



Australian Government  
Department of Industry,  
Innovation and Science

# ANNUAL REPORT 2017-18



Department of  
Industry, Innovation  
and Science  
**ANNUAL REPORT 2017-18**

Cover: Geospatial images of the earth's surface. Milky Way. Robot (Advanced Manufacturing). Student (STEM). and Entrepreneurs.

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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 2017–18 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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This report is also available through the following websites:

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

Office of the Secretary

Senator the Hon Matthew Canavan  
Minister for Resources and  
Northern Australia  
Parliament House  
CANBERRA ACT 2600

The Hon Karen Andrews MP  
Minister for Industry, Science and  
Technology  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

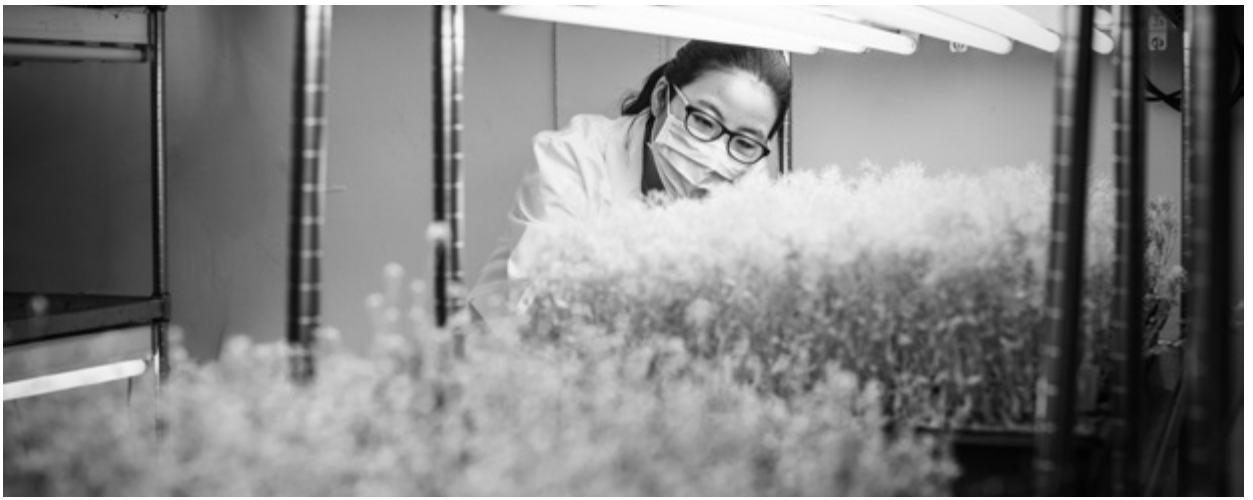
I present to you the Department of Industry, Innovation and Science Annual Report 2017-18, for tabling before the parliament, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*. The report also includes information that meets the reporting requirements for legislation the department administers (Appendix A4).

I certify that the department has prepared fraud and corruption risk assessments and a fraud and corruption 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 "Heather Smith".

Dr Heather Smith PSM  
19 September 2018



## CHAPTER ONE:

# PORTFOLIO AND DEPARTMENTAL OVERVIEW

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## Secretary's review

Our department drives Australian growth and job creation. We are focused on economic transformation and boosting business competitiveness by backing business, science, innovation and investment, and we are a central part of the government's economic agenda. We have a critical role in ensuring Australian firms are well positioned to grasp the opportunities presented by technological change and global economic growth. Equally important is our responsibility to help people navigate these changes by ensuring our policies and programs pave the way for businesses to create jobs across all parts of the economy.

At the time of release of this year's annual report, the Australian economy has just completed its 27<sup>th</sup> year of consecutive economic growth. Our continued success will require us to navigate changes in markets being driven by digital technologies, shifting demographics and Asia-Pacific growth. Our report showcases how the department is maximising the opportunities created by these changing dynamics by harnessing the potential of science, innovation and competitive businesses to drive growth and jobs across the economy.

## 2018-19 budget investments

A focus for the department is to implement the significant investments made in the 2018-19 Budget. These investments build on the 2015 National Innovation and Science Agenda (NISA) and were informed by Innovation and Science Australia's strategic plan for the Australian innovation, science and research system out to 2030, released in May 2018.

Key Budget measures comprise a \$2.4 billion commitment to Australia's research, science and technology capabilities, including \$1.9 billion invested over the next 12 years in our national research infrastructure in response to the National Research Infrastructure Roadmap. This is a long-term investment in infrastructure so public and private sector research and development (R&D) efforts continue to deliver scientific breakthroughs.

The government announced its plan to establish Australia's first space agency and appointed Dr Megan Clark AC to lead it. Australia's space industry has the potential to generate significant economic benefit and create new jobs, including in related sectors such as transport, logistics, mining and agriculture. Australia has strong capabilities in space-related industries. We have expertise as an advanced manufacturing nation and are leaders in automated mining and agriculture. This budget measure forms part of a broad package focused on Australia's space industry and satellite infrastructure. In particular, our portfolio agency, Geoscience Australia, is working to establish world leading satellite capabilities and increase GPS accuracy in our cities and regional areas. These investments will create new opportunities for Australian firms.

We are delivering on the government's commitment to increasing the participation of girls and women in science, technology, engineering and mathematics (STEM). The 2018–19 Budget included \$4.5 million for a number of initiatives to encourage more women and girls to pursue STEM education and careers. We convened the first meeting of the Industry, Innovation and Science Women's Advisory Roundtable, which was established to promote women's participation in entrepreneurship and innovation and to give advice on future policies and programs. We are also delivering important STEM engagement initiatives. For example, we have supported students to attend over 280 STEM-related events since 2016–17 and helped establish 'maker spaces', where students can develop STEM skills, in over 350 schools. Questacon continues its mission to excite and motivate people through inspirational learning experiences, engaging more than a million people in science through its exhibitions, programs and National Science Week.

The R&D Tax Incentive remains a key pillar of business R&D effort. As part of the 2018–19 Budget, the government announced amendments to better target the program, increasing the focus on additionality for larger firms, as well as improving the integrity, effectiveness and affordability of the program. The department and the Treasury have consulted on proposed changes to the program.

## **We are continuing to drive economic transformation**

Australia's ability to harness future opportunities is key to our continued economic success and we are leading work to drive economic transformation. For example, we have been developing a digital economy strategy that sets a clear path forward to enable Australians to prosper as technology continues to change. We expect to release the strategy in 2018–19.

Over the coming year, our department will also lead development of the government's Asian Innovation Strategy, which was announced in the 2018–19 Budget. The strategy will identify opportunities for Australian businesses, entrepreneurs and researchers in Asia—a region that stands to deliver nearly two thirds of global growth to 2030<sup>1</sup>. We will also implement the Export Hubs initiative to help local and regional businesses, including Indigenous brands, build business collaborations to improve the ability of firms to access export markets and global supply chains.

We established a Resources 2030 Taskforce in March 2018, as part of developing a National Resources Statement, to examine how Australia's resources sector can remain globally competitive and sustainable. Energy security remained an important issue throughout 2017–18. We supported the government to secure an affordable supply of gas to the domestic market through the development of the Australian Domestic Gas Security Mechanism and energy guarantee agreements with liquefied natural gas exporters. In addition, we delivered the Gas Acceleration Program to boost the supply of gas to Australia's east coast gas market. We will continue to support the government to encourage investment and affordability in our resources and energy sector to ensure Australia's ongoing prosperity and security.

<sup>1</sup> Australian Government Department of Foreign Affairs and Trade, *2017 Foreign Policy White Paper*, Ch2, viewed 11 September 2018, <https://www.fpwitepaper.gov.au/file/2651/download?token=Q5CYuX29>

We are also unlocking the economic potential of Australia's north, through our long-term agenda of investment and support for northern Australia. In 2017-18, we worked collaboratively with our government partners and key northern Australian stakeholders to progress our agenda and tap into the potential of the region's primary industries and tourism, and to capitalise on northern Australia's close proximity to Asia. We have made strong progress through the northern roads programs, water resource assessments, the Northern Australia Infrastructure Facility and the Cooperative Research Centre for developing Northern Australia. Expert boards are now in place with the Indigenous Reference Group and the Northern Australia Advisory Council working closely with the Ministerial Forum on Northern Development. This collaboration is critical to the continued success of the northern agenda.

We are growing Australia's defence industry sectors through our delivery of the Centre for Defence Industry Capability (CDIC) program, which provides a 'front door' to Australian businesses seeking opportunities in the defence industry and provides grants and business advisory services. We are also strongly supporting businesses to maximise opportunities arising from Australia's significant naval shipbuilding investment. This is providing a tangible path to economic prosperity and lasting Australian expertise and capability in defence industry manufacturing.

### **Our programs and core business**

Our Industry Growth Centres Initiative is a critical driver of productivity in areas of competitive strength and strategic priority. All six Growth Centres are delivering against their objectives, including incentivising, encouraging and supporting industry and research collaboration; identifying and addressing future skills needs; growing exports; and progressing opportunities for regulatory reform. In 2017-18, we introduced the Advanced Manufacturing Growth Fund to support the development of a world-leading advanced manufacturing sector in Australia. To date, the fund has leveraged total investment of around \$110 million with \$88 million coming direct from industry. This will boost innovation, skills and employment.

Our Entrepreneurs' Programme continues to deliver a range of services and support to Australian business. This year, the program provided over 9300 services to help get new firms off the ground and make it possible for businesses to work with researchers and industry experts to test, develop and commercialise new ideas. We will continue with this important work in the year ahead to build business capability further, and drive productivity and economic growth.

We also launched five new Cooperative Research Centres (CRCs) to support industry-led collaborations and solutions between industry, researchers and the community. The \$50 million Cyber Security CRC will deliver advancements that will build Australia's cyber security capability and deliver solutions to ensure the safety of Australians and Australian businesses online. In the 19<sup>th</sup> CRC selection round, funding of \$161 million was awarded to four CRCs to tackle a range of industry problems including reducing food waste, addressing declining mineral exploration, the adoption of future fuels and the development of digital health solutions. We also provided funding of \$47 million to 22 CRC Projects addressing a range of industry challenges such as reducing infant pearl oyster deaths through to a portable, non-invasive brain scanner for early stroke detection. Eight of these projects were supported by funding from the Advanced Manufacturing Fund.

On 23 August 2017, the department joined with the University of New South Wales, the Commonwealth Bank of Australia, Telstra and the New South Wales Government to launch a new Australian quantum computing company, Silicon Quantum Computing Pty Ltd (SQC). The power and potential of quantum computing is game changing. Led by 2018 Australian of the Year, Professor Michelle Simmons, SQC is leading the race to develop and commercialise a quantum computer using silicon as a base material.

Providing the right environment for businesses to thrive is a key part of our work. In 2017-18 the National Business Simplification Initiative reduced the complexity of regulation for businesses and streamlined business interaction with government, freeing up time for firms to focus on their own growth and to get on with fuelling the economy. For example, since the implementation of the Business Registration Service, the average time taken to register a business application has dropped for sole traders from 65 minutes to under 15 minutes. In addition, AusIndustry's administration of the government's Business Grants Hub is making it easier for businesses to access grant programs and is providing a streamlined and standardised approach for government's design and delivery of these programs. So far, the hub has assisted eight government agencies through more than 70 grant opportunities, worth over \$1.5 billion.

