Total as at 30 June 2017	99	1,891	1,990

GA currently has 3 (2016: 3) agreements for the leasing of premises which have provisions requiring the entity to restore the premises to their original condition at the conclusion of the lease. Provision has been made to reflect the present value of this obligation.

Funding

This section identifies Geoscience Australia's funding structure.

4.1 Appropriations

4.1A: Annual Appropriations ('Recoverable GST exclusive')

Annual Appropriations for 2017

	Annual Appropriation \$'000	Adjustments to appropriation ¹ \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	142,619	38,394	181,013	182,389	(1,376)
Capital Budget ³	4,539	-	4,539	4,691	(152)
Other services					
Equity Injections	3,700	-	3,700	2,517	1,183
Total departmental	150,858	38,394	189,252	189,597	(345)
Administered					
Administered items	20	-	20	20	-
Total administered	20	-	20	20	-

1. PGPA Act Section 74 receipts

2. In 2016-17, the departmental variance was predominantly driven by Section 74 program spending for which receipts were received in previous years.

3. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

Annual Appropriations for 2016

	Annual Appropriation \$'000	Adjustments to appropriation ¹ \$'000	Total appropriation \$'000	Appropriation applied in 2016 (current and prior years) \$'000	Variance ² \$'000
Departmental					
Ordinary annual services	121,258	39,933	161,191	167,601	(6,410)
Capital Budget ³	4,556	-	4,556	4,404	152
Equity Injections	10	-	10	10	-
Total departmental	125,824	39,933	165,757	172,015	(6,258)
Administered					
Administered items	20	-	20	20	-
Total administered	20	-	20	20	-

1. PGPA Act Section 74 receipts.

2. In 2015-16, the departmental variance was predominantly driven by Section 74 program spending for which receipts were received in previous years.

3. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

NB: Comparatives have been adjusted for prior year errors of \$1,000 reported under adjustments to appropriation, \$592,000 for ordinary annual services and \$152,000 for capital reported under Appropriation applied in 2015-16.

4.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2017 \$'000	2016 \$'000
Departmental		
Appropriation Act (No. 1) 2015-16	-	68,084
Appropriation Act (No. 1) 2015-16 - Cash on hand	-	2,447
Appropriation Act (No. 1) 2016-17	63,072	-
Appropriation Act (No. 2) 2016-17	1,183	-
Appropriation Act (No. 3) 2016-17	2,951	-
Appropriation Act (No. 1) 2016-17 - Cash on hand	2,253	-
Total departmental	69,459	70,531

People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

5.1 Employee Provisions

	2017 \$'000	2016 \$'000
5.1A: Employee Provisions		
Leave	23,501	26,026
Separations and redundancies	1,766	805
Superannuation	804	804
Total employee provisions	26,071	27,635

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits which are expected to be settled within twelve months of the end of the reporting period are measured at the amount expected to be paid on settlement.

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.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including GA'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 determined by the short-hand method outlined in the Resource Management Guide No 125 - Commonwealth Entities Financial Statements Guide and the recommended probability factors have been applied, along with a discount factor which is the combination of a salary growth rate and the Government 10 years bond rate. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. GA recognises a provision for redundancy when it has developed a formal plan and has informed employees.

Superannuation

GA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

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

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

GA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

5.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. GA has determined its key management personnel to be the Chief Executive Officer, Chiefs of Division and General Managers. Key management personnel remuneration is reported in the table below:

	2017 \$'000
Short-term employee benefits	1,830
Post-employment benefits	345
Other long-term employee benefits	259
Total key management personnel remuneration expenses¹	2,434

The total number of key management personnel that are included in the above table is 16 (2016: disclosure not required).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

5.3 Related Party Disclosures

Related party relationships:

GA is an Australian Government controlled entity. Related parties to GA's Key Management Personnel include the Portfolio Minister and Executive.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes. These transactions have not been separately disclosed in this note.

There are no transactions with Key Management Personnel besides remuneration disclosed in note 5.2 and travel allowances paid in the ordinary course of business. A related party of an Executive is also employed by the entity, and is remunerated in a manner consistent with normal employee relationships.

There are no material transactions with Australian Government entities occurred during the financial year and material outstanding balances forming part of the Statement of Financial Position.

There are no related party transactions by Ministers requiring disclosure by GA for 2016-17.

Managing uncertainties

This section analyses how Geoscience Australia manages financial risks within its operating environment.

6.1 Contingent Assets and Liabilities

There are no contingent assets and liabilities in either the current or prior year.

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the 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.

6.2 Financial Instruments

	2017 \$'000	2016 \$'000
6.2A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	2,253	2,447
Goods and services receivables (net)	7,455	9,401
Total loans and receivables	<u>9,708</u>	<u>11,848</u>
Total financial assets	<u>9,708</u>	<u>11,848</u>
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors and Accrual	10,600	6,190
Total financial liabilities measured at amortised cost	<u>10,600</u>	<u>6,190</u>
Total financial liabilities	<u>10,600</u>	<u>6,190</u>
6.2B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Impairment	(2)	2
Net gains/ (losses) on loans and receivables	<u>(2)</u>	<u>2</u>
Net gains on financial assets	<u>(2)</u>	<u>2</u>

The net interest income/expense from financial assets not at fair value through profit or loss is nil. (2016: \$9).

6.2C: Net Gains or Losses on Financial Liabilities

Financial liabilities measured at amortised cost		
Exchange gains/ (losses)	-	10
Net gains/ (losses) on financial liabilities measured at amortised cost	<u>-</u>	<u>10</u>
Net losses from financial liabilities	<u>-</u>	<u>10</u>

There is no net interest income/expense from financial liabilities not at fair value through profit or loss (2016: nil).

Accounting Policy

Financial assets

GA classifies its financial assets depending on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

All financial assets have been classified as 'loans and receivables' as they have fixed or determinable payments that are not quoted in an active market.

Receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

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

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'.

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

6.2D Fair Value of Financial Instruments

The net fair values of the financial assets and liabilities are at their carrying amounts. GA generally derived no interest income from financial assets, except interest paid by the ATO due to a late BAS refund. The amounts are immaterial.

6.3 Fair Value Measurement**Accounting Policy**

GA engaged the service of the Australian Valuation Solutions (AVS) to conduct a comprehensive revaluation of GA's non-financial assets as 30 June 2017 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. AVS has provided written assurance to GA that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

Physical Depreciation and Obsolescence - Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under this approach the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

GA's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

6.3A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2017 \$'000	2016 \$'000
Non-financial assets ¹		
Land ⁴	1,255	1,240
Building ⁵	365	365
Leasehold Improvements ⁵	9,172	2,618
Infrastructure, Plant and Equipment ²	2,079	1,899
Infrastructure, Plant and Equipment ⁵	23,963	23,763
Heritage and Cultural Collection ²	2,054	2,054
Heritage and Cultural Collection (CPC Collection) ²	200	200
Work in Progress - Leasehold Improvements ³	668	119
Work in Progress - Infrastructure, Plant & Equipment ³	4,933	661
Total fair value measurements of assets in the statement of financial position	44,689	32,919

1. Geoscience Australia engaged the service of the Australian Valuation Solutions (AVS) to conduct a comprehensive revaluation of all non-financial assets at 30 June 2017 and has relied upon those outcomes to establish carrying amounts.

2. Valuation technique used: Level 2 - Market Approach

3. Valuation technique used: Level 2 - Replacement Cost

4. Valuation technique used: Level 3 - Market Approach

5. Valuation technique used: Level 3 - Depreciated Replacement Cost

Other information

7.1 The Cooperative Research Centres (CRC)

7.1A: The Cooperative Research Centres (CRC)

All CRC's have been classified as joint operations as their purpose is for the pursuit of collaborative scientific research where participants share in the scientific outcomes and outputs of the CRC.

GA's total cash and in-kind contribution (e.g. staff and use of assets) to CRC from its own resources was \$3.460 million for the year (2016¹: \$3.765 million). Contributions made by GA are expensed as incurred and these are included in the Statement of Comprehensive Income.

No contingent liabilities were reported by the CRC's in which GA is a participant.

GA is a participant in the following CRC's as at 30 June 2017:

Name of the CRC	Expected Termination Date ²
CRC Spatial Information	30/06/2018
Bushfire and Natural Hazards CRC ³	30/06/2017
CO2CRC ³	30/06/2017

1. In the 2015-16 Financial Statements this amount included \$0.312 million for the National Environment Research Program which is not a CRC program.

2. Expected termination date for GA participation.

3. Agreements are expected to be continued, but had not been signed as at 30 June 2017.

GEOSCIENCE AUSTRALIA APPENDICES

Appendix B1: Entity resource statement

Table 37 provides information on Geoscience Australia's funding sources and reconciles the use of all resources in cash terms by detailing the actual available appropriation and payments made in 2016-17.

Table 37: Entity resource statement, 2016-17

	Actual available appropriation for 2016-17 \$'000 (a)	Payments made 2016-17 \$'000 (b)	Balance remaining 2016-17 \$'000 (a)-(b)
Ordinary annual services¹			
Departmental appropriation ²	256 083	187 807	68 276
Total	256 083	187 807	68 276
Administered expenses			
UN grants-in-aid	20	20	0
Total	20	20	0
Total ordinary annual services	256 103	187 827	68 276
Departmental non-operating			
Equity injections ³	3700	2517	1183
Total	3700	2517	1183
Total available annual appropriations and payments	259 803	190 344	69 459
Total resourcing and payments for Geoscience Australia	259 803	190 344	69 459

1 Includes Appropriation Act (No. 1) 2016-17, section 74 retained revenue receipts of \$38m and \$70m carried forward from Appropriation Act (Nos. 1 and 5) 2015-16.

2 Includes an amount of \$4.5m in 2016-17 for the departmental capital budget. For accounting purposes this amount has been designated as 'contributions by owners'.

3 Includes Appropriation Act (No. 2) 2016-17.

Appendix B2: Expenses and resources for Outcome 1

Table 38 shows the total expenses and resources for Geoscience Australia's outcome in 2016-17.

Table 38: Expenses and resources for Outcome 1, 2016-17

Outcome 1: Informed government, industry and community decisions on the economic, social and environmental management of the nation's natural resources through enabling access to geoscientific and spatial information	Budget' 2016-17 \$'000	Actual Expenses 2016-17 \$'000	Variation 2016-17 \$'000
	(a)	(b)	(a)–(b)
Program 1: Geoscientific and spatial information services			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	20	20	0
Departmental expenses			
Departmental appropriation ²	185 702	178 462	7240
Expenses not requiring appropriation in the budget year	12 191	10 113	2078
Total for Program 1	197 913	188 595	9318
Total expenses for Outcome 1			
	2015-16	2016-17	
Average staffing level (number)	590	562	

1 Full-year budget, including any subsequent adjustment made to the 2016-17 Budget at Additional Estimates.

2 Departmental appropriations combine ordinary annual services (Appropriation Act Nos.1 and 5) and section 74 retained revenue receipts.

Appendix B3: Workforce statistics

Table 39: Ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Geoscience Australia

APS classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 2	0	0	1	0	1	0
APS 3	1	1	1	1	2	2
APS 4	20	18	16	18	36	36
APS 5	47	50	55	52	102	102
APS 6	61	61	83	87	144	148
EL 1	56	55	117	110	173	165
EL 2	21	25	84	81	105	106
SES Band 1	0	0	2	2	2	2
SES Band 2	1	0	3	2	4	2
SES Band 3	0	0	1	1	1	1
Total	207	210	363	354	570	564

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 40: Non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Geoscience Australia

APS classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 2	0	0	0	1	0	1
APS 3	0	0	0	0	0	0
APS 4	3	3	7	2	10	5
APS 5	0	2	1	4	1	6
APS 6	5	4	0	5	5	9
EL 1	6	4	7	6	13	10
EL 2	0	1	2	3	2	4
SES Band 1	0	0	0	0	0	0
SES Band 2	0	1	0	0	0	1
SES Band 3	0	0	0	0	0	0
Total	14	15	17	21	31	36

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 41: Ongoing and non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, Geoscience Australia

APS classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 2	0	0	1	1	1	1
APS 3	1	1	1	1	2	2
APS 4	23	21	23	20	46	41
APS 5	47	52	56	56	103	108
APS 6	66	65	83	92	149	157
EL 1	62	59	124	116	186	175
EL 2	21	26	86	84	107	110
SES Band 1	0	0	2	2	2	2
SES Band 2	1	1	3	2	4	3
SES Band 3	0	0	1	1	1	1
Total	221	225	380	375	601	600

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 42: Ongoing and non-ongoing employees by full-time and part-time status, 30 June 2016 and 30 June 2017, Geoscience Australia

Attendance type	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
Full-time	520	519	24	28	544	547
Part-time	50	45	7	8	57	53
Total	570	564	31	36	601	600

Table 43: Ongoing and non-ongoing employees by location, 30 June 2016 and 30 June 2017, Geoscience Australia

Employee location	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
ACT	565	557	26	36	591	593
WA	1	6	5	0	6	6
NT	2	1	0	0	2	1
Indonesia	2	0	0	0	2	0
Total	570	564	31	36	601	600

Table 44: Indigenous employees, 30 June 2016 and 30 June 2017, Geoscience Australia

Employment status	2016	2017
Ongoing	3	3
Non-ongoing	0	1
Total	3	4

Table 45: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2017, Geoscience Australia

APS classification	Enterprise agreement	Common law contract	Salary range ¹	
			Minimum (\$)	Maximum (\$)
APS 1 (cadets)	0	0	39 714	43 085
APS 2	1	0	49 239	52 614
APS 3	2	0	56 094	59 635
APS 4 (including graduates)	41	0	63 178	115 004
APS 5	108	0	70 375	81 624
APS 6	157	0	81 622	105 819
EL 1	175	0	98 249	160 143
EL 2	110	0	116 758	219 300
SES Band 1 ²	0	2	215 000	222 000
SES Band 2 ²	0	3 ³	250 000	280 000
SES Band 3 ²	0	1	325 000	340 000
Total	594	6		

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

¹ Geoscience Australia also provides staff with a number of non-salary benefits (which are not included under the provisions of the enterprise agreement), such as:

- access to childcare centres (for staff based in Canberra)
- annual influenza immunisation
- early intervention for case management
- a return-to-work program for non-compensable injuries and illnesses
- mentoring programs
- in-house capability development programs
- contributions to relevant professional memberships
- mental health and wellbeing support
- internal and external mobility/secondment opportunities.