### **We are a high performing and inclusive organisation**

The department is committed to providing a flexible and inclusive workplace for all staff. In 2017-18, we launched a new inclusion strategy to guide our inclusion practices for the next three years. This makes inclusion part of our core business, building a culture where everyone is valued, and creativity, innovation and problem solving are fostered. Under the strategy, we launched the DIISability Internship Program, the Inclusion Scholarship Program, and a departmental Inclusion Expo. We also launched a new reconciliation action plan, with a vision to accelerate the productivity and wellbeing of Australia's First Peoples and their communities.

We are building a new service delivery framework to ensure that we deliver our programs and services in ways that work best for our customers. Our Business Grants Hub has continued to enhance its delivery of whole-of-government grants administration with a full end-to-end digital service offer. This has improved the experience of people accessing our programs and also reduced red tape and administration costs. To support staff in building their digital capability, understand new technology trends and apply digital solutions to the way they deliver services to our customers, we piloted a digital capability program. This program will now be rolled out more broadly across our outreach network.

We are also contributing to the Shared Services agenda for a smaller, smarter and more productive and sustainable public sector and to ensure the Australian Public Service (APS) is better positioned to respond to future challenges by transforming traditional operating models. The department is enhancing the APS's capabilities in service delivery and process automation through delivering quality payroll and finance services, and working across government. We are increasing the effectiveness and efficiency of shared services through standardisation, continuous process improvement and strategic payroll advice to our client partners. In 2017-18, to accelerate the government's program, we consolidated the two Aurion and TechnologyOne Shared Services Hubs (the department and Treasury) and have transitioned an additional four agencies to our services. We are now delivering enabling services to nine government agencies, representing over 5000 employees.

The government commissioned a major review of the APS in May 2018 to ensure it is best placed to serve Australian governments and the Australian people into the future. The review provides us with an important opportunity to contribute to ensuring the APS is fit-for-purpose for the coming decades, and delivers improved citizens' experience of government. The department is also actively contributing to Modernising the Public Sector, delivering short and medium citizen and business-focused reform initiatives. These reforms are being led by the APS Reform Committee of the Secretaries and we are co-leading reforms in the areas policy, data and innovation and productivity.

To achieve better outcomes for Australians, and drive innovation and productivity in the economy, we are refining our approach to user-centred design for our programs and services and investigating how regulatory frameworks can be used to bring forward the next wave of technological innovation. During our design phase of programs, we are also working to embed best practices for the capture, analysis, management and reporting of program performance data, including job creation, in addition to broad indicators like GDP, value added, labour and multi-factor productivity. This will ensure we are well placed to evaluate the performance of our programs, underpinning the effectiveness of our policy development and program delivery into the future.

In the year ahead I look forward to continuing our work to promote a dynamic Australian economy powered by highly skilled workers and competitive and innovative businesses.

## **Portfolio overview**

The Jobs and Innovation Portfolio was created on 20 December 2017. The portfolio consisted of two departments—the Department of Jobs and Small Business (previously the Department of Employment) and the Department of Industry, Innovation and Science.

This report provides information about the Industry, Innovation and Science part of the Jobs and Innovation Portfolio. Information about the Jobs and Small Business part of the portfolio is provided by the Department of Jobs and Small Business in its annual report.

Portfolio changes resulting from the administrative arrangements order of 28 August 2018 will be reflected in next year's annual report.

## **Ministers**

At 30 June 2018, the Ministers with responsibility for Industry, Innovation and Science within the Jobs and Innovation portfolio were:

- Senator the Hon Michaelia Cash, Minister for Jobs and Innovation
- Senator the Hon Matthew Canavan, Minister for Resources and Northern Australia
- the Hon Craig Laundy MP, Minister for Small and Family Business, the Workplace and Deregulation
- Senator the Hon Zed Seselja, Assistant Minister for Science, Jobs and Innovation.

## **Portfolio agencies**

At 30 June 2018, the Industry, Innovation and Science part of the Jobs and Innovation 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 entities listed above report separately to the parliament.



## Departmental overview

### Role and functions

The Department of Industry, Innovation and Science drives Australian growth and job creation. The department boosts Australia's competitiveness and facilitates economic transformation by backing business, science, innovation and investment. The department's effort relies on building strong relationships between businesses, entrepreneurs, employees, the science community, government, regulators and international partners.

The department facilitates Australia's economic transformation through investment, science and innovation. It supports businesses and employees as they manage market disruptions and seek new opportunities, including those presented by digital technology. It does this by:

- enabling strong science, supporting the research, infrastructure, skills development and collaboration that underpins new discoveries, better living standards and the social wellbeing of all Australians
- promoting the growth and transformation of internationally competitive industries by enabling business investment, collaboration and international engagement in growth sectors, as well as helping to overcome barriers to their success
- working with state and territory governments, particularly through the Council of Australian Government (COAG) Energy Council, to promote Australia's globally competitive resources sector, and supporting best practices in the mining industry to develop Australia's mineral and energy resources
- coordinating the government's agenda to unlock the potential of northern Australia and build on its strong primary industries, tourism and access to Asia, investing in critical infrastructure, facilitating private investment and developing more opportunities for a range of industries and communities to grow
- partnering across government to assist employees and businesses in transitioning industries and regions.

The department also works to boost business competitiveness and enable businesses to grow and create jobs and prosperity across Australia by:

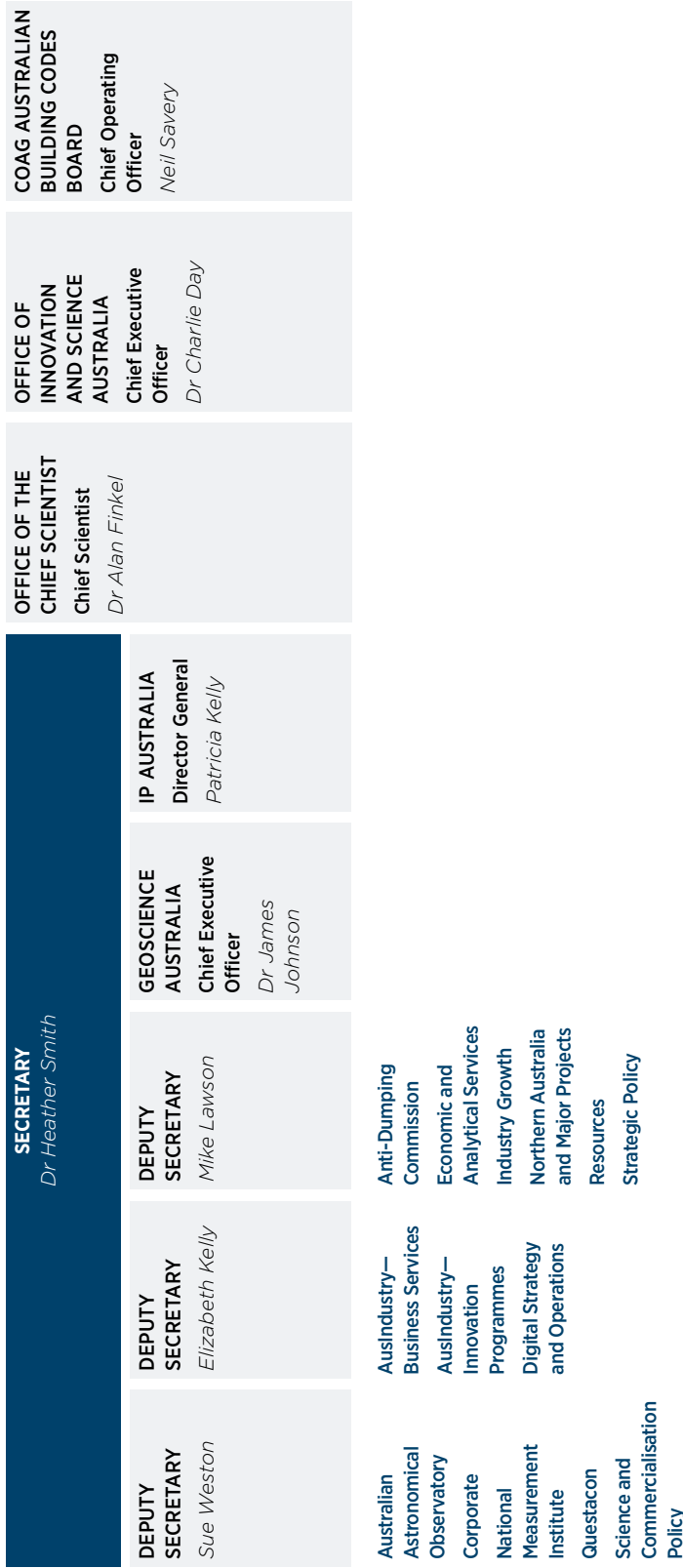
- helping businesses to improve their productivity, capabilities and networks, facilitating business engagement in global value chains and supporting the development of critical management, entrepreneurial and digital skills
- contributing to the government's work providing the enabling environment for business success, including through tax and regulatory reform, investment in key infrastructure and reducing the cost of doing business, particularly by providing simple, easy to access services and information and helping business to seamlessly engage with government.

The department's purposes and outcome and program structure for 2017–18 are described in the Annual Performance Statements in Chapter 2.

### Organisational structure

Figure 1 shows the department's organisational structure at 30 June 2018.

Figure 1: Departmental structure, 30 June 2018



Outcome and program structure

The department had one outcome for the reporting period. Figure 2 describes the outcome and its programs and sub-programs as set out in the 2017-18 Portfolio Budget Statements.

Figure 2: Department of Industry, Innovation and Science outcome and program structure, 2017-18

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
Sub-program 1.1: Science awareness, infrastructure and international engagement	Sub-program 2.1: Competitive marketplace	Sub-program 3.1: Simplifying doing business
Sub-program 1.2: Business research, development and commercialisation	Sub-program 2.2: Business and market development	Sub-program 3.2: Building a high performance organisation
	Sub-program 2.3: Economic transition	
	Sub-program 2.4: Resources	
	Sub-program 2.5: Energy <sup>1</sup>	
	Sub-program 2.6: Northern Australia development	

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, Heather Smith, as the accountable authority of the Department of Industry, Innovation and Science, present the 2017-18 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.

Dr Heather Smith PSM  
Secretary  
19 September 2018

## Vision and purposes

The Department of Industry, Innovation and Science drives Australian growth and job creation. We boost Australia's competitiveness and facilitate economic transformation by backing business, science, innovation and investment.

In 2017–18, the department's vision, as set out in its Corporate Plan, was to enable growth and productivity for globally competitive industries.

The department worked towards realising its vision through three purposes:

- Purpose 1: Supporting science and commercialisation—facilitate the development and uptake of new ideas and technology and translate them into commercial activity.
- Purpose 2: Growing business investment and improving business capability—build a diversified, flexible, resilient and dynamic economic base that can identify and adapt to new markets and emerging opportunities.
- Purpose 3: Simplifying doing business—facilitate competitiveness and innovation by making it easier for businesses to interact with government and reducing the cost of doing business in Australia.

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

The department's performance in achieving its purposes was influenced by many external factors, including the contributions of other players, the impact of the global economy, the progress of science and technology, and Australian economic and fiscal conditions.

Through initiatives to build a high performance organisation, and the implementation of effective risk oversight and management systems, the department enhanced its capacity to meet its objectives.

## Performance reporting structure

The department's Annual Performance Statements assess and report on the department's performance in 2017–18 against the performance criteria set out in the 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

Figure 3 outlines the performance reporting structures set out in the 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan, and shows how their performance criteria are addressed in the Annual Performance Statements.

Figure 3: Relationships between the department's Portfolio Budget Statements, Corporate Plan and Annual Performance Statements for 2017-18



<sup>1</sup> 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.

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

<sup>3</sup> 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 level 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 the department’s effort to achieve its 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, the department can assess and report on the contributions to achieving the outcome, vision and purposes, attributable to specific activities and components.

In addition to the three-tier approach to performance measurement, the department also uses evaluations, case studies, research studies and other methodological tools, where appropriate, to examine its performance in achieving its objectives and purposes.

Vision: Enabling growth and productivity for globally competitive industries

Several aspects of Australia’s economy are relevant to the department’s vision—economic growth, productivity and job creation. Economic growth and productivity are assessed against the performance criteria set out in the department’s 2017-18 Corporate Plan. Job creation is assessed against the performance criterion of growth in employment that has been added since the 2017-18 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 operated in 2017-18.

## 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	Trends and analysis
Economic growth	Growth in gross domestic product <sup>1</sup>	Australia has a history of strong economic growth. Australia's real GDP grew by 3.4% through the year to the June quarter 2018. The Australian economy has now recorded its 27th consecutive year of GDP growth. <sup>2</sup>
	Growth in gross value added by industry <sup>1</sup>	Health care and social assistance, and arts and recreation services were the fastest growing industries in the year to June 2018, with growth of 7.2% and 5.5% respectively. Growth in the health care and social assistance industry reflects a long-running trend driven by factors such as population ageing and changes in consumer preferences. The arts and recreation services industry recorded strong growth in 2018 following a decline in industry input in 2017. <sup>3</sup>
Productivity	Growth in labour productivity <sup>1</sup>	Australia's labour productivity rose by 1.1% through the year to June 2018. <sup>2</sup>
	Growth in multifactor productivity <sup>1</sup>	Multifactor productivity rose by 0.6% in 2016–17. <sup>4</sup>
Job creation	Growth in employment <sup>5</sup>	Job creation in Australia is running at high levels, with over 316 000 more people employed over the year to June 2018, or annual growth of 2.6%. Over one million more people are working compared to five years ago. <sup>5</sup>

1 Source: 2017–18 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: ABS cat. no. 6202.0 table 1. Note this performance criterion has been added since the 2017–18 Corporate Plan.

### 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, including encouraging collaboration between researchers and businesses.

In 2017–18, 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 and encourage collaboration between businesses and researchers, to drive innovation and thus contribute to improved productivity.



## Main achievements

- The department led development of the 22 May 2018 whole-of-government response to Innovation and Science Australia's report *Australia 2030: prosperity through innovation*, which informed a range of investments in the government's 2018-19 Budget. The department will continue to support a long-term strategic and systematic approach to strengthening the Australian innovation system, informed by the latest evidence.
- The department worked closely with the Department of Education and Training to secure \$1.9 billion in new funding to 2028-29 in response to the 2016 National Research Infrastructure Roadmap. This builds on funding of \$140 million to secure the next generation of Australian supercomputers and deliver on the commitments made under the National Innovation and Science Agenda in 2015. Those commitments will provide secure, long-term funding for Australia's research infrastructure capability and create new highly skilled jobs to power our transitioning economy.
- The department coordinated the whole-of-government response to the Productivity Commission's inquiry into Australia's intellectual property arrangements and supported the implementation of government decisions relevant to the portfolio. The aim is to improve Australia's intellectual property system and provide the flexibility required for the 21st Century by balancing incentives for innovators, investors and creators.
- The department was successful in securing measures under the 2018-19 Budget to support women in science, technology, engineering and mathematics (STEM) and Australian innovation in Asia. These build on our existing efforts to strengthen Australia's science and innovation capabilities, by supporting a better skilled workforce and more opportunities to collaborate with international partners.
- Under the government's 2017-18 Budget measure 'Maintaining Australia's Optical Astronomy Capability', Australia entered a 10-year, \$129 million strategic partnership with the European Southern Observatory, enabling Australia's astronomers to access the world's best optical telescopes. In support, the domestic research sector took over operation of the Anglo-Australian Telescope and development of the renowned instrumentation capability of the Australian Astronomical Observatory.
- In 2017, Questacon engaged with more than a million people. National Science Week 2017 attracted 1.3 million participants and achieved media reach estimated to be valued at over \$4.8 million.

The Shell Questacon Science Circus had its largest single day attendance with 5075 visitors over six hours in the Hobart public exhibition. There was exceptional demand from schools in Queensland with 35 445 people attending over four weeks.

Questacon's travelling exhibitions toured 25 national and international venues, reaching more than 455 000 people.

Questacon's early childhood learning program Science Time reached the 10-year milestone in 2017. Approximately 500 children and their carers participate in the program each year.

- The National Measurement Institute (NMI) supported regulators by providing thousands of expert laboratory analyses. For example, NMI provided sports drug testing for the 2018 Gold Coast Commonwealth Games, contributing to a cleaner competition. NMI analysts also delivered ultra-trace analyses of dioxins and other toxic pollutants in food for the Food Standards Australia New Zealand Australian Total Diet Study. The study provides important longitudinal data on potential contaminants in food products. A new national measurement policy statement, released in November 2017, was the basis for NMI's regulatory reform activities in the latter part of the financial year. The policy outlines how Australia's measurement capabilities can be best used to support businesses, consumers and industry.

NMI commenced a comprehensive review of Australia's measurement legislation, for the first time since the *National Measurement Act 1960* came into being. The review, which involves extensive public consultations, is due for completion by 2020.

- The government's response to the Review of the R&D Tax Incentive program was announced in the context of the 2018–19 Budget. The government is reforming the R&D Tax Incentive to reward additional investment in R&D while improving the integrity and effectiveness of the program.

The program supported more than 15 000 Australian companies to develop new products, processes and services by providing tax offsets for eligible research and development activities during the 2016–17 income period. Of those companies, which registered around \$14 billion worth of research activities, more than 12 000 were small and medium businesses and more than 3000 were new to the program. Growth was particularly strong in the services sectors.

- The Cyber Security CRC was launched on 5 April 2018 to grow Australia's capability in cyber security research, development and commercialisation. The centre was awarded \$50 million over seven years through the CRC Program to help deliver solutions to ensure the safety of Australians and Australian businesses online.
- Silicon Quantum Computing Pty Ltd (SQC), led by 2018 Australian of the year, Professor Michelle Simmons, launched on 23 August 2017. Announced as part of the 2015 National Innovation and Science Agenda, the establishment of SQC helps position Australia as a global leader in silicon quantum computing. Quantum computers have the potential to revolutionise information technology and drive growth in a variety of fields, from defence to healthcare. The government is investing \$25 million in the company to support its growth and has appointed a representative on SQC's board.
- The Innovation Connections element of the Entrepreneurs' Programme assists businesses to understand their research needs, connect with the research sector and fund collaborative research projects. Innovation Connections delivered over 650 services, including Researcher Placements, Business Researcher Placements and Graduate Placement grants. More than half the businesses accessing Innovation Connections developed new intellectual property as a direct result of their research project. Of the businesses that had never previously engaged with the research sector, 84 per cent stated that they had developed an ongoing relationship with their research partner. Half of the businesses involved gained access to new markets as a result of their Innovation Connections project. The remaining 50 per cent expect to access new markets in the future.

## Performance criteria and results

*Table 3: Purpose 1: Supporting science and commercialisation*

Intended result of Purpose 1	Performance criterion <sup>1</sup>	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	<p>In 2016–17, 44.5% of Australian businesses engaged in innovation.<sup>2</sup> While Australia's performance has fluctuated across years, business innovation in Australia has been trending up over the last decade, with the proportion of innovation-active Australian businesses increasing by 7.4 percentage points between 2006–07 and 2016–17.</p> <p>The latest international comparison shows that in terms of innovation activity Australian businesses perform better than the average of the Organisation for Economic Co-operation and Development countries.<sup>3</sup></p>
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 remained stable as a share of total GDP over the past decade, at 2.2% in the year to June 2018. <sup>4</sup>
	Business R&D expenditure as a percentage of GDP	<p>Business R&amp;D expenditure (BERD) as a percentage of GDP stood at 1.01% in 2015–16, showing a steady decline since its peak of 1.37%, recorded in 2008–09.<sup>5</sup></p> <p>The fall in BERD as a proportion of GDP has been driven by broader structural shifts in the Australian economy, including the end of the investment phase of the mining boom and the transition towards services sectors.</p>
Growth in the value added of knowledge-intensive industries	Gross value added and employment by knowledge-intensive industries	<p>Gross value added of knowledge-intensive industries rose by 32.1% over the decade to June 2018. Employment in the knowledge-intensive industries increased by 10.3% in the decade to May 2018.<sup>6</sup></p> <p>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 services; information, media and telecommunications; manufacturing; and financial and insurance services.</p>
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 (the latest data available), representing an increase of 62.2% from 2012. Over the same period, the total value of the research contracts, consultancies and collaborations rose from \$1387m to \$1783m, showing an increase of 28.6%. <sup>7</sup>
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% of highly cited publications in natural science, medical science, agricultural science and engineering has increased steadily, from 5.1% over the period 2006 to 2010 to 7.2% over the period 2011 to 2015. <sup>8</sup>

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

2 Source: ABS cat. no. 8166.0, table 5 (latest available data period 2016–17).

3 Source: OECD Innovation Indicators. [www.oecd.org/innovation/inno/inno-stats.htm](http://www.oecd.org/innovation/inno/inno-stats.htm).