² Indicative range used to protect privacy of individual occupants.

³ Includes employee on secondment from the Department of Industry, Innovation and Science.

Appendix B4: Ecologically sustainable development and environmental performance

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires Geoscience Australia to report annually on how its activities accord with and contribute to the principles of ecologically sustainable development and the environmental performance of its internal operations.

Many of Geoscience Australia's activities contribute to an improved understanding of the physical nature and health of the natural environment. See the annual performance statements for more details of specific activities.

Beyond its program activities, Geoscience Australia pursued ecologically sustainable development initiatives in its property and facilities management during 2016–17. The Geoscience Australia building has many ecologically sustainable features, including:

- a geothermal air-conditioning system
- double-glazed windows and doors
- a north–south axis to increase access to natural light
- infrared movement detection for lighting in general office areas
- a large building footprint, allowing for a low ratio of external wall to gross floor area in comparison to high-rise buildings, minimising the impact of external thermal conditions on the air-conditioning system.

Geoscience Australia uses an environmental management system to identify, modify and control environmental impacts in areas such as waste management, recycling and chemical disposal. Monitoring and reporting on water and energy consumption are also incorporated into this system. A voluntary staff committee, the Green Team, assists the organisation to develop a more environmentally friendly workplace by implementing environmentally friendly procedures and practices. The outsourced facilities management contract also focuses on responsible environmental management of the building and facilities.

Environmental initiatives at the Geoscience Australia building during 2016–17 included replacing 209 individual geothermal heat pump units with more modern energy-efficient models. The project also included major modifications to the geothermal piping system and control strategy to increase efficiency. Other property management initiatives included:

- an ongoing commitment in the negotiated lease extension for the lessor to use its best endeavours to upgrade the building to achieve at least a 4-star base building National Australian Built Environment Rating System (NABERS) energy rating
- replacement of the four natural gas fired boilers with modern energy-efficient models
- commencement of a project to replace the 20-year old building control system with a new smart building control management system.

PART C:
IP AUSTRALIA



Australian Government

IP Australia

Senator the Hon Arthur Sinodinos AO
Minister for Industry, Innovation
and Science
Parliament House
CANBERRA ACT 2600

Dear Minister

I present to you the 2016-17 annual report of IP Australia for tabling before the parliament, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

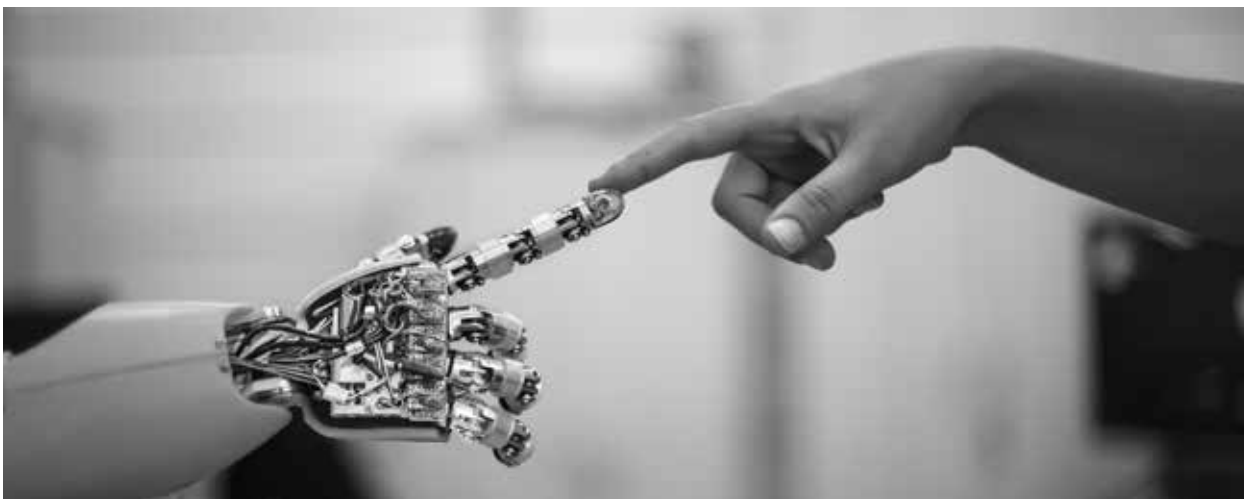
I certify that IP Australia has prepared a fraud risk assessment and fraud control plan; has in place fraud prevention, detection, investigation and reporting mechanisms that meet its needs; and has taken all reasonable measures to appropriately deal with fraud.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Patricia Kelly', written in a cursive style.

Patricia Kelly
15 September 2017

CC: The Hon Craig Laundy MP
Assistant Minister for Industry, Innovation and Science



CHAPTER ELEVEN

IP AUSTRALIA OVERVIEW

IP Australia Director General's review

IP Australia's vision is to create a world-leading intellectual property (IP) system building prosperity for Australia. The vision is supported by our corporate plan, which outlines the steps we will take to ensure we deliver on our commitments to customers and stakeholders.

Our primary objective is to continue to administer the IP rights system efficiently and optimise its operation to serve Australian innovation and business. An effective IP system creates a secure environment for investment in innovation and enables firms to build brand value and capture market share. Importantly, the patents system also encourages the disclosure of inventions and the diffusion of knowledge and technology across the economy.

IP Australia also undertakes IP education and awareness-building initiatives, represents Australian interests in international IP activities, and provides policy advice to government on IP issues. Highlights of our work in 2016-17 are outlined below.

Key achievements

IP rights administration

This year we continued to focus on our core business to deliver an effective framework for the protection of IP rights. We exceeded quality and timeliness service commitments for all four IP rights.

Our commitment to quality improvement was furthered by the creation of the IP Rights Technical Excellence Centre, consolidating the delivery of competency-based technical training programs to examiners. The centre brought all of our technical training delivery functions together in a single section responsible for the design and evaluation of all technical training for IP rights examiners. This will ensure consistency, quality and optimal use of resources in design, development and management of competency-based training across the four IP rights.

We also established a mediation referral service to assist small and medium-sized enterprises to access private sector alternative dispute resolution services. The service consists of a register of qualified, accredited and specialist private sector mediation providers listed on the IP Australia website. The register will provide details on the fees and contact details of each listed provider, allowing parties with IP-related disputes to engage directly with mediators.

Enhancing our customer experience and building awareness

This year we continued to achieve a high customer satisfaction rate of 84%. While this result is pleasing, we continue to work hard to improve our customer experience via a range of service improvements. This year we created a suite of tools designed to provide an easier and more streamlined approach to management of IP rights for customers. We launched a new Australian Trade Mark Search tool, replacing the historical Australian Trade Marks Online Search System (ATMOSS) search tool. This tool delivers a more modern search experience making trade mark searching more accessible for small businesses, innovators and IP professionals overall.

Other important tools introduced this year include Portfolio View, a tool that displays all patent and trade mark rights associated with the user in one simple and easy-to-use location. We also expanded the scope of our virtual assistant, Alex, to cover all four IP rights. To encourage IP research and analysis we released IP NOVA, a data visualisation platform that allows policymakers, researchers, analysts and individuals to explore the IP data landscape through an intuitive, easy-to-use interface.

We commenced work on a number of innovative projects that will further improve the customer experience. We are currently prototyping Trade Mark Assist, an interactive customer tool aimed at unrepresented applicants. The tool leverages artificial intelligence capabilities to assist small businesses and self-filers through the trade mark application process.

Policy

In 2016–17, IP Australia delivered a single regulatory system for patent attorneys in Australia and New Zealand. The new system features a single trans-Tasman register for patent attorneys, a single set of requirements for registration, a single code of conduct, and a single disciplinary process for Australian and New Zealand attorneys. Existing patent attorneys in both Australia and New Zealand were automatically registered as trans-Tasman patent attorneys on the commencement date, resulting in an increase of more than 100 attorneys registered to work in Australia. In conjunction with this work, we also began a review of the IP Attorneys Code of Conduct.

More generally, we contributed to a range of IP policy advice, from technical amendments to our legislation to analysis of the use of the IP system by various industry sectors. A major focus over the year was the Productivity Commission's inquiry into Australia's IP arrangements. We provided submissions and assistance to the inquiry and contributed to the development of the Government's response.

International engagement

In 2016–17, IP Australia continued to undertake capacity-building activities with other IP offices, especially those in our region. We are moving our Regional Patent Examiner Training program to a sustainable mentoring model designed to allow broader impact. Other international activities included collaborating with the World Intellectual Property Organization (WIPO) to deliver online alternative dispute resolution services. Australian businesses can use the new services to enforce their IP rights in other jurisdictions through an online process.

The successful posting of our first overseas IP Counsellor to the Australian Embassy in Beijing has provided valuable assistance to Australian businesses operating or seeking to operate in China. During 2016–17, the IP Counsellor worked closely with Austrade, the Australia China Business Council and a number of Chinese agencies dealing with IP.

This year we contributed to the advancement of the international patent harmonisation agenda through the work of WIPO Group B+, which Australia currently chairs. This work supports IP Australia's international agenda to promote and facilitate progress on substantive patent law harmonisation issues.

We also contributed to the negotiation of several free trade agreements in 2016–17. We attended five rounds of negotiations for the Regional Comprehensive Economic Partnership and the first round of negotiations for the Australia–Hong Kong Free Trade Agreement. We also contributed to a scoping study for a potential free trade agreement with the European Union.

National Innovation and Science Agenda

IP Australia sees itself as an important element of the innovation ecosystem and we seek to support the National Innovation and Science Agenda through research and other initiatives. In 2016–17, we undertook a range of research including university collaboration around IP rights, the costs and benefits of patent grace periods, the value of geographical indications for products and the impact of patent expiry on the government's pharmaceutical expenditure. We also released an improved Australian IP Toolkit to support collaboration between researchers and industry.

Technology and data

ICT systems are central to our IP rights management work and to customer service, as online transactions account for more than 99 per cent of our customer transactions. This year we developed a new strategy to fix, modernise and transform our ICT systems. This will provide optimal support for our customers and staff, and better manage and utilise our data holdings to support both policy and operational objectives.

Overview

Role and functions

IP Australia is the Commonwealth entity responsible for administering Australia's registrable IP rights system—specifically, patents, trade marks, designs and plant breeder's rights (PBR). The legislation that IP Australia administers includes the *Patents Act 1990*, the *Plant Breeder's Rights Act 1994*, the *Trade Marks Act 1995* and the *Designs Act 2003*.

As well as granting exclusive rights under the statutes it administers, IP Australia advises the Australian Government on IP policy; provides IP information and education services to business and the broader community; regulates the IP profession; and contributes to bilateral and multilateral negotiations and development cooperation programs to promote a more efficient and harmonised global IP system.

These activities foster innovation and growth by:

- providing an incentive for research and development by offering an opportunity to capture the economic benefits of innovation
- promoting the disclosure of discoveries, thereby facilitating follow-on innovation
- enabling firms to build brand value and business reputation
- providing the legal framework that underpins trade and investment in intellectual property.

IP Australia operates with direct responsibility to government on financial matters and with delegated authority on other matters. It recovers its costs by charging fees for its IP rights services.

Organisational structure

Figure 6 shows the organisational structure of IP Australia. The department’s organisation chart (Figure 1 in Chapter 1) shows how IP Australia fits into the overall structure of the Department of Industry, Innovation and Science.

The Director General is assisted by two deputy director generals who manage the two divisions within IP Australia:

- The Deputy Director General, IP Rights Division, holds the statutory offices of Commissioner of Patents, Registrar of Trade Marks, Registrar of Designs and Registrar of Plant Breeder’s Rights.
- The Deputy Director General, Policy and Corporate Division, is responsible for policy advice, corporate support, international engagement and education, and awareness activities.

Figure 6: IP Australia organisational structure, 30 June 2017



RIO = Rights In One

Outcome and program structure

IP Australia has one outcome and three programs that contribute to that outcome, as shown in Figure 7.

Figure 7: IP Australia outcome and program structure, 2016-17





CHAPTER TWELVE

IP AUSTRALIA REPORT ON PERFORMANCE

Annual performance statements

Introductory statement

I, Patricia Kelly, as the accountable authority of IP Australia, present the Annual Performance Statements of IP Australia for 2016-17, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In my opinion, this statement is based on properly maintained records, accurately presents IP Australia's performance in the reporting period and complies with section 39(2) of the PGPA Act.

Patricia Kelly
15 September 2017

Overview

IP Australia is the agency responsible for administering Australia's intellectual property (IP) rights system—specifically, trade marks, patents, designs and plant breeder's rights.

IP Australia's vision is to create a world-leading IP system building prosperity for Australia. It works towards this vision by achieving four purposes as outlined in our Corporate Plan:

- provide an effective framework for protection of innovative products and brands which creates a secure environment for investment and technology diffusion
- provide incentives for undertaking research and development
- promote the disclosure of discoveries and follow-on generation of ideas
- enable firms to build brand value and business reputation which in turn contributes to improved consumer confidence.

The objectives identified in the 2016–17 Corporate Plan provide a clear connection between IP Australia's purposes and priorities. They are:

- deliver IP administration and professional registration
- increase awareness of the IP system
- shape the IP system domestically and internationally to serve Australian innovation and business
- build the capability of our people and our organisation.

Performance reporting structure

IP Australia's Annual Performance Statement reports performance in line with the 2016–17 Portfolio Budget Statements programs. Objectives, key performance indicators and commitments outlined in the 2016–17 Corporate Plan are reported on under the relevant overarching program.

Program 1.1: IP rights administration and professional registration

Related purposes	<p>The framework for granting IP Rights in Australia is robust and ensures a secure environment for innovation¹</p> <p>Provide an effective framework for protection of innovative products and brands which creates a secure environment for investment and technology diffusion²</p>
Related objectives	<p>IP Australia will deliver robust IP rights and satisfy its customers in terms of timeliness and value for money¹</p> <p>IP Australia will be recognised as one of the leading IP offices in the world for the quality (including accuracy and consistency) of the IP rights it grants¹</p> <p>IP Australia will successfully undertake its functions associated with persons wishing to qualify for registration as Patent and/or Trade Mark Attorneys and will provide effective support to the Professional Standards Board¹</p> <p>IP administration and professional registration²</p> <p>Build the capability of our people and our organisation²</p>

¹ Source: 2016–17 Portfolio Budget Statements.

² Source: 2016–17 Corporate Plan.

Main achievements

IP Australia's key achievements in 2016–17 included:

- exceeding the quality and timeliness service commitments for all four IP rights
- establishing the IP Rights Technical Excellence Centre to ensure consistency, quality and optimal use of resources in design, development and management of competency-based training

- implementing tools to assist stakeholders with IP rights management and enhance the customer experience, including:
 - the Portfolio View initiative (beta version) within e-services
 - expansion and enhancement of Alex, IP Australia’s virtual assistant
 - improvements to IP rights correspondence
 - a new search system for trade marks
- commencing the single regulatory regime for patent attorneys with New Zealand in February 2017
- successfully implementing a new staff performance management program, ACHIEVE, and receiving high staff engagement and leadership ratings in the APS State of the Service survey.

Performance criteria and results

The targets that define our commitment to delivering high-quality products and services are set out in our quality policy and customer service charter. The following table details IP Australia’s performance against these targets.

Table 46: Program 1.1—IP rights administration and professional registration

Performance criterion	2016–17 target	2016–17 result
High quality search and examination for each IP right ¹ Customer satisfaction with service provision of IP Australia as measured by the customer satisfaction survey ¹	Consistency of IP rights examination decision making is improved as evidenced by periodic consistency exercises and longitudinal customer survey feedback ¹ Customer satisfaction is benchmarked as part of renewed 2015–16 survey ¹	Patent and plant breeder’s rights (PBR) examiners were provided training aimed at improving consistency and quality on the topics of searching and manner of manufacture. Implementation of strategies such as automated citation retrieval in patents and document generation in PBR should further reduce inconsistencies. Data from a review or our quality system is under analysis to identify potential areas for further improvement. The Trade Marks and Designs group ran periodic consistency exercises in relation to aspects of examination practice. IP Australia uses the outcomes of these exercises to improve training, staff technical proficiency and the overall quality of trade mark examination. IP Australia conducted a customer satisfaction survey in May 2017. Survey results showed that overall customer satisfaction with IP Australia is high, at 84%. Other results found high levels of satisfaction across a range of measures including: staff courtesy; reliability of IP Australia’s website; responding in a timely manner; and the accuracy of information provided.
Processing of IP Rights applications is conducted in accordance with IP Australia’s quality standards ²	Complete review of IP Australia’s quality management system and agree revised targets, if necessary ²	IP Australia undertook a comprehensive review of its quality management system, including a complete review of the quality measures. Recommendations from the review were accepted and implemented. IP Australia also completed a review of its Customer Service Charter through a process of internal and external consultations. The revised measures in the charter were published on IP Australia’s website on 1 July 2017.
Staff engagement levels as measured by the State of the Service survey and internal pulse checks ¹	Engagement performance improves 2.5% on benchmark ¹	A 67% staff engagement score was consistent with the benchmark of 67.2%, but slightly less than the target of 68.9%. Investments in manager capability development and the successful implementation of the ACHIEVE program seek to improve this result.

Performance criterion	2016–17 target	2016–17 result	
Leadership ratings from the State of the Service survey ¹	Leadership performance improves 2.5% on benchmark ¹	A 68.9% leadership score in 2017 exceeded the target of 67.5% by 1.4%. Staff perceptions of leadership quality improved, with staff rating their manager's communication and interpersonal skills highly. Staff empowerment by managers was also rated highly. These improvements are a result of greater visibility of SES officers due to their co-location with their respective teams, coupled with a focus on leadership development at all levels.	
ICT environment is simplified and secure ¹	Agreed ICT environment simplification initiatives for 2016–17 realised and no adverse ICT security audit issues are identified ¹	Multiple systems were decommissioned and hardware rationalisation was achieved with no adverse ICT security issues identified.	
Customers provided with reliable digital channels ¹	The Customer Service Charter for digital channel availability commitments are achieved ¹	Online lodgement services were available on average 99.84% (Service Level Agreement 99.5%) of the time during business hours and 90.93% (Service Level Agreement 90%) after hours.	
Performance criterion	2016–17 target	Metrics to achieve 2016–17 target³	2016–17 result
High quality search and examination for each IP right ¹	All minimum acceptable quality levels (AQLs) are achieved for all IP rights ¹	Tier 1—93.5% of searches and research are correct	Patents—97.8% Plant breeder's rights—100% Trade marks—94.1% Designs—100%
		Tier 2—90% of reports are comprehensive and informative and free of invalid objections/considerations	Patents—96% Plant breeder's rights—100% Trade marks—95% Designs—90%
		Tier 3—85% of written formalities are complete and correct	Patents—85% Plant breeder's rights—100% Trade marks—95% Designs—93%

Performance criterion	2016–17 target	Metrics to achieve 2016–17 target ³	2016–17 result
Deliver IP rights and services that are responsive to stakeholder needs ¹ Timely processing of IP Rights applications ²	The Customer Service Charter commitments are achieved for IP Rights ¹ All IP Rights applications are processed within the average timeframes of the Customer Service Charter ²	Examine and issue first reports on applications for standard patents within 12 months of receiving the request for examination	First reports were issued within an average of 6.5 months from examination request
		Conduct a prima facie examination on an application for plant breeder's rights within 8 weeks of receiving the application	Examination reports were issued within an average of 3.3 weeks
		Examine and issue a report on an application for a trade mark within 13 weeks of receiving the application	Examination reports were issued within an average of 8.2 weeks
		Examine and issue a report on a registered design within 13 weeks of receiving the request for examination	Examination reports were issued within an average of 9.4 weeks
		Respond to correspondence relating to the examination of an application within 20 working days of receiving the correspondence	Patents correspondence was responded to within an average of 11 working days Plant breeder's rights correspondence was responded to within an average of 2 working days Trade marks correspondence was responded to within an average of 9.3 working days Designs correspondence was responded to within an average of 8.5 working days
		Issue a hearing decision (unless further submissions or evidence are received) within 12 weeks of holding a hearing	Patents hearings decisions were issued within an average of 9 weeks Trade marks hearing decisions were issued within an average of 10.4 weeks

1 Source: 2016–17 Corporate Plan.

2 Source: 2016–17 Portfolio Budget Statements.

3 Source: 2016–17 Quality and timeliness metrics from IP Australia's Quality Policy (<https://www.ipaustralia.gov.au/about-us/doing-business-us/quality-management>) and Customer Service Charter 2016–17 (<https://www.ipaustralia.gov.au/about-us/doing-business-us/customer-service-charter>).

Table 47: Program 1.1—results for deliverables

Deliverable¹	2016–17 estimate	2016–17 actual
Receipt of applications		
Patents	30 012	31 450
Patent Cooperation Treaty	2980	3206
Plant breeder's rights	350	414
Trade marks	73 725	72 623
Designs	7350	7747
Professional Standards Board	120	99
Examination services		
Patents	28 723	28 093
Plant breeder's rights	280	222
Trade marks	76 618	69 098
Designs	1385	1346
Registration service		
Provision of Professional Standards Board for Patent and Trade Marks Attorneys registration services	1490	1561

¹ Performance measures set out in the 2016–17 Corporate Plan.

Table 48: Results for cost per unit

IP Right¹	Average cost per unit	
	2016–17 Predicted	2016–17 Actual
Per examination		
Patents	\$4463	\$4630
Per examination		
Trade marks	\$877	\$987
Per examination		
Designs	\$3330	\$3563
Per examination		
Plant breeder's rights	\$7657	\$9428
Per registration		
Professional Standards Board	\$626	\$486

¹ Performance measures set out in the 2016–17 Corporate Plan.

IP Australia's overall 2016–17 expenditure increased by \$2.8m (1.4%) from the estimated PBS 2016–17 estimate. The increase was largely due to additional funds allocated to ICT projects and the impact of asset revaluations.

Under the cost attribution model adopted by IP Australia this increase in overall costs is reflected in the proxy average cost per unit increases reported in the table above. The balance of the difference in the individual IP Rights categories above reflects change in volumes of examination services reported in the previous table.

Evaluations

The *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* was the most significant reform to Australia's IP rights system in over 20 years. To assess its effectiveness, IP Australia's Executive Board agreed in February 2014 to a long-term evaluation, including periodic reports based on a series of specific evaluation measures.

The Executive Board was presented with the third evaluation report in June 2017. At this stage, the only definite conclusions relate to the experimental use exemption and oppositions, for which there is clear evidence that the Raising the Bar changes are working as intended. The introduction of the experimental use exemption appears to have addressed many of the concerns that stakeholders had previously expressed around the use of a patented invention for experimental purposes. Oppositions are taking less time to resolve, for both patents (where average time declined from 225 weeks in 2012 to 119 weeks in 2016) and trade marks (where average time declined from 120 weeks in 2013 and 2014 to 90 weeks in 2016).

Analysis of performance

The IP Rights Division established the IP Rights Technical Excellence Centre to consolidate the delivery of competency-based and continuing technical training programs to its examiners and administration staff. Previously, this training was managed in a decentralised fashion across each group of the division. The establishment of the IP Rights Technical Excellence Centre brought together technical training delivery functions within a single section responsible for the design, development, maintenance and evaluation of all technical training for the IP Rights Division.

The IP Rights Division participated in ongoing consultations with various groups, including the IP Stakeholders Forum, the Patents Consultation Group, and the Trade Marks and Designs Consultation Group. IP Australia conducted several engagement events with attorney firms. These activities provided useful feedback from stakeholders that will inform ongoing improvement.

IP Australia's Customer Service Charter sets out the level of service that our customers can expect. In 2016–17, IP Australia undertook internal and external stakeholder consultation to review and update the charter. We introduced compliance reporting for charter commitments, as part of our ongoing commitment to transparency. We also refined the presentation of charter information to ensure that our customers and stakeholders are easily able to find our commitments and associated support tools. The updated charter was published on the IP Australia website on 1 July 2017.

To ensure the quality of IP rights administration, IP Australia ran a quality improvement project throughout 2016–17. This review recommended improvements to the processes and procedures of the quality review system. Our implementation of the recommendations included conducting quality trials, which were effective in improving staff perceptions of the system, and the system itself.

In 2016–17, we reviewed a number of resources to assist applicants, enhance customer interactions and create an environment that fosters innovation. This work included reviews of current systems and improvements to existing resources. We implemented Portfolio View, a tool that assists self-

filers and small to medium-sized enterprises by displaying all IP rights associated with the user in one simple and easy-to-use location. We also launched our new virtual assistant Alex on the IP Australia website in June 2016. Alex was expanded during 2016–17 to include all four IP rights, providing additional assistance to IP Australia’s customers and improving service quality.

To encourage research and development, IP Australia released IP NOVA, a data visualisation platform that allows policymakers, researchers, analysts and individuals to answer their own IP data questions within minutes, through an intuitive, easy-to-use interface.