4 Source: ABS cat. no. 5206.0, table 2 (latest available data point June 2018).

5 Source: ABS cat. no. 8104; Australian Innovation System Report 2017 (Innovation Indicators).

6 Source: ABS cat. no. 5206.0, table 6 and ABS cat. no 6291.0.055.003 table 4.

7 Source: Department of Industry, Innovation and Science (2015), *National Survey of Research Commercialisation*, 2015. [www.industry.gov.au/data-and-publications/national-survey-of-research-commercialisation-nsrc](http://www.industry.gov.au/data-and-publications/national-survey-of-research-commercialisation-nsrc)

8 Source: InCites (2018), Clarivate Analytics subscription database.

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

<b>Intended results of Activity 1.1</b> <ul style="list-style-type: none"> <li>• Increased science awareness</li> <li>• Improved research infrastructure</li> <li>• Enhanced international engagement</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017-18 target</b>	<b>2017-18 result</b>
Australia-China Science and Research Fund; Australia-India Strategic Research Fund	Number of collaborative research projects completed that reported strengthened international relationships <sup>1</sup>	10	11
Global Innovation Strategy	Number of activities completed that reported strengthened international relationships <sup>1</sup>	64	122
Australian Astronomical Observatory (AAO)	Number of research students supervised or funded by the AAO <sup>1</sup>	30	26 The transition of the AAO scientific functions to Australia's research sector impacted the commencement of new postgraduate student fellowships and scholarships during 2017-18.
	Number of users accessing international eight metre telescope facilities supported by the AAO to undertake research <sup>1</sup>	40	91
	Number of users accessing Australian telescopes operated and supported by the AAO to undertake research <sup>1</sup>	200	196
Access to World-leading Astronomy Infrastructure	To be developed following finalisation of program design and consultation with stakeholders		Not applicable Performance criteria are provided for this program in the 2018-19 Portfolio Budget Statements with targets for 2018-19 onwards.
Inspiring all Australians in STEM (Science for Australia's Future—Inspiring Australia)	Number of direct engagements supported by Inspiring Australia activities <sup>1</sup>	1600	3097
	Number of institutions participating in the Science in Australia Gender Equity process <sup>1</sup>	40	45
Square Kilometre Array Radio Telescope Project	Number of Australian companies/research institutions participating in the Square Kilometre Array Pre-Construction Work Program <sup>1</sup>	6	6

<b>Intended results of Activity 1.1</b> <ul style="list-style-type: none"> <li>• Increased science awareness</li> <li>• Improved research infrastructure</li> <li>• Enhanced international engagement</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Questacon	Number of admissions to Questacon Centre <sup>2</sup>	500 000	496 153
	Number of participants in national programs <sup>2</sup>	551 667	441 076  Questacon's national programs tour across Australia and visit different regional and remote areas each year. Australia's population density is not constant and there is annual fluctuation in the participation in national programs depending on where tours take place. In 2017–18 national programs visited Tasmania and regional South Australia, resulting in lower participation rates.
National Measurement Institute	Australia's national system of measurement is trusted nationally and internationally <sup>2</sup>		<p>The National Measurement Institute (NMI) maintained recognition of Australian measurement capabilities, including through key comparisons under the international Metre Convention and accreditation of NMI capabilities both within Australia and internationally.</p> <p>In 2017–18, NMI delivered:</p> <ul style="list-style-type: none"> <li>• more than 86 000 chemical and biological analysis reports to industry and government clients, including sports drug testing for the 2018 Gold Coast Commonwealth Games</li> <li>• over 1000 instrument test and calibration reports, promoting accuracy in Australian Industrial measurement settings</li> <li>• trade measurement compliance activities to ensure fairness for consumers and businesses when they buy or sell goods by measurement—activities included visiting 8000 businesses, testing 10 000 measuring instruments, and inspecting 60 000 lines of packaged goods.</li> </ul>
	Percentage of reports, certificates and services delivered on time (%) <sup>2</sup>	85	80  High demand caused delays in some areas.
	Percentage of (trade measurement) trader audit targets met (%) <sup>2</sup>	90	86  Training of new assistant trade measurement inspectors to replace retiring staff slightly reduced the capacity to meet some audit targets.

**Intended results of Activity 1.1**

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

Contributing component	Performance criterion	2017–18 target	2017–18 result
Science Commercialisation Policy Division	Supporting the building of a strong scientific capability, business innovation and the commercialisation of new ideas as critical requirements for productivity and economic growth <sup>2</sup>		<p>Significant achievements in 2017–18 included:</p> <ul style="list-style-type: none"> <li>• collaborating closely with the Department of Education and Training to deliver the government's Research Infrastructure Investment Plan, which provides \$1.9b in funding over 12 years</li> <li>• delivering the 2017–18 Budget measure 'Access to World-leading Astronomy Infrastructure' and successfully transitioning the Australian Astronomical Observatory to the research sector</li> <li>• co-leading the government's response to Innovation and Science Australia's 2030 strategic plan</li> <li>• coordinating the government's response to the Productivity Commission's inquiry into intellectual property arrangements and supporting the implementation of government decisions relevant to the portfolio</li> <li>• leading the government's international science and innovation engagement agenda, including the establishment of the Regional Collaborations Programme and ratification of treaties with the United States, New Zealand and Israel</li> <li>• securing funding in the 2018–19 Budget for Women in STEM initiatives, the Asian Innovation Strategy, Antarctic science and Great Barrier Reef science.</li> </ul>

<sup>1</sup> Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

<sup>2</sup> Source: 2017–18 Corporate Plan.

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

<b>Intended results of Activity 1.2</b> <ul style="list-style-type: none"> <li>• Increased research and development in business</li> <li>• Increased commercialisation</li> <li>• Increased collaboration between businesses and researchers</li> <li>• Enhanced digital productivity</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Business Research and Innovation Initiative	Proportion of feasibility studies completed (per round) (%) <sup>1</sup>	0	0 The initiative has a two-year grant cycle. No feasibility studies or proof of concept projects were scheduled to be completed in 2017–18.
	Proportion of proof of concept projects completed (per round) (%) <sup>1</sup>	0	0 As above.
	Proportion of participating agencies procuring a solution developed under the program (per round) (%) <sup>1</sup>	0	0 As above.
Cooperative Research Centres (CRCs) Program	Number of CRCs and CRC Projects supported <sup>1</sup>	104	93 The increased average size of CRC grants resulted in fewer new CRCs and CRC Projects being supported.
	Number of commercialisation agreements reported by CRCs and CRC Projects <sup>1</sup>	183	– Data will not be available until after 31 October 2018 when final CRC and CRC Projects reporting is received.
	Number of applications for patents filed by CRCs and CRC Projects <sup>1</sup>	57	– Data will not be available until after 31 October 2018 when final CRC and CRC Projects reporting is received.
Quantum Computing	To be developed as part of the company's business plan and finalised in consultation with its board <sup>1</sup>		Not applicable Performance criteria are provided for this program in the 2018–19 Corporate Plan with targets for 2018–19 onwards.
R&D Tax Incentive	R&D expenditure registered by entities with AusIndustry in order to claim the tax incentive through their annual tax returns (\$'000) <sup>1</sup>	16 000 000 <sup>2</sup>	14 000 000 This result is expenditure registered for the income period 2016–17, as at 30 June 2018. Registrations for the income period 2016–17 will continue until 30 September 2018.
	Number of entities registering R&D expenditure with AusIndustry in order to claim the tax incentive through their annual tax returns <sup>1</sup>	15 500 <sup>2</sup>	15 200 This result is entities registered for the income period 2016–17, as at 30 June 2018. Registrations for the income period 2016–17 will continue until 30 September 2018.

**Intended results of Activity 1.2**

- Increased research and development in business
- Increased commercialisation
- Increased collaboration between businesses and researchers
- Enhanced digital productivity

Contributing component	Performance criterion	2017–18 target	2017–18 result
Digital Productivity (Digital Careers)	Helping address Australia's ICT skills shortage and enhance the ICT capability for Australia's digital economy <sup>3</sup>		The Digital Careers program was renewed for a further four years, from 2017 to 2021. Key activities for the program include the Bebras Australia Computational Thinking Challenge, Young ICT Explorers, and the Ribit job-matching platform linking university students studying STEM and related disciplines with high-growth businesses. Collectively, program activities reach more than 150 000 students, parents and teachers across Australia each year. Professional learning for teachers was rolled out to raise the profile of the digital technologies curriculum and teachers' engagement with it.

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

2 The 2017–18 target for this criterion was published in the 2018–19 Portfolio Budget Statements because it was not available at the time of the 2017–18 Portfolio Budget Statements.

3 Source: 2017–18 Corporate Plan.

## Evaluations

### Australia–India Strategic Research Fund evaluation

The Australia–India Strategic Research Fund (AISRF) is designed to help Australian researchers from the public and private sectors to collaborate with Indian scientists in strategically focused, leading edge scientific research and technology projects. The AISRF is Australia's largest fund dedicated to bilateral research and one of India's largest sources of support for international science.

In August 2017, the department commissioned consultants to undertake an evaluation of the AISRF to assess the program's appropriateness, effectiveness, efficiency, integration, performance assessment and strategic policy alignment for the period 2013 to 2017.

The evaluation found that AISRF's original strategic policy objectives were still relevant and being achieved; the fund was being delivered efficiently; there was an ongoing need for the fund; and the fund was being undertaken by the most appropriate level of government.

The evaluation results showed that, through AISRF, the Australian research sector gained access to significant new research and knowledge, and there was a direct contribution to positive bilateral relations between Australia and India. The fund made many successful research projects possible, including several large-scale projects of significant importance to Australia, India and the world. The evaluation noted these joint projects have covered a diverse range of topics, from addressing common challenges such as reducing the burden of traumatic injuries, developing a portable diagnostic tool to detect tuberculosis, and HIV/AIDS vaccine research, through to areas such as gravitational wave astronomy.



The AISRF evaluation did, however, highlight a need to develop improved project monitoring processes and to better assess the degree to which projects achieve commercialisation outcomes. The evaluation recommended reviewing the AISRF's existing data matrix, particularly in relation to measures of program impact and value for money, and noted that there were large amounts of data within project reports and program files, and the department could develop systems to aggregate key aspects of that data.

### National Innovation and Science Agenda

The four-year, \$1.1 billion National Innovation and Science Agenda (NISA), announced in December 2015, has four pillars: culture and capital; collaboration; talent and skills; and government as an exemplar. Based on those pillars, the agenda intends to improve or increase the competitiveness of Australian businesses, national economic growth, national employment, and living standards.

The agenda implementation committee agreed that lead agencies would establish evaluation strategies for measures under their responsibility, while the department would undertake whole-of-agenda evaluation activities. The department conducted the planned post-commencement review in 2017, covering evaluation planning, implementation, and lead indicators and outcomes up to 20 April 2017.

The review found that the outcomes for all measures had been clearly articulated; all the evaluations planned for 2016–17 had been completed; all current measures and tracked items had scheduled future evaluation activities; where applicable, all measures and tracked items had appropriate key performance indicators; all measure leads had identified the sources of data; and data was being collected against most measures.

Looking beyond the post-commencement review, after two years, the NISA is making a difference. Nineteen of the twenty-four NISA measures have been implemented, with ongoing delivery integrated into business as usual. Two achievements supported by this department include:

- Changes to Early Stage Venture Capital Limited Partnerships came into effect on 1 July 2016. Since then, there has been more than \$400 million invested in Australian businesses through the initiative. There have also been over \$68 million in investments from the \$500 million Biomedical Translation Fund to commercialise more of Australia's lifesaving medical research.
- The Cyber Security Growth Centre (known as AustCyber) was launched in December 2016, to increase collaboration and position Australian cyber security businesses to take advantage of a growing international market. Since launch AustCyber has had detailed engagement with over 650 companies and has over 230 Australian cyber security companies taking part in its programs. AustCyber has led seven delegations to six countries and facilitated the implementation of the first ever nationally coordinated vocational cyber security curriculum for Certificate and Advanced Diploma qualifications.

## Case studies

### Women in STEM and Entrepreneurship

To support women in science, technology, engineering and mathematics (STEM), under the National Innovation and Science Agenda, the Australian Government is providing \$13 million for the Women in STEM and Entrepreneurship (WISE) initiative from 2016–17 to 2019–20. The funding will help address challenges around attracting girls and women to STEM subjects and careers, and to build on other government initiatives in this area. Some key achievements include:

- \$2 million was provided over 2016–17 to 2018–19 to support the expansion of Science in Australia Gender Equity (SAGE) to make it available to all Australian publicly-funded research organisations. SAGE assesses and accredits the gender equity policies and practices in Australian science organisations. To date 45 organisations have become members of SAGE and over time the initiative will lead to an increase in the number of female researchers in senior roles and the number of women with STEM skills and capabilities in the broader workforce.
- The WISE grants program included a grant to the Australian Academy of Technology and Engineering (ATSE) of \$250 000 to produce a series of up to 20 video profiles utilising female role models in STEM industries, which will be integrated into ATSE's established Science and Technology Education Leveraging Relevance program. ATSE is collaborating with another grant recipient, the Royal Institute of Australia, to use the Australian Science Channel as a parallel platform for distribution of the content.
- The Science & Technology Australia's 'Superstars of STEM' program is helping to raise the profile of the nation's female scientists and entrepreneurs, and received nearly \$180 000 for 30 women to participate in the program. The first group of Superstars engaged directly with more than 7500 high school students, had more than 600 media appearances and increased their social media following as a result of the program.