IP Australia established the Trans-Tasman IP Attorneys Board single patent attorney regulatory regime for Australia and New Zealand in 2016–17. The regime features a single register for patent attorneys, a single set of requirements for registration, a single code of conduct, and a single disciplinary process for Australian and New Zealand attorneys. Existing patent attorneys in both Australia and New Zealand were automatically registered as trans-Tasman patent attorneys on the commencement date, accounting for an increase of more than 100 attorneys on the Australian register.

As part of our commitment to build workforce capability, IP Australia launched ACHIEVE, a new performance management framework and online platform. The focus of ACHIEVE is to cultivate strong relationships between managers and staff and to encourage performance conversations to occur as part of everyday life. A survey of users in April 2017 showed positive engagement with the program.

Program 1.2: Education, awareness and international engagement

Related purposes	Promote awareness of IP systems to benefit the Australian economy and society ¹ Shape national and international IP policy to reflect Australia’s best interests ¹ Promote the disclosure of discoveries and follow-on generation of ideas ²
Related objectives	IP Australia will facilitate understanding of the value of and access to the domestic and international intellectual property system among its stakeholders in line with Australia’s interests ¹ IP Australia will influence the development of effective IP systems in line with Australia’s interests ¹ Increase awareness of the IP system ²

¹ Source: 2016–17 Portfolio Budget Statements.

² Source: 2016–17 Corporate Plan.

Main achievements

IP Australia’s key achievements in 2016–17 included:

- hosting the annual Organisation for Economic Co-operation and Development (OECD) IP Statistics for Decision Makers conference
- receiving awards for the Regional Patent Examiner Training program
- deploying an Australian IP Counsellor to China, to provide IP guidance and support to Australian businesses and liaise with the Chinese Government on IP issues
- establishing a new memorandum of understanding with the Chinese State Intellectual Property Office (SIPO), to deepen the bilateral relationship for the benefit of Australian business
- establishing a collaboration with the World Intellectual Property Organization (WIPO) Arbitration and Mediation Center to provide and promote online alternative dispute resolution services for cross-border IP-related disputes
- delivering a range of start-up workshops across Australia to educate and promote the value of IP protection among the start-up community.

Table 49: Program 1.2—Education, awareness and international engagement

Performance criterion	2016–17 target	2016–17 result
Establish performance indicators through a baseline study of our stakeholder and customers on education, awareness and satisfaction with IP Australia services ¹	Establish performance indicators for measuring level of education, awareness and satisfaction of IP Australia's customers and stakeholders, and benchmark performance ¹	IP Australia's customer satisfaction survey provides a measurement of satisfaction with our products and services over time. Established performance indicators relating to customer education, awareness and satisfaction were measured via a range of questions in the customer satisfaction survey and public awareness campaigns. The current target is 90% satisfaction across all three areas. Work is underway to increase the maturity of the reporting to ensure targets are achievable. This will continue into 2017–18 with a focus on consolidating multiple metrics.
Report on KPIs developed through baseline study ²	Compliance with the identified KPIs ²	Compliance results against the identified KPI of 90% across customer education, awareness and satisfaction included: 90% satisfaction with stakeholder and customer education 77% satisfaction with stakeholder awareness activities 84% overall customer satisfaction with IP Australia.
Public awareness of IP rights through available information services ¹	Evaluation of campaigns conducted in 2015–16 illustrates they were effective ¹	The communication campaigns reported a 69% increase in digital platform followers. IP Australia sent out a fortnightly e-newsletter to 2745 subscribers (down from 2835 in 2015–16) with an open rate of 35% (up from 30% in 2015–16).
Work with regional IP partners to train patent examiners to strengthen international IP bodies ²	90% of participants achieve certification to Patent Cooperation Treaty (PCT) level within the program timeframes ²	92% of participants achieved certification to PCT level within the program time frames.

¹ Source: 2016–17 Corporate Plan.

² Source: 2016–17 Portfolio Budget Statements.

Analysis of performance

IP Australia delivered public awareness activities such as TEDx events targeted at the university sector and supported Questacon's Smart Skills Initiative and the National Youth Science Forum. Other external communication campaigns focused on research report releases, legislative changes, consultations, events and general IP awareness. Feedback from these strategies was positive. Customer support materials provided throughout the year included the *IP—Your Business Edge* magazine, which seeks to educate early-stage businesses about how protecting their IP can help them to grow. The magazine is growing in popularity, with 2700 subscribers in 2016–17.

In November 2016, IP Australia hosted the annual OECD IP Statistics for Decision Makers conference in Sydney. The conference discussed how IP data, statistics and analysis can be used to inform decision-makers in the public and private sectors. Dr Francis Gurry, Director General of WIPO, delivered the keynote speech. Attendees included representatives from WIPO and IP offices in the European Union, Japan, New Zealand, the United States and other major trading partners of Australia.

In 2016–17, IP Australia’s Regional Patent Examination Training program (RPET) received several awards recognising excellence in use of blended learning and custom content. RPET is a modern, comprehensive and intensive competency-based online training program that uses IP Australia’s existing training framework to focus on search and examination according to the Patent Cooperation Treaty (PCT) standards. In 2016–17, five South-East Asian and two African IP offices participated in the program. In late 2016, IP Australia also introduced a Train the Trainer component for RPET trainees and local supervisors who have participated in RPET. The new component provides participants who are transitioning to trainer roles with the capabilities to deliver competency-based training within their own office by sharing the knowledge gained through RPET.

Work-sharing opportunities were realised with the European Patent Office, through the signing of a memorandum of understanding, which includes a Patent Prosecution Highway initiative that commenced on 1 July 2016. IP Australia will add patent dossier information to the European Patent Office’s Global Dossier site in November 2017.

IP Australia collaborated with the WIPO Center to deliver an international online alternative dispute resolution service. Australian businesses can use the new service to enforce their IP rights in other jurisdictions, through a single process, without needing to travel to the WIPO Center in Singapore or Geneva. This creates a neutral ground for both parties and can reduce cost and accelerate resolution.

The creation of the role of Australian IP Counsellor to China was a new venture for IP Australia in 2015–16, and was the first time a staff member was posted overseas as part of a diplomatic mission. In 2016–17, the work of the Counsellor has provided valuable assistance to Australian businesses in China across a range of IP issues. The IP Counsellor works closely with Austrade and the Australia China Business Council and liaises with Chinese agencies dealing with IP, including SIPO, the Chinese Trade Mark Office, the Chinese Ministry of Commerce and the General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China.

IP Australia also progressed new research and analysis on geographical indications during 2016–17. We will use this work to advise government on optimal policy settings both domestically and in relation to the Australia–European Union Free Trade Agreement. IP Australia also contributed to the negotiation of several free trade agreements, attending five rounds of negotiations for the Regional Comprehensive Economic Partnership and the first round of negotiations for the Australia–Hong Kong Free Trade Agreement, and participating in the scoping of several new free trade agreements.

Program 1.3: Advice to government

Related purposes	Shape national and international IP policy to reflect Australia’s best interests ¹ Provide incentives to customers to develop innovative products and brands ¹ Enable firms to build brand value and business reputation, which in turn contributes to improved consumer confidence ² Provide incentive for undertaking research and development ²
Related objectives	IP Australia’s program of policy and legislative change will foster Australian innovation by shaping the development of the IP system both domestically and abroad ¹ Shape the IP system domestically and internationally to serve Australian innovation and business ²

¹ Source: 2016–17 Portfolio Budget Statements.

² Source: 2016–17 Corporate Plan.

Main achievements

IP Australia's key achievements in 2016–17 included:

- finalising, and consulting the public on, exposure drafts of legislative proposals to streamline IP processes and support the Rights In One (RIO) program
- providing submissions and research data to assist the Productivity Commission inquiry into Australia's IP arrangements
- finalising and publishing the Ernst & Young report *Australian Intellectual Property Financing Market Review* on issues affecting Australian start-ups and small to medium-sized enterprises looking to commercialise their innovations
- delivering a Mediation Referral Service to assist small and medium-sized enterprises to access private sector alternative dispute resolution to resolve IP-related disputes
- deploying Trade Mark Assist Alpha, an online tool to help small business and self-filers prepare trade mark applications.

Performance criteria and results

Table 50: Program 1.3— Advice to government

Performance criteria	Target	Results
Advice to the government on policy, legislation, ministerial correspondence, briefs and speeches ¹	Provision of high-quality, timely and strategic policy advice to the Minister ¹	<p>IP Australia provided a range of policy advice on IP issues across government, including in relation to the Productivity Commission's inquiry into Australia's IP arrangements, the government's Regulatory Reform Agenda and the National Innovation and Science Agenda.</p> <p>IP Australia consulted stakeholders on a range of matters, including an exposure draft of the Intellectual Property Laws Amendment Bill 2017 and associated regulations.</p> <p>As a joint project with the Department of Industry, Innovation and Science, IP Australia finalised and published a commissioned report on IP financing for business. The department is considering the report in light of the recommendations in the final report of the Productivity Commission's IP inquiry.</p> <p>IP Australia consistently delivered advice on time, including briefings to the Minister and Assistant Minister on policy and legislation issues; 152 ministerial briefs and responses and 338 responses to departmental requests were prepared.</p>

Performance criteria	Target	Results
<p>Effectively support key Australian Government agendas, including the:</p> <ul style="list-style-type: none"> • innovation and regulatory reform agendas • commitment to provide a solid platform for Australia's international engagements, support of free trade agreements and capability building² 	<p>Enhance and promote IP Australia's supporting products and services, including the IP Toolkit for Collaboration, Source IP, IP Government Open Data and the Patent Analytics Hub²</p>	<p>IP Australia and the Department of Industry, Innovation and Science reviewed the Australian IP Toolkit for Collaboration. The toolkit is designed to facilitate, simplify and improve collaboration between researchers and industry.</p> <p>The <i>Australian Intellectual Property Report 2017</i> presented special chapters on two key issues, the Productivity Commission's inquiry into IP, and university–industry collaboration—the latter of which provides a novel approach with fresh insights into Australian universities' intricate network of collaboration.</p> <p>IP Australia launched Australian Trade Mark Search, a new public system that makes trade mark searching more accessible for small businesses, innovators and IP professionals in Australia. In addition to delivering a more modern search experience, the system includes innovations such as image-based searching.</p> <p>IP Australia released a substantial number of outputs that contributed to policy development. Notable achievements included the delivery of advice on major trade agreements, assistance with the government's response to the Productivity Commission inquiry into IP, and work to support the National Innovation and Science Agenda. Research also covered how patent grace periods lead to positive outcomes for inventors and the broader economy and the impact of patent expiry on the government's pharmaceutical expenditure.</p> <p>Under the Regulatory Reform Agenda, IP Australia identified over \$2 million of estimated savings in 2016 and expects to identify further savings in 2017.</p> <p>IP Australia conducted a number of international work-sharing activities, including:</p> <ul style="list-style-type: none"> • deploying an Australian IP Counsellor to China, in December 2016, to provide IP guidance and support to Australian businesses in China and liaise with the Chinese Government on IP issues • establishing a new memorandum of understanding with the Chinese Intellectual Property Office in March 2017, to deepen the bilateral relationship on IP for the benefit of Australian business and embed the role of the IP Counsellor • representing Australia's interests in WIPO and assisting the Department of Foreign Affairs and Trade in negotiating IP chapters in free trade agreements, including the Regional Comprehensive Economic Partnership and several emerging agreements.
<p>Enhance integrity and availability of IP Australia's data²</p>	<p>Framework for Data Management in line with Digital Continuity 2020 is established²</p>	<p>IP Australia recognises that improving data and information governance is critical to the success of the IP Australia Data Strategy. We met this target and the goals set by the National Archives of Australia (and reflected in our own Data Strategy), by:</p> <ul style="list-style-type: none"> • developing an implementation plan for the IP Australia Data Strategy to implement improved data management across the agency • establishing the IP Australia Information Governance Committee in December 2016 • endorsing the IP Australia Data/Information Governance Framework and setting up the Data Governance Office • implementing a process for reporting and managing data quality issues, along with data quality statements for all externally facing data assets. <p>Together, the data strategy and the governance framework provide the guiding direction for improving data management across the agency.</p>

¹ Source: 2016–17 Portfolio Budget Statements.

² Source: 2016–17 Corporate Plan.

Analysis of performance

IP Australia made significant and timely contributions to the development of a government response to the Productivity Commission's inquiry report *Intellectual Property Arrangements*. The government response was released in August 2017.

IP Australia consulted the public on exposure drafts of legislative proposals to streamline IP processes and support the Rights In One program. The majority of key stakeholders supported the revised proposals.

The 2017 edition of IP Government Open Data (IPGOD) was released in April 2017, with a number of significant improvements in the amount and quality of the available data and documentation to improve its accessibility. The weekly upload automation of a live version of IPGOD known as IP Government Open Live Data (IPGOLD) remains available through a desktop solution.

IP Australia established a mediation referral service to assist small and medium-sized enterprises to access private sector alternative dispute resolution services. The service consists of a register of qualified, accredited and specialist private sector mediation providers listed on the IP Australia website. The register will provide details on the fees and contact details of each listed provider, allowing parties with IP-related disputes to engage directly with mediators.

Financial performance

IP Australia recorded an operating surplus of \$5.8 million for 2016–17 against an initial planned surplus of \$0.8 million, as published in the 2016–17 PBS. Revenue from the sale of goods and rendering of services was \$7.7million (3.8%) above plan due to higher than anticipated trade mark registrations and patent renewals. Expenses were \$2.8 million (1.4%) above budget, predominantly due to increased supplier costs associated with the delivery of key organisational initiatives in support of Government's innovation agenda.

IP Australia will monitor revenue trends carefully and will control costs to ensure continued sustainable operations. The organisation has sufficient financial assets to pay its suppliers and other payables as and when they fall due. IP Australia will continue to invest in productive assets to ensure continuing efficiency in its operations, improved functionality and user experience for customers, and to maintain a prominent position in the global market for the registration of IP rights.



CHAPTER THIRTEEN

IP AUSTRALIA MANAGEMENT AND ACCOUNTABILITY

Corporate governance

IP Australia's key governing body is the Executive Board, which receives support from two program boards and two committees. In 2016-17, IP Australia reviewed some of the high-level committees and boards that provide advice and assurance to the Director General and the Executive Board.

As at 30 June 2017, IP Australia's committee and board structure comprised the following decision-making forums:

- Executive Board
- Business Investment Committee
- Corporate Projects Board
- Future Way Of Working Program Board
- Rights In One Program Board
- Business Operations Committee
- Audit Committee.

IP Australia's Audit Committee meets on average five times a year and considers key aspects of IP Australia's operations. The committee considers standing items on financial performance, risk, fraud, business continuity and disaster recovery and other internal control frameworks. It regularly interacts with and reports to the Director General (IP Australia's accountable authority). The committee has four independent members, including the chair; three internal members; and a number of key observers, including representatives from the Australian National Audit Office (ANAO).

In 2016-17, the Audit Committee reviewed 12 internal audits as part of a three-year strategic audit program.

IP Australia has a comprehensive risk management framework. The framework considers the risk appetite and risk tolerance of the organisation through a policy and plan which were recently revised. IP Australia monitors and reports on risks via a series of risk registers across the organisation. The Executive Board and Audit Committee regularly review the risk registers.

Fraud control

IP Australia is committed to minimising the incidence of fraud against its operations. IP Australia's fraud control framework includes prevention, detection, investigation and reporting strategies as required by the *Public Governance, Performance and Accountability Act 2013* and the Commonwealth Fraud Control Framework.

Compliance with finance law

There were no significant issues of non-compliance with the finance law reported to the responsible Minister as part of IP Australia's internal compliance reporting process for 2016-17.

External scrutiny

IP Australia is subject to external scrutiny in the form of appeals or applications for judicial review of decisions made by the Commissioner of Patents and the Registrars of Trade Marks, Designs and Plant Breeder's Rights and their delegates. The Federal Court of Australia generally has jurisdiction over appeals; however, in some cases, an application for review to the Administrative Appeals Tribunal is available. Decisions of the Registrars of Trade Marks and Designs are also appealable in the Federal Circuit Court.

A list of appeals and applications for judicial review received in 2016-17 is in Appendix C1.

In 2016-17, IP Australia was one of eight government entities that were subject to the ANAO audit on Managing Underperformance in the Australian Public Service. The report was published in May 2017. Results of this audit and IP Australia's relative position against the other agencies audited can be found on the ANAO web site (www.anao.gov.au).

IP Australia appeared before the Senate Economics Legislation Committee for a Senate Estimates hearing once in 2016-17, on 31 May 2017, but was not subject to a report by any other parliamentary committee.

IP Australia also was not subject to a decision by the Australian Information Commissioner or report by the Commonwealth Ombudsman.

Information Publication Scheme

Under Part II of the *Freedom of Information Act 1982*, IP Australia is required to publish information to the public as part of the Information Publication Scheme. A plan showing the information IP Australia publishes in accordance with the scheme is available on the agency's website (www.ipaustralia.gov.au/about-us/accountability-and-reporting/freedom-information/information-publication-scheme).

Management of human resources

In early 2016–17, an independent evaluation of the effectiveness of IP Australia's implementation of its Capability Action Plan, which was put in place in response to the 2014 Australian Public Service Commission Capability Review of IP Australia, was delivered.

The report on the evaluation, *Following Through: A review of the implementation of the Capability Action Plan*, identified three themes to shape a strategic work program:

- future strategy—engage with staff to consider what our organisation will look and feel like in the next decade
- core business reform—continue to improve how IP Australia delivers IP rights efficiently and effectively
- people and place—progress work to deliver a contemporary workplace, technology and organisational culture for the future.

Achievements during 2016–17 included the delivery of a new performance management framework, a new talent management program and a new enterprise agreement.

We implemented a new performance management framework on 1 June 2016. IP Australia continues to evaluate the effectiveness of its performance framework and will progress initiatives to build a culture of sustainable high performance through building genuine relationships; setting performance expectations; building capability; recognising achievements and performance; acknowledging high performance; and, when required, managing unsatisfactory performance.

IP Australia developed a new corporate induction program in 2016–17. Implemented on 1 July 2017, this program includes modern onboarding processes to drive retention of staff. The agency will focus on evaluating leadership programs to build leadership capability over the next 12 months.

IP Australia staff voted for a new enterprise agreement in April 2017. The IP Australia Enterprise Agreement 2017, allowing for a 6 per cent salary increase over the three-year life of the agreement, commenced on 12 May 2017.

The talent management program was revised and a new program was launched in September 2016. The aim of the program is to give high-potential staff at Executive Levels 1 and 2 the opportunity to accelerate their development. Six applicants were successful in the selection process.

In March 2017, Ernst & Young completed a project to review unscheduled absence data. The actions identified in the review will be implemented in 2017–18.

IP Australia's workforce information is in Appendix C4.

Work health and safety

In 2016–17, IP Australia continued to prioritise matters related to work health and safety (WHS) and remained committed to providing a safe working environment for all workers (employees, contractors and others) and visitors. The agency has a strong commitment to meeting its obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*.

The First Aid Officers Committee, the Health and Safety Representative Committee and the WHS Committee facilitate effective communication on WHS matters.

The agency delivered a number of health and wellbeing initiatives, including annual flu vaccinations, annual skin checks, annual health assessments, lunchtime health and wellbeing seminars, and awareness campaigns that aligned with national awareness days.

IP Australia continued to contribute to eye testing and optical correction services for eligible employees who perform significant screen-based work. Administration of the subsidy was in accordance with the agency's guide to allowances.

IP Australia also offered free counselling services to all employees and their immediate families, through the employee assistance program. This service was also available to managers to assist them in supporting their employees.

Two incidents during the year were deemed notifiable under section 38 of the *Work Health and Safety Act 2011* and reported to Comcare.

Two investigations were conducted and no notices were issued under Part 10 of the *Work Health and Safety Act 2011*.

Disability reporting mechanisms

Disability reporting is included in the Australian Public Service Commission's annual *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available on the Australian Public Service Commission's website (www.apsc.gov.au).

The National Disability Strategy 2010–2020 sets out a 10-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 tracks progress against each of the six outcome areas of the strategy and presents a picture of how people with a disability are faring. Reports are available on the Department of Social Services website (www.dss.gov.au).

In September 2016, IP Australia launched the AccessAbility Action Plan 2016–2019. The plan outlines a range of activities designed to create a disability-confident workplace and position IP Australia as an employer of choice.

Purchasing

During 2016–17, IP Australia's centralised procurement and contracts team continued to ensure that all commitments entered into were consistent with the Commonwealth Procurement Rules and represented value for money for the Australian Government.

IP Australia's Accountable Authority Instructions require the use of purchase orders for all purchases of more than \$10 000. This assists in tracking commitments and meeting accountability requirements.

IP Australia's annual procurement plan is published on AusTender to provide prospective suppliers with advance knowledge of anticipated procurement opportunities for the next 12 months.

IP Australia supports small business participation in the Australian Government procurement market. Participation statistics are available on the Department of Finance website (www.finance.gov.au).

Consultants

During 2016-17, IP Australia entered into 47 new consultancy contracts with a total expenditure of \$3.9m (GST inclusive), and 8 ongoing consultancy contracts were active during the period with a total expenditure value of \$0.47m (GST inclusive).

IP Australia's policy on selecting and engaging consultants and approving expenditure takes into account all relevant legislation, the Commonwealth Procurement Rules and IP Australia's Accountable Authority Instructions. The procurement method is determined having regard to the cost, value for money and nature of the work involved.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website (www.tenders.gov.au).

The Director General did not exempt any contract let during 2016-17 from publication on AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

All contracts valued at \$100 000 or more (GST inclusive) let during 2016-17 allowed for the Auditor-General to have access to the contractor's premises.

Grant programs

Information on grants made by IP Australia during 2016-17 is available on the agency's website (www.ipaustralia.gov.au/about-us).

Advertising and market research

During 2016-17, IP Australia did not pay advertising agencies or marketing, polling or direct mail organisations above the reporting threshold of \$13 000 per payment (GST inclusive).



CHAPTER FOURTEEN

IP AUSTRALIA FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Industry, Innovation and Science

Opinion

In my opinion, the financial statements of IP Australia for the year ended 30 June 2017:

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

The financial statements of IP Australia, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for Opinion

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

Accountable Authority's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Ron Wah
Audit Principal

Delegate of the Auditor-General

Canberra
15 September 2017

IP Australia

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that IP Australia will be able to pay its debts as and when they fall due.



Patricia Kelly
Accountable Authority

15 September 2017



Doug Pereira
Chief Financial Officer

15 September 2017

IP AUSTRALIA

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IP AUSTRALIA
STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

		2017	2016	Original Budget ¹
		\$'000	\$'000	\$'000
NET COST OF SERVICES				
Expenses				
Employee Benefits	1.1A	123,851	124,973	127,814
Suppliers	1.1B	64,271	53,898	57,510
Depreciation and amortisation	2.2A	17,005	16,242	17,747
Finance costs - Unwinding of discount	2.4B	4	5	-
Write-down and impairment of assets - Intangibles	2.2A	30	8	-
Losses from non-financial assets revaluation	2.2A	717	-	-
Losses from asset sales		6	118	-
Total expenses		205,884	195,244	203,071
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	209,694	197,390	201,960
Resources received free of charge	1.2B	170	140	150
Total own-source revenue		209,864	197,530	202,110
Total own-source income		209,864	197,530	202,110
Net contribution by (cost) / services		3,980	2,286	(961)
Revenue from Government		1,792	2,111	1,792
Surplus attributable to the Australian Government		5,772	4,397	831
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		(342)	(32)	-
Total other comprehensive income		(342)	(32)	-
Total comprehensive income attributable to the Australian Government		5,430	4,365	831

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

1. Budget reported in the 2016-17 Portfolio Budget Statements published in May 2016.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

		2017	2016	Original Budget ¹
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
ASSETS				
Financial assets				
Cash and cash equivalents - Special account	2.1A	101,784	100,292	1,500
Trade and other receivables	2.1B	3,088	2,176	94,358
Total financial assets		<u>104,872</u>	<u>102,468</u>	<u>95,858</u>
Non-financial assets				
Prepayments		4,392	3,853	4,755
Leasehold improvements	2.2A	10,987	13,277	11,361
Property, plant and equipment	2.2A	8,070	8,859	7,320
Intangibles	2.2A	76,294	68,252	77,591
Total non-financial assets		<u>99,743</u>	<u>94,241</u>	<u>101,027</u>
Total assets		<u>204,615</u>	<u>196,709</u>	<u>196,885</u>
LIABILITIES				
Payables				
Suppliers	2.3A	22,323	21,424	19,530
Other payables	2.3B	21,744	19,570	21,964
Total payables		<u>44,067</u>	<u>40,994</u>	<u>41,494</u>
Provisions				
Employee provisions	2.4A	39,449	40,344	38,826
Provision for restoration obligation	2.4B	244	246	218
Total provisions		<u>39,693</u>	<u>40,590</u>	<u>39,044</u>
Total liabilities		<u>83,760</u>	<u>81,584</u>	<u>80,538</u>
Net assets		<u>120,855</u>	<u>115,125</u>	<u>116,347</u>
EQUITY				
Contributed equity		5,908	5,608	5,908
Reserves		8,757	9,099	9,131
Retained surplus		106,190	100,418	101,308
Total equity		<u>120,855</u>	<u>115,125</u>	<u>116,347</u>

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

1. Budget reported in the 2016-17 Portfolio Budget Statements published in May 2016.
 Explanations of major variances are provided in Note 1.

IP AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	Retained earnings			Asset revaluation reserve			Contributed equity			Total equity		
	2017	2016	Original Budget ¹	2017	2016	Original Budget ¹	2017	2016	Original Budget ¹	2017	2016	Original Budget ¹
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	100,418	96,021	100,477	9,099	9,131	9,131	5,608	5,608	5,608	115,125	110,760	115,216
Comprehensive income												
Surplus for the period	5,772	4,397	831	-	-	-	-	-	-	5,772	4,397	831
Other comprehensive income - changes in asset revaluation surplus	-	-	-	(342)	(32)	-	-	-	-	(342)	(32)	-
Total comprehensive income	5,772	4,397	831	(342)	(32)	-	-	-	-	5,430	4,365	831
Contributions by Owners												
Equity injection - Appropriation	-	-	-	-	-	-	300	-	300	300	-	300
Sub-total transactions with owners	106,190	100,418	101,308	8,757	9,099	9,131	5,908	5,608	5,908	120,855	115,125	116,347
Closing balance as at 30 June												

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

1. Budget reported in the 2016-17 Portfolio Budget Statements published in May 2016. Explanations of major variances are provided in Note 1.