### Liquid Instruments

Incubated within the Australian National University (ANU), Liquid Instruments is a start-up company specialising in the development and manufacture of high-performing test and measurement equipment. Liquid Instruments has translated knowledge from the Laser Interferometer Gravitational-Wave Observatory (LIGO) into a ground-breaking portable measurement device called Moku:Lab. The device incorporates a completely new type of computer chip that, unlike conventional central processing units, can perform millions of operations in a single clock cycle.

Researchers at the ANU who were part of the international research team involved in the discovery of gravitational waves recognised the technology's wide-ranging potential. Among other uses, the technology finds application in science, education, manufacturing and astrophysics.

Liquid Instruments registered with the R&D Tax Incentive program in 2015–16. The company's CEO, Prof. Daniel Shaddock, says that the program has been a significant contributor to the successful realisation of the technology.

Liquid Instruments is also partnering with the Department of Defence, through the Defence Science and Technology Group, to update military communication systems. The company's technology is intended to be used to establish a high-security communication system.

### Summary of the department's performance against Purpose 1

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. The fall in BERD as a proportion of GDP has been driven by broader structural shifts in the Australian economy. This has also impacted the growth of investment in intangible capital as a share of total GDP by the private sector.

### 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 2017–18, 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, increase innovation and investment in growth sectors, 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 to underpin industry transformation.
- Activity 2.4: Resources—this activity is composed of policy development initiatives, interventions and projects that are intended to support the competitive and sustainable development of the resources sector, attract private sector investment and encourage innovative technologies.
- Activity 2.5: Northern Australia development—this activity is composed of policy development initiatives, interventions and projects that are intended to drive economic growth and investment in northern Australia.

### Main achievements

- During 2017–18, the Anti-Dumping Commission responded effectively and efficiently to the continued strong demand for trade remedy services sought by Australian manufacturers and other interested parties. The Commission fully implemented a new investigations model and reduced the time for completing complex cases to an average of 260 days. Workloads remained high for the Commission, which finalised 123 matters in 2017–18, up from 105 in 2016–17. Despite the Commission's continuing high workload, efficiency improvements over the past two years have reduced the average time taken to complete dumping/subsidy investigations by 18 per cent.

The Commission established a dedicated Verification and Data Assurance unit to centralise its quality assurance in the preparation and review of exporter verifications, findings and dumping margin calculations. This initiative is evidence of the Commission's maturity and its ability to provide strong, evidence-based recommendations to the Minister.

The Commission successfully implemented new legislative provisions designed to close a loophole within the 'review' provisions of the legislation to provide for a stronger and fairer anti-dumping system. The changes mean that the government can continue providing effective responses to dumped goods.

- Following a two-year transition period, new country-of-origin labelling reforms for food became mandatory on 1 July 2018. The reforms aim to give consumers more confidence about where food sold for retail in Australia has been produced, grown, made or packaged. Market research commissioned by the department in 2015, along with the findings of extensive consultation conducted with both industry and consumers, informed the new labelling system. The reforms deliver clearer and more consistent country-of-origin information without imposing excessive costs on industry.
- The Entrepreneurs' Programme delivers services and grants through four program elements; Business Management, Accelerating Commercialisation, Innovation Connections and Incubator Support. In 2017-18, the Entrepreneurs' Programme provided more than 9300 services to Australian businesses, including grants valued at more than \$73.5 million. Those services and grants have strengthened business management and networks, developed start-up capabilities, facilitated business research collaborations, and supported commercialisation of new products and processes.

A number of new measures were introduced to the Incubator Support initiative in December 2017, with the intention of better supporting incubator applications delivered in regions. Those changes included engaging four Regional Incubator facilitators; expanding the Expert-in-Residence grant component for host incubator visits; and increasing the grant percentage for regional new and existing incubator projects.

- Through the Industry Growth Centres Initiative, the department has partnered with industry to establish and progress 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. In 2017-18, all six industry growth centres successfully transitioned from an establishment phase to an implementation phase. The Growth Centres have invested nearly \$42.1 million into 108 collaborative projects to address sector-wide challenges and opportunities. The Growth Centres' investment has leveraged over \$58 million from industry and research partners, for a total investment exceeding \$100 million.
- The department is helping businesses in South Australia and Victoria to transition from traditional, heavy industrial processes to knowledge-based manufacturing of higher value products. Supporting these businesses through the Australian Government's \$47.5 million Advanced Manufacturing Growth Fund will boost innovation, skills and employment opportunities for Australians.

The department encouraged significant private sector investment in advanced manufacturing technology and research through the Advanced Manufacturing Growth Fund, which is leveraging a total investment of around \$110 million, and the Advanced Manufacturing Early Stage Research Fund, which is leveraging nearly \$6 million in matching and in-kind funding.

- The Australian Space Agency was established on 1 July 2018. The agency will transform and grow the Australian space industry to support the Australian economy, provide highly skilled jobs and opportunities, and inspire participation from industry.
- In 2017, the department coordinated the formulation of the Australian Domestic Gas Security Mechanism (ADGSM) to ensure gas supply security. The heads of agreement between the Prime Minister and east coast liquefied natural gas (LNG) exporters built on the ADGSM and provided an industry-led solution to ensuring gas supplies.

The 2017-18 Budget funded a \$26 million program to provide grants to accelerate development in onshore gas projects. The Gas Acceleration Program, which awarded grants to five

projects, will result in substantial quantities of new gas being delivered to the domestic market by 30 June 2020. Bringing more gas to market is designed to help Australian businesses remain competitive, create more jobs and reduce cost-of-living pressures.

- On 6 March 2018, Australia and Timor-Leste signed a maritime boundaries treaty. The department played a key role in the negotiations, which took place in New York under the auspices of the first United Nations Conciliation Commission. The treaty permanently settled the maritime boundaries and established the fiscal, regulatory and governance framework for the development of the Greater Sunrise gas fields.
- The department negotiated \$50 million in funding over four years for the \$496 million Hydrogen Energy Supply Chain pilot project. The pilot project will demonstrate the generation of hydrogen from brown coal in Victoria through to its delivery to Japan, paving the way for investment in a new commercial-scale hydrogen export industry.
- Engagement with communities has been central to siting the National Radioactive Waste Management Facility. In addition to staffing local offices and establishing consultative committees in Kimba and Hawker, South Australia, the department has published numerous fact sheets and significant reports and delivered almost \$4 million in grants to 45 social and economic benefit projects.
- To ensure that opportunities offered by the Northern Australia Infrastructure Facility (NAIF) are fully exploited, in December 2017 the government commissioned an independent review to examine how investments could be accelerated. The government has already implemented key recommendations, increasing the flexibility of the NAIF's Investment Mandate. This came into effect on 2 May 2018, leading to an increase in investment decisions and activity. In conjunction with Austrade, the department held the second Northern Australia Investment Forum in Cairns in November 2017. Five hundred delegates from 25 countries discussed investment opportunities in northern Australia. Ongoing discussions will match investors with prospective projects. Engagement with Indigenous Australians in northern development took a big step forward, with a group of Indigenous experts providing practical advice on their aspirations around northern development. Those ongoing discussions will support a better future and opportunities for Indigenous people 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 <sup>1</sup>	Trends and analysis
Growth in new private sector investment	Annual private business investment growth	Annual business investment, measured by private gross fixed capital formation, grew by 6.6% in the year to June 2018. <sup>2</sup> Business investment has risen recently, after falling for several years after the winding back of mining investment.
Increased foreign direct investment in Australia	Foreign direct investment as a share of annual GDP	Foreign direct investment to Australia reached \$849.1b in 2017. Foreign direct investment rose significantly over the past 10 years in absolute terms and as a proportion of GDP, with the stock of foreign direct investment increasing from 33.4% of GDP in 2007 to 49.5% of GDP in 2017. <sup>3</sup>
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 regulatory environment regarding the starting and operation of a local firm. Australia's overall ranking was 14th out of 190 countries in 2018, compared with 10th out of 185 countries in 2013. <sup>4</sup>
	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 20th out of 126 economies in 2018, compared with 19th out of 142 economies in 2013. <sup>5</sup>
	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. With a TEA of 12.2% in 2017–18, Australia ranked 6th out of 24 developed (innovation-driven) economies in terms of level of entrepreneurial activity, well above the average (9.2%) and benchmarks such as the United Kingdom (8.4%), and close to leading entrepreneurial economies such as the United States (13.6%) and Israel (12.8%). <sup>6</sup> Australia has been among the high-performing advanced economies on this metric since 2014.

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 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 (2018), Doing Business indicators, viewed 28 June 2018.

5 Source: Cornell University, INSEAD and the World Intellectual Property Organization (2018), *Global innovation index 2018: energizing the world with innovation*, viewed 11 July 2018, <https://www.globalinnovationindex.org/gii-2018-report>

6 Source: Global Entrepreneurship Research Association (2018), *GEM global entrepreneurship monitor, global report 2017–18*, viewed 28 June 2018, [gemconsortium.org/report](http://gemconsortium.org/report).