IP AUSTRALIA
CASH FLOW STATEMENT
for the period ended 30 June 2017

	2017	2016	Original Budget ¹
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
OPERATING ACTIVITIES			
Cash received			
Appropriations	1,792	2,111	1,792
Sales of good and rendering of services	211,632	197,050	199,929
Net GST received	6,695	5,837	6,369
Cash from Official Public Account	-	-	4,561
Total cash received	<u>220,119</u>	<u>204,998</u>	<u>212,651</u>
Cash used			
Employees	(124,746)	(123,094)	(126,245)
Suppliers	(70,832)	(57,233)	(64,436)
Total cash used	<u>(195,578)</u>	<u>(180,327)</u>	<u>(190,681)</u>
Net cash from operating activities	<u>24,541</u>	<u>24,671</u>	<u>21,970</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of property, plant and equipment	45	61	30
Total cash received	<u>45</u>	<u>61</u>	<u>30</u>
Cash used			
Purchase of property, plant and equipment	2.2B (4,223)	(3,804)	(22,300)
Purchase of intangibles	2.2B (18,871)	(19,121)	-
Total cash used	<u>(23,094)</u>	<u>(22,925)</u>	<u>(22,300)</u>
Net cash used by investing activities	<u>(23,049)</u>	<u>(22,864)</u>	<u>(22,270)</u>
FINANCING ACTIVITIES			
Cash received			
Contributed equity	-	-	300
Total cash received	<u>-</u>	<u>-</u>	<u>300</u>
Net cash from financing activities	<u>-</u>	<u>-</u>	<u>300</u>
Net decrease in cash held	<u>1,492</u>	<u>1,807</u>	<u>-</u>
Cash and cash equivalents at the beginning of the reporting period	100,292	98,485	1,500
Cash and cash equivalents at the end of the reporting period	<u>101,784</u>	<u>100,292</u>	<u>1 500</u>

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

1. Budget reported in the 2016-17 Portfolio Budget Statements published in May 2016.

Explanations of major variances are provided in Note 1.

IP AUSTRALIA

Overview

Objectives of IP Australia

IP Australia is an Australian Government controlled entity. It is a not-for-profit entity. The objective of IP Australia is to contribute to the improvement of Australian and international IP systems and thereby support Australia's economic development through the provision and administration of intellectual property rights.

IP Australia is structured to meet one outcome: increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government.

IP Australia's activities contributing toward the outcome are classified as departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by IP Australia in its own right.

Departmental activities are identified under three programs:

- Program 1.1 - IP Rights Administration and Professional Registration;
- Program 1.2 - Awareness, Education and International Engagement; and
- Program 1.3 - Advice to Government.

IP Australia operates on a cost recovery basis, funding its operations almost entirely through revenues raised from charges for intellectual property services. Appropriation is received in relation to notional interest paid against the balance of the IP Australia Special Account. The use of a Special Account, established under the *Public Governance, Performance and Accountability Act 2013*, enables IP Australia to fund its operations from the revenue received from charges for intellectual property services.

The Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

The financial statements have been prepared on an accrual basis and in accordance with historical cost convention, except for certain assets and liabilities at fair value. 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.

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

All new and amending standards or interpretations applicable to the current financial year did not have a material effect on IP Australia's financial statements.

Resources Received Free of Charge

Resources received free of charge are recognised as revenue 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.

IP AUSTRALIA

Overview

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when IP Australia gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

Special Account Reporting

In 2016-17 Cash held in the OPA for the Special account was reclassified from Trade and other receivables to Cash and cash equivalents. The 2015-16 comparative amount was also reclassified. However, the budgeted figure remains classified as Trade and other receivables in alignment with the PBS published in May 2016.

Significant Accounting Judgements and Estimates

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

Contingent Liabilities and Contingent Assets

IP Australia had no quantifiable or unquantifiable contingent liabilities or assets at 30 June 2017 (2015-16: nil).

Taxation

IP Australia is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses and assets are recognised net of GST except:

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

Events After the Reporting Period

There are no events occurring after statement of financial position date that materially affect the financial statements.

IP AUSTRALIA

Note 1: Budget Variance Commentary
for the period ended 30 June 2017

IP Australia considers that major variances are those:

- Variance between budget and actuals is greater than 10% of the original estimate or
- An item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of IP Australia.

Where a budget has not been provided for in the PBS, for example non-cash items such as sale of asset adjustments and finance cost, for these items no explanation has been provided unless the variance is considered to be 'major'.

The Budget is not audited.

STATEMENT OF COMPREHENSIVE INCOME

Sale of goods and rendering of services

Variance to budget is primarily due to an unanticipated number of registration fee payments in 2017 after the registration fee was abolished in October 2016.

Employees

Variance to budget is primarily due to delay in the implementation of Enterprise agreement, coupled with ending the financial year with slightly lower average staffing level than planned and higher than budgeted discount rate for long service leave at 30 June 2017.

Suppliers

Supplier expense was higher than planned due to additional resources required for new initiatives such as the Future Way of Working Project (FWOW), Strategic Futures work, the review on Performance Setting & Incentive Arrangements (PSIA) and pressure stemming from higher attrition and the management of overall agency staffing levels.

STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents & trade and other receivables

Variance in cash and cash equivalents and trade and other receivables is due to a reclassification of special account receivable. Special Account Receivable ended the year above budget as a result of the growth in sale of goods and rendering of services.

Property, plant and equipment & intangibles

The minor variance to budget against non-financial assets is the result of investment initiatives and spending proposals not known at the time the budget was established.

Suppliers

The supplier estimate for 2016-17 was established before the end of the 2015-16 financial year. The variance to budget is primarily the result of unanticipated movements at the end of last financial year.

CASHFLOW STATEMENT

Cash from/transferred to Official Public Account

The variance reflects the net movement of cash from/transferred to Official Public Account. This was a result of an increase in sales of goods and rendering of services revenue, thus drawdown was not required as budgeted.

Variance in cash held is due to a reclassification of special account balance from receivable to cash and cash equivalents.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Performance

Note 1.1: Expenses	2017	2016
	\$'000	\$'000

Note 1.1A: Employee Benefits

Wages and salaries	94,495	93,612
Superannuation:		
Defined contribution plans	9,400	9,061
Defined benefit plans	8,007	8,357
Leave and other entitlements	10,267	13,164
Separation and redundancies	1,682	779
Total employee benefits	123,851	124,973

Accounting Policy

Accounting policies for employee related expenses is contained in note 2.4A.

Note 1.1B: Suppliers

Goods and services supplied or rendered

Contractors & Consultants	20,663	12,450
Travel	2,093	1,817
Communication & IT Services	15,937	15,001
Administrative Services	12,064	10,754
Subscription to World Intellectual Property Organisation	993	942
Total goods and services supplied or rendered	51,750	40,964

Goods supplied	296	516
Services rendered	51,454	40,448
Total goods and services supplied or rendered	51,750	40,964

Other suppliers

Operating lease rentals	10,828	10,799
Workers compensation expenses	1,693	2,135
Total other suppliers	12,521	12,934
Total suppliers	64,271	53,898

Leasing commitments

IP Australia's lease payment commitments are primarily for accommodation of office space in Canberra and Melbourne.

Commitments for minimum lease payments in relation to non-cancellable

operating leases are payable as follows:

Within 1 year	13,370	12,952
Between 1 to 5 years	54,593	54,062
More than 5 years	3,186	17,101
Total operating lease commitments	71,149	84,115

Accounting Policy

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased asset. Lease incentives are recognised as other payables and amortised over the period of the lease on a straight line basis.

Amounts reported for commitments are GST inclusive.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1.2: Own-Source Revenue

	2017	2016
	\$'000	\$'000

Note 1.2A: Sale of Goods and Rendering of Services

Sale of goods and rendering of services

Patent fees	123,880	122,149
Trade Mark fees	79,301	69,099
Design fees	3,804	3,477
Plant Breeders Rights fees	1,343	1,306
Other goods and services	1,366	1,359
Total sale of goods and rendering of services	209,694	197,390

Sale of goods and rendering of services are made up of

Provision of goods	421	542
Rendering of services	209,273	196,848
Total sale of goods and rendering services	209,694	197,390

Accounting Policy

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) IP Australia retains no managerial involvement nor effective control over the goods;
- c) the revenue and transaction costs incurred for the transaction can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to IP Australia.

Revenue from rendering of services is recognised by reference to the stage of completion of services at the reporting date. Revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the entity.

The stage of completion of services at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction. (Refer Note 2.3B)

1.2B: Resources Received Free of Charge

Remuneration of auditors	150	140
Property, plant & equipment	20	-
Total other gains	170	140

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Position

Note 2.1: Financial Assets

	2017	2016
	\$'000	\$'000
Note 2.1A: Cash and Cash Equivalents		
Cash in special accounts (held as cash in OPA)	100,675	98,975
Cash on hand or on deposit	<u>1,109</u>	<u>1,317</u>
Total cash and cash equivalents	<u>101,784</u>	<u>100,292</u>

Note 2.1B: Trade and Other Receivables

Trade receivable	1,027	733
Capital Appropriation Receivable	300	-
GST receivable from the Australian Taxation Office	<u>1,761</u>	<u>1,443</u>
Total trade and other receivables	<u>3,088</u>	<u>2,176</u>
Total trade and other receivables (net)	<u>3,088</u>	<u>2,176</u>

Accounting Policy

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where IP Australia becomes party to a contract and has a legal right to receive cash. Trade receivables are derecognised on payment. Loans and receivables are assessed for impairment at the end of each financial year. Allowances are made when collectability of the debt is no longer probable.

Credit terms for goods and services were within 30 days (2015-16: 30 days).

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.2: Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles 2017

	Leasehold Improvements & equipment \$'000	Property, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total Intangibles \$'000	Total \$'000
As at 1 July 2016						
Gross book value	19,712	16,318	122,183	15,504	137,687	173,717
Accumulated depreciation and impairment	(6,435)	(7,459)	(58,475)	(10,960)	(69,435)	(83,329)
Net book value 1 July 2016	13,277	8,859	63,708	4,544	68,252	90,388
Additions - by purchase or internally developed	232	4,011	17,868	1,003	18,871	23,114
Revaluations and impairments recognised in other comprehensive income	(267)	(81)	-	-	-	(348)
Revaluations recognised in net cost of services	-	(717)	-	-	-	(717)
Depreciation/Amortisation expense	(2,255)	(3,268)	(10,480)	(1,002)	(11,482)	(17,005)
Other movements:						
Transfers to between asset classes	-	(683)	683	-	683	-
Disposals and write down of intangibles	-	(51)	(19)	(11)	(30)	(81)
Total as at 30 June 2017	10,987	8,070	71,760	4,534	76,294	95,351
Total as at 30 June 2017 represented by:						
Gross book value	10,987	9,146	137,859	14,961	152,820	172,953
Accumulated depreciation and impairment	-	(1,076)	(66,099)	(10,427)	(76,526)	(77,602)
Total as at 30 June 2017	10,987	8,070	71,760	4,534	76,294	95,351

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

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

All revaluations were conducted in accordance with the revaluation policy. IP Australia engage Australian Valuation Solutions (AVS) to conduct a revaluation of Leasehold Improvements and Property, plant & equipment asset classes as at 30 June 2017.

The fair value of IP Australia's leasehold improvements and plant and equipment has been taken to be the market value of similar items or depreciated replacement cost as determined by an independent valuer. In some instances, IPA's leasehold improvements that were purpose-built and some specialised plant and equipment may in fact realise more or less in the market.

A revaluation decrement of \$267,149 for leasehold improvements (2016: Nil) and a revaluation decrement of \$80,645 for plant and equipment (2016: Nil) was transferred to the asset revaluation surplus by asset class and included in the equity section of the balance sheet.

A revaluation decrement of \$716,744 for plant and equipment (2016: Nil) was recognised in net cost of services where there was no asset revaluation surplus available in equity.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.2: Non- Financial Assets

Accounting Policy

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.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases of leasehold improvements costing less than \$20,000 (2015-16: \$20,000) and computer equipment costing less than \$1,000 (2015-16: \$1,000). Purchases of other plant and equipment are also recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000 (2015-16: \$5,000).

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 'makegood' provisions in property leases taken up by IP Australia where there exists an obligation to restore the property to its original condition. These costs are included in the value of IP Australia's leasehold improvements with a corresponding provision for the 'make good' recognised.

Revaluations

Following initial recognition at cost, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did 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 was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed 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 through the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to IP Australia using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

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

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

	2017	2016
Leasehold improvements	Lease term	Lease term
Plant and Equipment	3 to 25 years	3 to 25 years

Impairment

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

Derecognition

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

Sale of Asset

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

Intangibles

IP Australia's intangibles comprise internally developed and purchased 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 IP Australia's software are 3 to 10 years (2015-16: 3 to 10 years).