Table 7: Activity 2.1: Competitive marketplace

Intended results of Activity 2.1			
<ul style="list-style-type: none"> <li>Improved market competitiveness</li> </ul>			
Contributing component	Performance criterion	2017–18 target	2017–18 result
Certain Inputs to Manufacture; Enhanced Project By-law Scheme <sup>1</sup>	Number of new duty concessions <sup>2</sup>	4	10
	Total value of duty concessions to eligible firms (\$'000) <sup>2</sup>	7140	3108  This figure will increase as customers can recover eligible paid duty after the duty concession has expired.
Textile Clothing and Footwear—Register of Approved Occupational Clothing	Proportion of registrations within 30 days of complete information being provided (%) <sup>2</sup>	90	100
Tradex	Number of active Tradex Order users <sup>2</sup>	590	601
	Value of duty and/or tax concessions to eligible firms (\$'000) <sup>2</sup>	155 000	177 944
Support for Industry Service Organisations	Australian memberships of key international standardisation and accreditation bodies maintained <sup>2</sup>		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.
Anti-Dumping Commission	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 (%) <sup>3</sup>	100	100
	Proportion of anti-dumping inquiries to the business.gov.au hotline and the client support area responded to within client service standards (%) <sup>3</sup>	95	97.3

<b>Intended results of Activity 2.1</b>			
<ul style="list-style-type: none"> <li>Improved market competitiveness</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Strategic Policy Division (formerly Portfolio Policy and Innovation Strategy Division)	Providing high-quality and timely policy advice on emerging and cross-cutting trade and international policy issues including anti-dumping, business tax and finance, the digital economy and energy competitiveness, to enhance the global competitiveness of Australian businesses and industries <sup>3</sup>		<p>Significant achievements included:</p> <ul style="list-style-type: none"> <li>launching Silicon Quantum Computing Pty Ltd—a key initiative and important advancement for Australia in the digital age</li> <li>developing the government response to the review of the R&amp;D Tax Incentive</li> <li>co-leading the government's response to Innovation and Science Australia's 2030 strategic plan</li> <li>contributing to the development and implementation of free trade agreements, including the Peru–Australia Free Trade Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership</li> <li>leading the development and implementation of legislation to close a 'review of measures' loophole, enabling effective responses to dumped goods.</li> </ul>

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

2 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

3 Source: 2017–18 Corporate Plan.

**Table 8: Activity 2.2: Business and market development**

<b>Intended results of Activity 2.2</b>			
<ul style="list-style-type: none"> <li>Improved business management and capability</li> <li>Increased innovation and investment in growth sectors</li> <li>Development of new markets</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Asialink Business	Number of courses run on Asia capability development <sup>1</sup>	5	81
			The program significantly increased delivery of courses in order to meet strong demand.
	Number of events held promoting and building Asia capabilities <sup>1</sup>	50	55
Entrepreneurs' Programme	Number of services provided to strengthen business management and networks, develop start-up capabilities, enhance research collaborations, and facilitate commercialisation of novel products, processes and services <sup>1</sup>	6932	9318



**Intended results of Activity 2.2**

- Improved business management and capability
- Increased innovation and investment in growth sectors
- Development of new markets

Contributing component	Performance criterion	2017–18 target	2017–18 result
Industry Growth Centres Initiative	<p>Established Growth Centres are delivering against the initiative's objectives through implementation of Sector Competitiveness Plans including activities to:</p> <ul style="list-style-type: none"> <li>• identify and pursue opportunities for regulatory reform including improving industry standards</li> <li>• increase collaboration between business and researchers</li> <li>• increase business engagement with supply chains and international markets</li> <li>• identify sector skills needs and improve management and workforce skills<sup>1</sup></li> </ul>		<p>Since inception, the industry growth centres have:</p> <ul style="list-style-type: none"> <li>• directly provided support and advice to over 22 000 stakeholders, including businesses, researchers and other partner organisations</li> <li>• contributed \$42.1m to 108 collaborative projects addressing sector-wide opportunities and challenges</li> <li>• leveraged more than \$58m in project funding, with the total value of projects exceeding \$100m</li> <li>• collaborated with state and territory governments, including by establishing nodes, informing policy and delivering projects and programs</li> <li>• assisted businesses to export, including by taking part in 15 international delegations, providing over 1000 participants with the opportunity to connect to markets and supply chains at domestic and international trade shows. (at least 151 firms secured contracts and/or expanded export sales as a result)</li> <li>• worked to optimise industry standards and harmonise regulation, and collaborated on 17 regulatory reform projects.</li> </ul>
Industry Growth Policy Division	<p>Providing high-quality and timely policy advice on industry growth policy, underpinned by a whole-of-government approach and effective stakeholder consultation, which supports a business environment conducive for increased private sector investment, growth and competitiveness across industry sectors and associated services<sup>2</sup></p>		<p>Significant achievements included:</p> <ul style="list-style-type: none"> <li>• establishment of the Australian Space Agency</li> <li>• continued growth and success of Growth Centres</li> <li>• implementation of the \$100m Advanced Manufacturing Growth Fund, to boost innovation, skills and employment in advanced manufacturing.</li> </ul>

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

2 Source: 2017–18 Corporate Plan.

Table 9: Activity 2.3: Economic transition

<b>Intended results of Activity 2.3</b> <ul style="list-style-type: none"> <li>• Increased capital and innovation investment</li> <li>• Increased job opportunities</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Advanced Manufacturing Growth Fund	Induced private sector investment in new or expanded business activity (\$'000) <sup>1</sup>	37 800	16 142 The level of induced investment is lower as the number of grants awarded in the initial round of the program was lower than expected. A second round is being finalised.
Automotive Diversification Programme	Induced private sector investment in new or expanded activity by the Australian automotive supply chain (\$'000) <sup>1</sup>	5200	15 379 Two grantees substantially increased the investment in their projects.
Automotive Transformation Scheme	Total value of plant and equipment and innovation investment by Australian automotive industry induced by the Automotive Transformation Scheme (\$'000) <sup>1</sup>	522 378	202 597 The lower level of induced investment is directly related to the closure of the local vehicle manufacturing industry in late 2017.
Next Generation Manufacturing Investment Programme	Induced private sector investment in new or expanded business activity (\$'000) <sup>1</sup>	50 400	34 195 Commercial decisions resulted in a number of projects being delayed or not able to be completed in full.
Tasmanian Jobs and Investment Fund	Induced private sector investment in new or expanded business activity (\$'000) <sup>1</sup>	11 000	30 140 Companies contributed additional funds to their projects above the minimum matching requirement of two dollars for every grant dollar.
Toyota Major Facelift Vehicle Grant; Toyota Supplier Development Programme Grant	Total amount of investment by Toyota induced by the grants (\$'000) <sup>1</sup>	2530	1525 The end date of the grant was brought forward from 30 June 2018 to 3 October 2017, to coincide with Toyota's cessation of manufacturing in Australia. The grant payment to Toyota was adjusted on a pro rata basis.

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

Table 10: Activity 2.4: Resources

<b>Intended results of Activity 2.4</b> <ul style="list-style-type: none"> <li>• Sustainable development of the resources sector</li> <li>• Increased private investment</li> <li>• Uptake of innovative technologies</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017-18 target</b>	<b>2017-18 result</b>
Carbon Capture and Storage Flagships	Number of companies supported for the development of carbon capture and storage <sup>1</sup>	9	9
Coal Mining Abatement Technology Support Package	Number of co-funded projects developing and demonstrating technologies funded <sup>1</sup>	1	1
<i>Offshore Minerals Act 1994</i>	Percentage of <i>Offshore Minerals Act 1994</i> fees received paid to states/ Northern Territory for administration (%) <sup>1</sup>	100	Not applicable No fees were received in 2017-18.
Maralinga Maintenance	Effective management of the Maralinga section 400 in line with obligations under the 2009 Handback Deed <sup>1</sup>		Funds were utilised for the ongoing remediation and maintenance of Maralinga.  Two steering committee meetings occurred.  A radiation audit was conducted by the Australian Radiation Protection and Nuclear Safety Agency.
National Offshore Petroleum Titles Administrator (NOPTA)	Titles administration is effective and delivered on a full cost-recovery basis, in accordance with regulatory requirements <sup>1</sup>		NOPTA published its second annual self-assessment against the government's Regulator Performance Framework (RPF). NOPTA self-assessed that it had implemented the RPF and met its six KPIs effectively. This result was independently validated by the Growth Centres Advisory Committee.
NT Uranium Royalty (Ranger Project Area) Administration (including specific purpose payment)	Efficient and effective biannual collection, payment and reconciliation of uranium royalties <sup>1</sup>		The department achieved accurate and timely administrative and reconciliation functions for Commonwealth revenue and expenses pertaining to the Ranger Uranium Mine royalties, including distribution of entitlements to the Northern Territory Government and the Aboriginals Benefit Account.
Petroleum Royalties Administration	Timely and accurate delivery of audit and monthly administration and verification of royalties <sup>1</sup>		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
- Increased private investment
- Uptake of innovative technologies

<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Radioactive Waste Management	Effective delivery of activities supporting the government's radioactive waste management strategy <sup>1</sup>		<p>Two sites were shortlisted for further technical studies and community consultation—bringing the total to three sites under consideration. On-site technical work occurred, along with ongoing community consultation and provision of information to communities.</p> <p>The government released the Australian Radioactive Waste Management Framework, which included updated waste inventory information and the establishment of a waste management function.</p> <p>In addition to staffing local offices and establishing consultative committees in Kimba and Hawker, South Australia, the department published numerous fact sheets and significant reports and delivered \$4m in grants to 45 social and economic benefit projects.</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 <sup>1</sup>		<p>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 and compensation payable to Western Australia as a result of the removal of the condensate excise exemption in May 2008.</p>
Rum Jungle Mine Site—Environmental Rehab (specific purpose payment)	Effective delivery of scheduled activities for the Rum Jungle Mine Site Rehabilitation Project <sup>1</sup>		<p>The Project Agreement (Stage 2A) was signed in September 2017.</p> <p>The Northern Territory did not achieve all the milestones agreed for 2017–18. Substantial work to address delivery schedules to achieve project outputs over 2018–19 has been undertaken.</p> <p>Governance arrangements to support the project's delivery have been settled and the Rum Jungle Governance Board has met twice.</p>
Supporting the Development of New Onshore Gas Supply	Effective delivery of the Commonwealth support to states and territories through the COAG Energy Council to improve onshore gas supply <sup>1</sup>		<p>The department implemented the Gas Acceleration Program grants to bring on new gas supplies by June 2020, and completed the COAG Energy Council Review of Petroleum Regulation.</p>

<b>Intended results of Activity 2.4</b> <ul style="list-style-type: none"><li>• Sustainable development of the resources sector</li><li>• Increased private investment</li><li>• Uptake of innovative technologies</li></ul>			
Contributing component	Performance criterion	2017-18 target	2017-18 result
Resource Policy	Providing timely, well founded policy advice, analysis and development to support the growth of a competitive and sustainable resources industry <sup>2</sup>		<p>The department provided regular and timely advice on issues affecting the resources sector both domestically and internationally. Significant examples included:</p> <ul style="list-style-type: none"><li>• supporting the Resources 2030 Taskforce</li><li>• supporting the Prime Minister in instituting the heads of agreement with east coast LNG gas exporters</li><li>• supporting Australia's involvement in the United Nations Conciliation Commission process with Timor-Leste.</li></ul>

1 Source: 2017-18 Portfolio Budget Statements and 2017-18 Corporate Plan.

2 Source: 2017-18 Corporate Plan.

Table 11: Activity 2.5: Northern Australia development

<b>Intended results of Activity 2.5</b> <ul style="list-style-type: none"><li>• Increased economic growth and investment in northern Australia</li></ul>			
Contributing component	Performance criterion	2017-18 target	2017-18 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 Budget Statements and Corporate Plan for information about the facility's performance criteria and targets <sup>1</sup>		As a corporate Commonwealth entity, the NAIF is responsible for reporting on its own performance. Refer to the annual performance statement within the NAIF 2017-18 Annual Report for information about the facility's performance.