Purchases of software are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000 (2015-16: \$5,000). Dependent on the stage of development, internally developed software is recognised at cost in the statement of financial position, except for purchases costing less than \$200,000 (2015-16: \$200,000).

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.3: Payables

	2017	2016
	\$'000	\$'000
Note 2.3A: Suppliers		
Trade creditors and accruals	13,784	12,353
Operating lease rentals	8,539	9,071
Total suppliers	<u>22,323</u>	<u>21,424</u>

Settlement is usually made within 30 days.

Note 2.3B: Other Payables

Unearned revenues		
Patents fees	7,974	7,823
Trade Marks fees	8,369	6,570
Designs fees	131	113
Plant Breeders Rights fees	1,250	1,077
Total unearned revenues	<u>17,724</u>	<u>15,583</u>
Other unearned income	494	494
Lease incentives	1,926	2,293
Salary and wages	1,367	533
Superannuation	130	65
Separations and redundancies	66	589
Other	37	13
Total other payables	<u>21,744</u>	<u>19,570</u>

Accounting Policy

Supplier and other payables are classified as 'other financial liabilities' and are recognised at amortised cost.

Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are derecognised on payment.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased asset. Lease incentives are recognised as other payables and amortised over the period of the lease on a straight line basis.

For unearned revenue policy refer Note 1.2A.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.4: Provisions

	2017	2016
	\$'000	\$'000
Note 2.4A: Employee Provisions		
Leave	35,872	36,692
Superannuation on-cost	3,577	3,652
Total employee provisions	39,449	40,344

Accounting Policy

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.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time leave is taken, including IP Australia'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 determined by reference to the work of an actuary as at 30 April 2016. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

IP Australia recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

IP Australia staff are predominantly members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance within its administered schedules and notes.

IP Australia makes employer contributions to the employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. IP Australia accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.4B: Provision for Restoration Obligation

	Provision for restoration obligations
	\$'000
As at 1 July 2016	246
Amount reversed	(6)
Unwinding of discount	4
Total as at 30 June 2017	244

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

IP AUSTRALIA
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 2.5: Financial Instruments

		2017	2016
	Notes	\$'000	\$'000
Note 2.5A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables			
Cash and cash equivalents	2.1A	101,784	100,292
Trade and other receivables	2.1B	1,027	733
Total financial assets		102,811	101,025
Financial Liabilities			
Financial liabilities measured at amortised cost			
Trade creditors	2.3A	13,784	12,353
Total financial liabilities		13,784	12,353

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Funding**Note 3.1: Appropriations****Table 3.1A: Annual Appropriations (Recoverable GST exclusive)****Annual Appropriations for 2017**

	<u>Appropriation Act</u>		Appropriation applied in 2017 (current and prior years) \$'000	Variance ¹ \$'000
	Annual Appropriation \$'000	Total appropriation \$'000		
DEPARTMENTAL				
Ordinary annual services	1,792	1,792	1,792	-
Other Services				
Equity	300	300	-	300
Loans	-	-	-	-
Total departmental	2,092	2,092	1,792	-

Annual Appropriations for 2016

	<u>Appropriation Act</u>		Appropriation applied in 2016 (current and prior years) \$'000	Variance \$'000
	Annual Appropriation \$'000	Total appropriation \$'000		
DEPARTMENTAL				
Ordinary annual services	2,111	2,111	2,111	-
Total departmental	2,111	2,111	2,111	-

Appropriations received under ordinary annual services are sourced from Appropriation Acts (Nos. 1 & 3)

1. The variance relates to Equity Injections received through Appropriation Act No. 2 (2016-17) for the implementation of Trans Pacific Partnership. As at 30 June 2017, the total appropriation from this act remains unspent. There are no other unspent annual appropriations from current or prior years.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 3.2: Special Accounts

	Intellectual Property Special Account ¹		Services for Other Entities and Trust Moneys World Intellectual Property Organisation ²		Services for Other Entities and Trust Moneys - Security of Costs ³		Service for Other Entities and Trust Moneys - Comcare ³	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance brought forward from previous period	100,292	98,485	425	360	48	56	0	-
Increases:								
Appropriation credited to special account	1,792	2,111	-	-	-	-	-	-
Costs recovered	211,542	196,960	-	-	-	-	-	-
Receipts on behalf of WIPO	-	-	5,663	6,010	-	-	-	-
Other receipts	45	61	-	-	26	4	300	409
Total increases	213,379	199,132	5,663	6,010	26	4	300	409
Available for payments	313,671	297,617	6,088	6,370	74	60	300	409
Decreases:								
Departmental								
Payments made to suppliers	(87,141)	(74,231)	-	-	-	-	-	-
Payments made to employees	(124,746)	(123,094)	-	-	-	-	-	-
Money held for non-Commonwealth Party	-	-	(5,754)	(5,945)	(55)	(12)	(300)	(409)
Total departmental decreases	(211,887)	(197,325)	(5,754)	(5,945)	(55)	(12)	(300)	(409)
Total balance carried to the next period	101,784	100,292	334	425	19	48	0	0
Balance represented by:								
Cash held in entity bank accounts	1,109	1,317	334	425	19	48	0	0
Cash held in the Official Public Account	100,675	98,975	-	-	-	-	-	-
Total balance carried to the next period	101,784	100,292	334	425	19	48	0	0

1. Appropriation: Public Governance and Performance, Accountability Act 2013: s78

Establishing Instrument: Financial Management and Accountability Determination 2006/66 [lapsed 1 April 2017], PGPA Act Determination - Establishment of Intellectual Property Special Account 2017 [29 March 2017]

Purpose: For developing and administering intellectual and industrial property systems, including the provision of property rights in inventions, trademarks, designs and plant breeders rights.

2. Appropriation: Public Governance and Performance, Accountability Act 2013: s78

Establishing Instrument: Financial Management and Accountability Determination 2011/11

Purpose: For the services for Other Entities and Trust Moneys - IP Australia (Special Public Money) - For expenditure of money temporary held on trust or otherwise for the benefit of a person other than the Commonwealth and expenditure in connection with services performed on behalf of other Government and bodies that are not FMA Act agencies.

Note 3.3: Regulatory Charging Summary

	2017 \$'000	2016 \$'000
Amounts applied		
Departmental		
Annual appropriations	1,792	2,111
Own source revenue	211,542	196,960
Total amounts applied	213,334	199,071
Expenses		
Departmental	205,884	195,244
Total Expenses	205,884	195,244
External Revenue		
Departmental	209,694	197,390
Total External Revenues	209,694	197,390

Regulatory charging activities:

IP Australia operates on a cost recovery basis, predominately funding all operations from cost recovered activities.

These activities include:

- Patents
- Trade Marks
- Designs
- Plant Breeder's Rights
- Professional Standards Board

Documentation (Cost recovery Implementation Statement/s) for the above activities is available at

<https://www.ipaustralia.gov.au/tools-resources/publications-reports/cost-recovery-implementation-statement>

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Other Items

Note 4.1: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. IP Australia has determined the key management personnel to be the Director General and the Deputy Director Generals. Key management personnel remuneration is reported in the table below:

	2017	2016
	\$	\$
Short-term employee benefits	847,130	839,073
Post-employment benefits	167,108	139,837
Other long-term employee benefits	88,798	81,969
Total key management personnel remuneration expenses	<u>1,103,036</u>	<u>1,060,879</u>

Notes:

The total number of senior management personnel that are included 3 individuals. (2016: There were 3 key management personnel).

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by IP Australia.

IP AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Other Items

Note 4.2: Related Party Disclosures

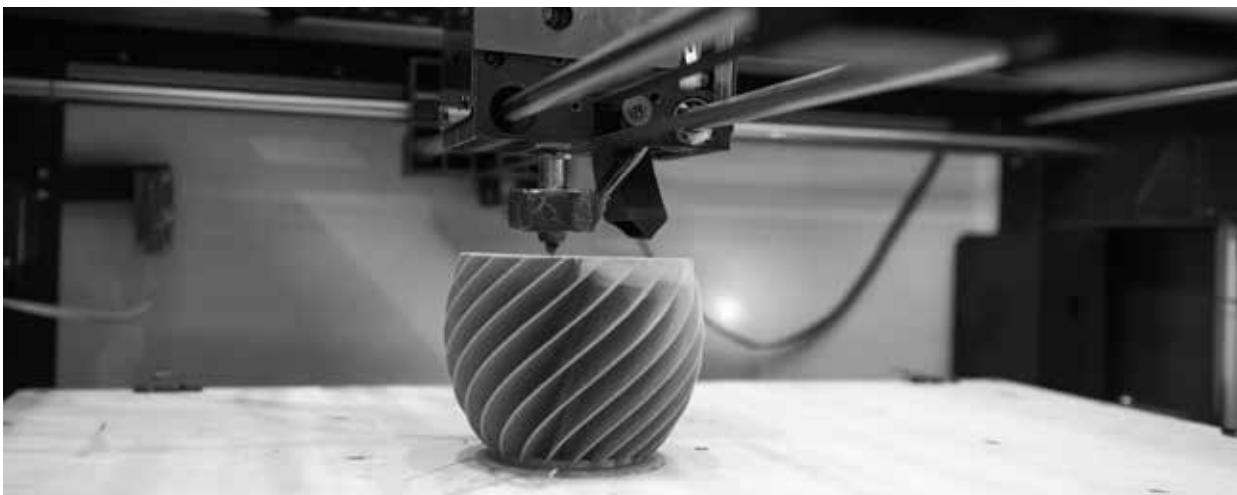
Related party relationships:

IP Australia is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister and Executive, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of IP rights services fees.

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



CHAPTER FIFTEEN

IP AUSTRALIA APPENDICES

Appendix C1: Appeals of decisions

Commissioner of Patents

In 2016–17, there were 10 appeals and one application for judicial review to the Federal Court from decisions of the Commissioner of Patents. Of those matters, six have been finalised and five remain open. The following decisions of the Federal Court and the Administrative Appeals Tribunal (AAT) during 2016–17 provided clarification of the law and procedure in relation to patents.

H.Lundbeck A/S v Commissioner of Patents [2017] FCA 56: IP Australia refused to dismiss oppositions to licences in respect of Lundbeck's escitalopram patent 623144. The Federal Court upheld IP Australia's decision.

AbbVie Biotechnology Ltd v Commissioner of Patents [2016] AATA 682: IP Australia refused an extension of term for AbbVie's Humira patents 2012261708, 2013203420 and 2013257402. AbbVie appealed to the Administrative Appeals Tribunal and was successful in part. IP Australia appealed the decision of the AAT to the Federal Court. The Federal Court has not yet issued a decision.

Jones Tulloch Pty Ltd v Commissioner of Patents [2016] FCA 1108: IP Australia deferred commencing re-examination of patent 780330 due to pending court action. Jones Tulloch unsuccessfully sought judicial review by the Federal Court.

Coretell Pty Ltd v Australian Mud Company Pty Ltd [2017] FCAFC 54: The Full Court of the Federal Court decided that a patentee's rights in respect of infringement of an innovation patent commence when the specification is published (which is at grant).

Registrar of Trade Marks

In 2016–17, there were 28 appeals from decisions of the Registrar of Trade Marks (involving 41 trade marks). Of those, 23 were to the Federal Court, one to the Federal Circuit Court, three to the Administrative Appeals Tribunal and one (which was withdrawn) to the Federal Court under the *Administrative Decisions (Judicial Review) Act 1977*.

Seventeen of the appeals were finalised during the year. Out of those finalised, nine of the appeals were initiated prior to July 2015 and nine were finalised by way of consent orders.

The decisions of the courts have confirmed the decisions made by the Australian Trade Marks Office and provided further clarification of the law.

In *Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* [2017] FCAFC 83 the Full Court of the Federal Court of Australia upheld the Registrar's decision with respect to ownership and then refused the trade mark on this and other grounds. The decision of the court has clarified the legal position on ownership of trade marks and held that an assignment of a trade mark application will no longer cure an application where the initial applicant was not the true owner of the trade mark.

In *Lodestar Anstalt v Campari America LLC* [2016] FCAFC 92 a full bench of five Federal Court judges upheld the decision of the Registrar because the trade mark owner failed to exercise proper control and use of their trade marks. At the commencement of the appeal process, the Chief Justice directed there be a full bench of five judges instead of the usual three to hear the appeal because the court considered the matter to be important to Australian trade mark law. It is now vital not only that licensing agreements include cogent contractual provisions which detail the control being exercised by the licensor, but also that these controls are exercised in practice. The High Court has dismissed an appeal and upheld the judgement of the full bench.