**Intended results of Activity 2.5**

- Increased economic growth and investment in northern Australia

Contributing component	Performance criterion	2017-18 target	2017-18 result
Office of Northern Australia	Effective implementation of the White Paper on Developing Northern Australia and other activities supporting the government's northern development agenda, and provision of high-quality policy advice and analysis to support that agenda <sup>2</sup>		<p>Thirty-five of the 51 measures in the White Paper have been delivered.</p> <p>Highlights include delivery of numerous road packages and significant progress towards completion of three water resource assessments.</p> <p>A new 10-year, \$1.5b northern roads package was announced in the May 2018 Budget.</p> <p>Governance arrangements have progressed, with the Ministerial Forum on Northern Development meeting twice and agreeing to a development statement and forward work plan outlining joint priorities for collaboration in northern development.</p> <p>An Indigenous reference group set up under the Ministerial Forum on Northern Development prepared a comprehensive set of recommendations to accelerate Indigenous business engagement and Indigenous employment in northern Australia.</p> <p>The Office of Northern Australia expanded operations and established a position (shared with AusIndustry) based in Broome to service northern Western Australia.</p>

1 Source: 2017-18 Portfolio Budget Statements and 2017-18 Corporate Plan.

2 Source: 2017-18 Corporate Plan.

## Evaluations

### Entrepreneurs' Programme evaluative case studies

The Entrepreneurs' Programme (EP) is the Australian Government's flagship initiative for productivity and competitiveness at a business level. It comprises a suite of flexible and tailored advisory and facilitation services, which assist small and medium firms to innovate, grow and improve capacity. EP's four elements are Business Management; Accelerating Commercialisation; Innovation Connections; and Incubator Support.

In 2017, 10 businesses engaged in EP were surveyed, reflecting diverse industries, business types and locations. Five businesses came from Innovation Connections, which facilitates partnerships between businesses and researchers to address research needs and business opportunities. Another five came from Business Management's sub-component Growth Services, a two-year service for high-growth-potential businesses to improve their capabilities, extend their networks and capitalise on growth opportunities.

The businesses surveyed reported improvements in management practices, organisational structure and culture, strategic focus, business systems, production processes and products, which contributed to positive business outcomes such as increased revenue and staffing levels. Engagement with EP reportedly increased business managers' confidence to pursue growth opportunities or research projects beyond their involvement in EP.

Several potential improvements were identified. One potential improvement for Growth Services was altering the timing of adviser engagement over the two-year period. Improvements for Innovation Connections included reducing the administrative burden for facilitators, altering grant funding arrangements and eligibility criteria, increasing promotion, and improving the program's online presence to increase awareness among businesses.

## Case studies

### Industry growth assisting firms to export

Growth Centres are actively assisting businesses to access international markets and global supply chains to increase their international revenues.

The Advanced Manufacturing Growth Centre (AMGC) is funding a collaborative project led by Brisbane-based firm iOrthotics, with support from industry and research partners, to help the company digitise and upscale its manufacturing processes. iOrthotics' current printing technology does not allow for scale for delivery into large markets. AMGC has committed \$192 500, matched by project partners in cash funding, to help iOrthotics expand into the United States market. The project is expected to increase iOrthotics' exported devices, generate up to 13 skilled jobs, and increase sales revenue from an estimated \$940 000 in 2018 to \$2.82 million in 2019.

The Cyber Security Growth Centre (known as AustCyber) partnered with Austrade to run the first cohort of cyber security companies to engage in the Australia Unlimited Landing Pad in San Francisco. AustCyber helped to develop and deliver the program, and provided financial support to enable five Australian companies to participate. Commercial outcomes, including new partnerships between participants, have resulted from the project. The results are attracting international attention—for example, a security appliance developed by SIEMonster in collaboration with Cog Systems was described by United States media as one of the 'hot products' at the global RSA Conference in April 2018.

The Oil, Gas and Energy Growth Centre (known as NERA) is supporting SPEE3D, in partnership with Charles Darwin University and INPEX, to develop a high-speed, low-cost 3D metal printer for onsite emergency metal part production in remote locations. The technology has major potential in Australia and as a global export.

The Food and Agribusiness Growth Centre (known as FIAL) is helping to grow the share of Australian food in the global marketplace. FIAL helped Melbourne firm Crazy Dragon export, with networking and marketing assistance. At HOFEX 2017, Crazy Dragon created contacts and networks across Asia, which has resulted in export orders of dumplings to China. Sydney-based Krio Krush exports herbs and spices to eight new countries, including China, after attending FIAL workshops, educational events, webinars and international trade shows. With FIAL's help, Sydney-based firm Luv Sum has established a premium boutique health food brand.

The Growth Centres continue to provide firms with the opportunity to connect markets and supply chains at domestic and international trade shows. Growth Centres have delivered targeted workshops in partnership with the Entrepreneurs' Programme to enhance the export capability of firms.

### TAE Gas Turbines

In 2015–16, TAE Gas Turbines received assistance to collaborate with CSIRO, through the Innovation Connections element of the Entrepreneurs' Programme. The collaboration involved integrating CSIRO and TAE augmented reality technology to create a wearable product that allows technicians to access real time specialist advice and expertise in the field, rather than waiting for experts to be sent from central locations.

The integrated technology has enabled the company to better service existing customers across Australia and South-East Asia, and to create a new customer base among companies that require access to expertise in remote environments.

The product is suitable for use in areas with restricted access and hazard-filled workplaces, and has potential to improve the safety of technicians performing complex tasks.

### AgriWebb

In 2016–17, AgriWebb in New South Wales received through the Accelerating Commercialisation element of the Entrepreneurs' Programme a grant of \$572 000 and advisory services from a Commercialisation Adviser to assist with the commercialisation of its farm management software.

AgriWebb's software helps farmers, from their tablets, phones or computers, to better manage their farms with innovative features like tracking livestock with sensors and real time maps.

Over the period of assistance, AgriWebb:

- tripled its employees from five to eighteen
- grew its customer base from a small number of trial sites to over 1000 farms
- expanded to New Zealand, Europe, United States and South America, and also into other market areas such as cropping.

The business noted that the Accelerating Commercialisation assistance made it easier to obtain interest from other investors and partners. The company successfully raised \$2.8 million in equity capital during the grant period.

### Summary of the department's performance against Purpose 2

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 annual business investment, growing foreign direct investment and maintaining our high-performing position in early stage entrepreneurship activity.



### 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 programs and services.

In 2017–18, 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 reduce the burden on industry of ineffective regulation by 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 improve the delivery of services and programs by 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

- The Business Registration Service (BRS) was significantly enhanced and received over 155 000 registrations. It had been in public beta since 19 April 2017 and went to live on 29 June 2018. The average time to register an application has dropped for sole traders (75 per cent of the registrations) from 65 minutes prior to BRS, to under 15 minutes with BRS.
- The Single Business Service Program, a four-year initiative, has made it easier for Australian businesses to find and access government information, grants and services. Innovations delivered by the program have saved more than 112 000 hours for Australian businesses interacting with government since 2014–15 and more than 159 000 hours of departmental staff time since 2015–16.
- The Business Grants Hub is an innovation exemplar that aims to improve the experience of businesses accessing grant programs and provides streamlined program design and delivery services across government. Since it was established on 1 July 2016, the hub has assisted eight government agencies with more than 70 grant opportunities, worth in excess of \$1.5 billion.
- The department launched a beta version of the new industry.gov.au website in May 2018. The new website improves the department's capacity to deliver compelling, user-focused content to stakeholders, and to provide simple, clear and fast services to Australian taxpayers.
- In 2017–18, enhancements were made to the Australian Business Licence and Information Service, and the service moved from beta to live. The improvements provide a better experience for customers, enabling them to easily identify their licensing and registration obligations.

## Performance criteria and results

Table 12: Purpose 3: Simplifying doing business

Intended result of Purpose 3	Performance criterion <sup>1</sup>	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, which is the latest year of internationally comparable data. The most recent ranking (6th out of 36 OECD countries in 2013) means that Australia is close to the world leaders.<sup>2</sup></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, enhanced the delivery of the services it provides, and reduced the time and effort it takes business to access its programs.<sup>3</sup></p> <p>The portfolio delivered \$11m in annual compliance savings to Australian businesses, individuals and community organisations in 2017–18.<sup>4</sup></p>
The ease of doing business in Australia	Australia's ranking by the World Bank ease of doing business index	Australia ranked 14th out of 190 countries in 2018, compared with 10th out of 185 countries in 2013, in the World Bank's Ease of Doing Business Index. <sup>5</sup>

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

2 Source: OECD statistics (2013), 'Product Market Regulation 2013', viewed 24 July 2018, [stats.oecd.org/index.aspx?DataSetCode=PMR](https://stats.oecd.org/index.aspx?DataSetCode=PMR)

3 Source: Australian Government, *Australian Government annual deregulation report 2014*, *Australian Government annual red tape reduction report 2015*.

4 Source not yet published.

5 Source: World Bank Group, *Doing business 2018: Reforming to create jobs*; *Doing business 2013: Smarter regulations for small and medium-size enterprises*.

Table 13: Activity 3.1: Regulatory reform and functions

Intended results of Activity 3.1			
<ul style="list-style-type: none"> <li>Reduced burden on industry of inefficient regulation</li> <li>Regulation administered fairly, effectively and efficiently</li> </ul>			
Contributing component	Performance criterion	2017–18 target	2017–18 result
Regulatory policy advice	Provision of high-quality, timely and strategic industry policy advice to support the government's Regulatory Reform Agenda <sup>1</sup>		<p>The department collaborated with the Department of Jobs and Small Business on the Deregulation Agenda (previously known as the Regulatory Reform Agenda), and with the Treasury on the Small Business Regulatory Reform Agenda.</p> <p>The department also supported the Deregulation 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 Jobs and Small Business.</p>

**Intended results of Activity 3.1**

- Reduced burden on industry of inefficient regulation
- Regulation administered fairly, effectively and efficiently

<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017-18 target</b>	<b>2017-18 result</b>
Portfolio Regulatory Reform	Successful implementation of Portfolio Regulatory Reform <sup>1</sup>		The portfolio reduced annual compliance costs to Australian businesses, individuals and community organisations by \$11m in 2017-18.
Anti-Dumping Commission; Australian Industry Participation Authority; National Measurement Institute; National Offshore Petroleum Titles Administrator	Regulator Performance Framework Self-Assessment Reports and other measures are published by each portfolio regulator <sup>2</sup> .		The self-assessment reports of portfolio regulators for 2016-17 were published on the department's website in 2017-18, in line with the Regulator Performance Framework. They identify the extent to which each regulator is achieving the key performance indicators and highlight areas for improvement.  Reports for 2017-18 will be published in 2018-19.