Appendix C2: Entity resource statement

Table 51: Entity resource statement, 2016–17

		Actual available appropriation for 2016–17 \$'000	Payments made 2016–17 \$'000	Balance remaining 2016–17 \$'000
<i>1/ Ordinary annual services</i>				
Departmental appropriation				
Departmental appropriation ⁽¹⁾		1,792	1,792	-
Total		1,792	1,792	-
Total ordinary annual services	A	1,792	1,792	-
<i>2/ Other services</i>				
Departmental non-operating				
Equity injections		300	-	300
Total				
Total other services	B	300	-	300
Total available annual appropriations		2,092	1,792	300
<i>3/ Special appropriations</i>				
Total special appropriations	C	-	-	-
Total appropriations excluding Special Accounts		-	-	-
<i>Special Accounts</i>				
Opening balance		100,292		
Appropriation receipts ⁽²⁾		1,792		
Non-appropriation receipts to Special Accounts		211,587		
Payments made		211,887		
Total Special Account	D	101,784		
<i>Total resourcing</i>				
A+B+C+D		103,876		
Less appropriations drawn from annual or special appropriations above and credited to special accounts		1,792		
Total net resourcing for IP Australia		102,084		

1 Appropriation Act (No. 1) 2016–17.

2 Appropriation receipts from IP Australia annual appropriations for 2016–17 included above.

Appendix C3: Expenses and resources for Outcome 1

Table 52: Expenses and resources for 2016-17

Outcome 1: Increased innovation, investment and trade in Australia, and by Australians overseas, through the administration of the registrable intellectual property rights system, promoting public awareness and industry engagement, and advising government	Budget 2016-17 \$'000	Actual 2016-17 \$'000	Variation 2016-17 \$'000
<i>Program 1.1: IP Rights Administration and Professional Registration</i>			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special accounts	188,696	190,903	2,207
Expenses not requiring appropriation in the budget year	150	150	-
Total for Programme 1.1	188,846	191,053	2,207
<i>Program 1.2: Awareness, Education and International Engagement</i>			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special accounts	7,810	7,421	-389
Expenses not requiring appropriation in the budget year			
Total for Programme 1.2	7,810	7,421	-389
<i>Program 1.3: Advice to Government</i>			
Departmental expenses			
Departmental appropriation	1,792	1,792	-
Special appropriations			
Special accounts	4,623	5,617	994
Expenses not requiring appropriation in the budget year			
Total for Programme 1.3	6,415	7,409	994
<i>Outcome 1 totals by appropriation type</i>			
Departmental expenses			
Departmental appropriation	1,792	1,792	-
Special appropriations			
Special accounts	201,129	203,942	2,813
Expenses not requiring appropriation in the budget year	150	150	-
Total expenses for Outcome 1	203,071	205,884	2,813
Average staffing level (number)	1,054	1,058	4

Appendix C4: Workforce statistics

Table 53: Ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, IP Australia

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 2	1	1	0	0	1	1
APS 3	0	0	3	3	3	3
APS 4	97	83	57	50	154	133
APS 5	57	43	23	21	80	64
APS 6	223	233	343	345	566	578
EL 1	97	93	153	143	250	236
EL 2	27	21	48	47	75	68
SES Band 1	3	3	5	5	8	8
SES Band 2	2	2	0	0	2	2
SES Band 3	1	1	0	0	1	1
Total	508	480	632	614	1140	1094

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 54: Non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, IP Australia

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 3	2	0	3	0	5	0
APS 4	7	5	7	5	14	10
APS 5	3	2	3	1	6	3
APS 6	3	2	2	1	5	3
EL 1	2	0	4	4	6	4
EL 2	0	0	0	1	0	1
SES Band 1	0	0	0	0	0	0
SES Band 2	0	0	0	0	0	0
SES Band 3	0	0	0	0	0	0
Total	17	9	19	12	36	21

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 55: Ongoing and non-ongoing employees by classification and gender, 30 June 2016 and 30 June 2017, IP Australia

Classification	Female		Male		Total	
	2016	2017	2016	2017	2016	2017
APS 2	1	1	0	0	1	1
APS 3	2	0	6	3	8	3
APS 4	104	88	64	55	168	143
APS 5	60	45	26	22	86	67
APS 6	226	235	345	346	571	581
EL 1	99	93	157	147	256	240
EL 2	27	21	48	48	75	69
SES Band 1	3	3	5	5	8	8
SES Band 2	2	2	0	0	2	2
SES Band 3	1	1	0	0	1	1
Total	525	489	651	626	1176	1115

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Table 56: Ongoing and non-ongoing employees by full-time or part-time status, 30 June 2016 and 30 June 2017, IP Australia

Attendance type	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
Full-time	1010	958	32	17	1042	975
Part-time	130	136	4	4	134	140
Total	1140	1094	36	21	1176	1115

Table 57: Ongoing and non-ongoing employees by location, 30 June 2016 and 30 June 2017, IP Australia

Location	Ongoing		Non-ongoing		Total	
	2016	2017	2016	2017	2016	2017
ACT	1042	979	36	21	1078	1000
NSW	25	33	0	0	25	33
Vic.	53	62	0	0	53	62
Qld	10	12	0	0	10	12
SA	6	5	0	0	6	5
WA	2	2	0	0	2	2
Tas	1	1	0	0	1	1
NT	1	0	0	0	1	0
Total	1140	1094	36	21	1176	1115

Table 58: Indigenous employees, 30 June 2016 and 30 June 2017, IP Australia

Employment status	30 June 2016	30 June 2017
Ongoing	5	4
Non-ongoing	0	0
Total	5	4

Table 59: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2017, IP Australia

Classification	Employment arrangement		Salary range ¹	
	Enterprise agreement	Individual flexibility arrangement	Minimum (\$)	Maximum (\$)
APS 1	0	0	44 856	49 762
APS 2	1	0	51 590	56 487
APS 3	3	0	57 997	62 939
APS 4	143	1	64 533	69 947
APS 5	67	3	71 857	77 004
APS 6	581	157	78 475	89 145
EL 1	240	107	98 500	110 861
EL 2	69	37	120 663	140 663
Total	1104	305		

APS = Australian Public Service; EL = Executive Level

¹ IP Australia provides staff with a number of non-salary benefits (which are not included under the provisions of the enterprise agreement), such as:

- annual influenza immunisation and annual health and skin checks
- early intervention for case management
- a return-to-work program for non-compensable injuries and illnesses
- mentoring programs
- access to capability development programs
- contributions to relevant professional memberships
- mental health and wellbeing support, including wellbeing seminars
- internal and external mobility/secondment opportunities
- a family program.

Note: Senior Executive Service employment arrangements are included in Department of Industry, Innovation and Science data (Table 24 in Appendix A3) to ensure non-identification of individual recipients.

Table 60: Performance payments from 1 July 2016 to 30 June 2017, non-SES, IP Australia

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1-6	41	274 032.30	6683.71	20.00	27 560.00
EL 1	16	101 849.53	6365.60	239.49	21 636.11
EL 2	58	533 184.57	9192.84	3282.30	23 823.47
Total	115	909 066.40	7904.92		

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

Note: APS 1-6 figures are combined to ensure non-identification of individual recipients. Figures on performance payments for IP Australia's SES officers are included with the Department of Industry, Innovation and Science's data (Table 25 in Appendix A3) to ensure non-identification of individual recipients.

Appendix C5: Ecologically sustainable development and environmental performance

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* requires IP Australia to report annually on how its activities accord with and contribute to the principles of ecologically sustainable development and the environmental performance of its internal operations.

In 2016–17, IP Australia maintained its commitment to minimise the impact of its operations on the environment. Through processes identified in the IP Australia environmental management system, the organisation continued to reduce its energy consumption and waste, increase recycling and promote the efficient use of resources.

In 2016–17, we continued to improve our paperless office processes through the transition to an e-services model. IP Australia's environmental policy and programs continue to monitor the environmental program for improvements.

In 2016–17, IP Australia transitioned from certification under ISO 14001:2004 to certification under ISO 14001:2015 for its environmental management system. This transition demonstrates our strong ongoing commitment to operating sustainably and minimising the impact of operations on the environment.

The organisation's main office building, Discovery House in Canberra, incorporates a number of energy-efficient design measures, including lighting control, air-conditioning control systems, double glazing, efficient heating and cooling, and the reuse of captured rainwater and groundwater. Discovery House has a 5-star National Australian Built Environment Rating System (NABERS) energy base building rating.

A range of environmental strategies designed to contribute to sustainable operations have been developed and implemented at IP Australia. They continued to be monitored throughout 2016–17, and performance results met expectations.

PART D: REFERENCES

Abbreviations and acronyms

AAO	Australian Astronomical Observatory
AAT	Administrative Appeals Tribunal
AIP plan	Australian Industry Participation plan
ANAO	Australian National Audit Office
APS	Australian Public Service
ATS	Automotive Transformation Scheme
CRC	Cooperative Research Centre
GDP	gross domestic product
GST	goods and services tax
ICN	Industry Capability Network
ICT	information and communications technology
IP	intellectual property
KPI	key performance indicator
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Facility
NBSI	National Business Simplification Initiative
NEATS	National Electronic Approvals Tracking System
NOPIMS	National Offshore Petroleum Information Management System
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NOPTA	National Offshore Petroleum Titles Administrator
OECD	Organisation for Economic Co-operation and Development
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
R&D	research and development
RIO Program	Rights In One Program
SBAS	Satellite-Based Augmentation System
SES	Senior Executive Service
STEM	science, technology, engineering and mathematics
WHS	work health and safety
WIPO	World Intellectual Property Organization

List of requirements

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
Letter of transmittal			
Letter of transmittal signed and dated by accountable authority on date final text approved	2	126	202
Aids to access			
Table of contents	v-vii	v-vii	v-vii
Alphabetical index	270-276	270-276	270-276
Glossary of abbreviations and acronyms	264	264	264
List of requirements	265-269	265-269	265-269
Details of contact officer	iii	iii	iii
Entity's website address	iii	iii	iii
Electronic address of report	iii	iii	iii
Review by accountable authority			
A review by the accountable authority of the entity	3-6	127-129	203-205
Overview of the entity			
A description of the role and functions of the entity	7	129	205
A description of the organisational structure of the entity	8	130	206
A description of the outcomes and programs administered by the entity	9	130	206
A description of the purposes of the entity as included in corporate plan	12	132	208
An outline of the structure of the portfolio of the entity	7	not applicable	not applicable
Where the outcomes and programs administered by the entity differ from the Portfolio Budget Statements, Portfolio Additional Estimates Statements or other portfolio estimates statement, details of variation and reasons for change	9, 13	none to report	none to report
Report on the performance of the entity			
Annual Performance Statements			
Annual Performance Statements	11-40	131-152	207-219

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<i>Report on financial performance</i>			
A discussion and analysis of the entity's financial performance	41	153	219
A table summarising the total resources and total payments of the entity	107-110	195-196	255-256
Information on significant changes in the financial results during or after the previous or current reporting period	41	153	219
Management and accountability			
<i>Corporate governance</i>			
Information on compliance with section 10 (fraud systems)	44	156	222
A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared	2	126	202
A certification by the accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	2	126	202
A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	2	126	202
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	43	155	221-222
A statement of significant issues reported to minister that relate to non-compliance with the finance law and action taken to remedy non-compliance	44	156	222
<i>External scrutiny</i>			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	44	156	222
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	none to report	none to report	222, 253-254
Information on any reports on operations of the entity by the Auditor-General, a parliamentary committee or the Commonwealth Ombudsman	44	156	222
Information on any capability reviews on the entity that were released during the period	none to report	none to report	none to report
<i>Management of human resources</i>			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	44-45	156	223

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including in relation to classification level, full-time employees, part-time employees, gender, location, and employees who identify as Indigenous	111-114	197-199	257-259
Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under section 24(1) of the <i>Public Service Act 1999</i>	115	199	260
Information on the number of SES and non-SES employees covered by any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under section 24(1) of the <i>Public Service Act 1999</i>	116	199	260
The salary ranges available for APS employees by classification level	115	199	260
A description of non-salary benefits provided to employees	115	199	260
Information on the number of employees at each classification level who received performance pay	116	157	260
Information on aggregate amounts of performance pay at each classification level	116	not reportable	260
Information on the average amount of performance payment, and range of such payments, at each classification level	116	not reportable	260
Information on aggregate amount of performance payments	116	not reportable	260
Assets management			
An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	not applicable	not applicable	not applicable
Purchasing			
An assessment of entity performance against the Commonwealth Procurement Rules	46	157	224
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	46	158	225
A statement that ' <i>During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> '	46	158	225

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	46	158	225
A statement that <i>'Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.'</i>	46	158	225
Australian National Audit Office access clauses			
If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the name of the contractor, the purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	47	158	225
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) that has been exempted from being published in AusTender because it would disclose exempt matters under the <i>Freedom of Information Act 1982</i> , a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters	47	158	225
Small business			
A statement that <i>'[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and medium enterprise and small enterprise participation statistics are available on the Department of Finance's website.'</i>	46	157	224
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	46	157	224
If the entity is considered by the Department of Finance as material in nature—a statement that <i>'[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.'</i>	46	157	224
Financial statements			
Annual financial statements	50–105	160–194	228–251
Other mandatory information			
If the entity conducted advertising campaigns, a statement that <i>'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'</i>	47	none to report	none to report

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
If the entity did not conduct advertising campaigns, a statement to that effect	not applicable	158	225
A statement that <i>'Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website].'</i>	47	158	225
Outline of mechanisms of disability reporting, including reference to website for further information	45	157	224
Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of the <i>Freedom of Information Act 1982</i> can be found	45	156	222
Correction of material errors in previous annual report	none to report	none to report	none to report
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