1 Source: 2017-18 Portfolio Budget Statements and 2017-18 Corporate Plan.

2 Source: 2017-18 Corporate Plan.

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

<b>Intended results of Activity 3.2</b> <ul style="list-style-type: none"> <li>Improved access for business to government services and information</li> <li>Streamlined and integrated program delivery</li> </ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
National Business Simplification Initiative	Working effectively with other portfolios and with state and territory governments to help simplify the process of operating a business in Australia and improve business regulation and services <sup>1</sup>		<p>The department improved the Australian Business Licence and Information Service, and the Business Registration Service (BRS), with the Department of the Treasury and the New South Wales Government.</p> <p>Two bilateral reform projects with Tasmania and Western Australia simplified regulation and services for eco- and nature-based businesses.</p> <p>The department completed a discovery into how to make it easier for micro-businesses to employ their first person, with recommendations being progressed bilaterally with states and territories; and with the Department of Jobs and Small Business, the Australian Taxation Office and the Fair Work Ombudsman.</p> <p>The department supported the modernisation of business registers and provided input into the Small Business Regulatory Reform Agenda.</p>
Business Registration Service	Effective implementation of the Business Registration Service that will allow businesses to complete multiple registrations online in a single transaction <sup>2</sup>		<p>The BRS website moved from beta to live on 29 June 2018. It had been in public beta since 19 April 2017.</p> <p>BRS joins up a range of existing Commonwealth registry services to provide users with an improved, streamlined service.</p> <p>By the end of 2017–18, BRS had processed more than 155 000 registrations.</p> <p>Most state and territory governments now provide a link to BRS from their websites. Businesses can access BRS through state or territory websites or business.gov.au, following a ‘no wrong door’ approach.</p> <p>A number of changes made at the beta phase have improved users’ experience. They include improving payments screens; providing users with links to the Australian Business Licence and Information Service (for federal, state and local government registrations and licences); and notifying users directly by email, linking them to the BRS dashboard which displays the status of their registrations.</p>

<b>Intended results of Activity 3.2</b> <ul style="list-style-type: none"><li>• Improved access for business to government services and information</li><li>• Streamlined and integrated program delivery</li></ul>			
<b>Contributing component</b>	<b>Performance criterion</b>	<b>2017–18 target</b>	<b>2017–18 result</b>
Streamlining program delivery	Progress to make it easier for businesses to access government services and improve the efficiency and business experience of program delivery <sup>2</sup>		<p>The Single Business Service Program has made it easier for Australian businesses to find and access government information, grants and services through innovative new digital solutions that are more personalised and more automated and are available anywhere anytime through business.gov.au and the new customer portal.</p> <p>Customers of the new Grants Hub platform now have a single profile with the department, which means that they can complete all their interactions digitally and input information only once.</p> <p>The entire program has been delivered using publicly available cloud services and agile delivery methods, allowing solutions to be delivered quickly and updated every four weeks. This has saved over 112 000 hours of time for Australian businesses interacting with government and over 159 000 hours of staff time.</p>
Business.gov.au	Number of business.gov.au website users (million) <sup>2</sup>	4.3	6.1
	Number of business.gov.au website sessions (million) <sup>2</sup>	6.2	8.9
Business Grant Hub (BGH)	Number of program rounds delivered through the BGH <sup>2</sup>	27	43

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

2 Source: 2017–18 Corporate Plan.

**Summary of the department’s performance against Purpose 3**

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 \$502.6 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 departmental support functions, including corporate, financial, digital and analytical services, and relevant initiatives and projects that aim to provide effective and efficient operational and administrative support and specific services to the department, government, industry and other stakeholders. Building a high performance organisation contributes to all three of the department’s purposes.

## Performance criteria and results

Table 15: Activity: Building a high performance organisation

<b>Intended results of the Activity</b> <ul style="list-style-type: none"> <li>• Effective and efficient provision of general operational and administrative support</li> <li>• Effective and efficient provision of specific services</li> </ul>			
Contributing component	Performance criterion	2017–18 target	2017–18 result
Corporate, financial, digital and analytical services	Effective and efficient provision of corporate, financial, digital and analytical services <sup>1</sup>		<p>In 2017–18, significant achievements included:</p> <ul style="list-style-type: none"> <li>• process improvements that delivered significant efficiencies and enhancements to corporate, financial and ICT services</li> <li>• continued implementation of the department's strategy for shared and common services</li> <li>• improved alignment of functions, to integrate planning, governance, portfolio management, risk management, and benefits realisation</li> <li>• support for the delivery of the department's inclusion and diversity agenda, with the launch of <i>Inclusion strategy 2017–2020</i></li> <li>• management of the department's external and internal communications through the strategic communications framework</li> <li>• ongoing provision of effective learning and development opportunities for staff, reflected in the strong results in the 2017 State of the Service census</li> <li>• delivery of objective, robust and high-quality economic advice through publications, presentations, briefings and email services (including in the <i>Resources and energy quarterly</i>, <i>Industry insights</i>, the <i>Australian innovation system report</i>, <i>Industry monitor</i> and various staff research papers and evaluation reports)</li> <li>• delivery of the DataHub, a single data reference point that provides access to over 450 datasets, a range of ready-made reports and insights on the department's programs and the economy, and information about data policies</li> <li>• a review of the department's <i>Evaluation strategy 2015–2019</i> and delivery of the <i>Evaluation strategy 2017–2021</i></li> <li>• launch of the BizLab Academy, a training facility open to all staff in the Australian Public Service (APS), designed to embed an APS-wide citizen-centric culture by teaching human-centred design to strengthen citizen-centric decision-making and evidence-based policy and program delivery.</li> </ul>

1 Source: 2017–18 Portfolio Budget Statements and 2017–18 Corporate Plan.

## Case studies

### BizLab Academy

The BizLab Academy was launched by the department in May 2018 to teach Human Centred Design skills to the Australian Public Service. Human Centred Design is a creative and strategic approach to tackling modern, complex problems by putting the user at the heart of designing solutions. This training has been set up to provide the APS with the skills to become more citizen-centric in our day-to-day work, bringing a human element into the development of policies and programs. Taking a human centred approach takes us from “what we think” to “what we know”—basing our decisions on insights from end users rather than on our assumptions about what a problem is and how we should fix it.

The goal of the BizLab Academy is to implement a scalable and sustainable training model that complements and strengthens evidence-based policy design and service delivery within the department and the broader APS. The training will commence in July, and will be the first time that training in Human Centred Design will be delivered to the APS, by the APS, supporting our collaborating efforts and helping to break down silos. The training program is designed to equip participants with practical skills to take back to their workplace and teach others the principles of Human Centred Design.

### Evaluation Strategy

Evaluations, reviews and performance monitoring provide assurance that policies and programs are delivering outcomes as intended and performance is tracked—allowing for correction to occur—and inform future policy and program design.

The continual questioning of how we are performing is a critical part of good performance management and accountability. Through this, we gain an understanding of what works and what doesn't work and why, what is being done well and what is not, what should be pursued and what should not. This knowledge can improve the design and implementation of effective interventions.

The department published its first Evaluation Strategy in 2015. In 2017, a review was conducted, seeking internal and external stakeholder feedback to assess the department's overall evaluation skills, capability and attitudes; and identify where improvements could be made.

In response to the review, the strategy was updated and revised to produce the Evaluation Strategy 2017–21, which will further strengthen evaluation and performance measurement capacity in the department.

The revised strategy incorporates a guide to 'Evaluation Ready', the department's innovative process to create a monitoring and evaluation framework for departmental programs to ensure that they are prepared for future evaluations and help instil an evaluative mindset from the outset.

## Financial performance

### Financial performance – Departmental

#### Operating result

Excluding depreciation, amortisation and adjustments through other comprehensive income, the department recorded a loss of \$37.1 million in 2017–18. This loss is largely due to the transfer of the Australian Astronomical Observatory functions from the department to the research sector as part of the 'Maintaining Australia's Optical Astronomy Capability' measure announced in the 2017–18 budget.

After taking into account depreciation and amortisation of \$37.7 million and the change in the asset revaluation reserve of \$1.4 million, the department recorded a loss of \$73.4 million for 2017–18. 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 2018, the department reported net assets of \$176.8 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 (\$1072.7 million), levy receipts generated by the National Offshore and Petroleum Safety Environmental Management Authority (\$36.5 million) and registration fees generated by the National Offshore Petroleum Titles Administrator (\$15.4 million).

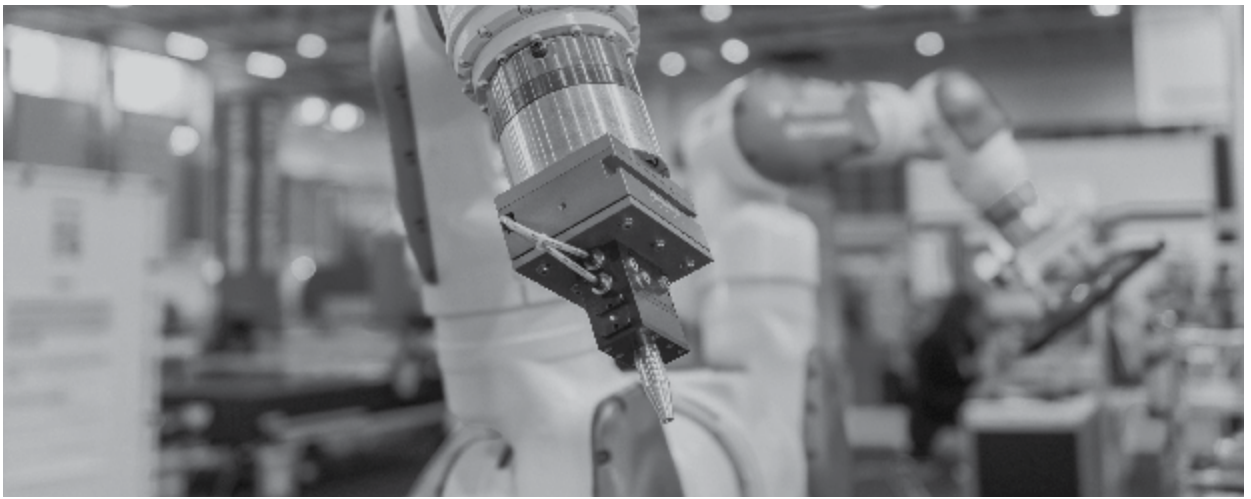
#### Expenses

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

- \$279.9 million to facilitate the development and uptake of new ideas and technology and translate them into commercial activity
- \$316.6 million to contribute to building a diversified, flexible, resilient and dynamic economic base that can identify and adapt to new markets and emerging opportunities
- \$64.8 million to support the sustainable development of the resources sector, attract private sector investment and encourage innovative technologies
- \$1077.2 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

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### 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 2018, the department's governance committee structure comprised:

- Executive Board
- Assurance and Audit Committee
- People Committee
- ICT and Data Strategy Committee
- Program Assurance Committee.

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 capital budget, business 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 department's project management capability.

The department's internal audit function provides independent, objective assurance and consulting services, which are designed to add value and improve the department's operations.

## Fraud control

The department's fraud control and anti-corruption framework is consistent with better practice standards and provides assurance that fraud control strategies are robust. The framework includes preventative and proactive fraud prevention and detection measures. As required by the Commonwealth Fraud Control Framework, the department's fraud control plan details strategies for the prevention, detection and investigation of suspected fraud affecting the department, and includes 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.

The department's commitment to fraud control also included support for International Fraud Awareness Week 2017, which involved increasing fraud awareness messages to staff across the department. This supplemented ongoing fraud awareness training for all staff.

## Compliance with finance law

Significant instances of non-compliance were identified and reported to the relevant Minister and the Minister for Finance.

The department identified significant instances of non-compliance with the finance law, specifically with the Commonwealth Procurement Rules (including consequential breaches relating to section 23 of the PGPA Act). Corrective action has been undertaken, which ensures that the department's needs for operational efficiency and flexibility are met within a compliant framework.

## External scrutiny

In 2017-18, 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 2017-18, the department was directly involved in four audits by the Australian National Audit Office (ANAO), which tabled the following reports:

- Design and monitoring of the National Innovation and Science Agenda
- Low emissions technologies for fossil fuels
- Management of special appropriations
- Efficiency through contestability program.

The department appeared at several parliamentary committee hearings, including supplementary budget estimates hearings on 26 October 2017, additional estimates hearings on 1 March 2018, and budget estimates hearings on 31 May 2018 and 5 June 2018.

## 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/about-us/what-we-do/information-publication-scheme](http://www.industry.gov.au/about-us/what-we-do/information-publication-scheme)).

## Management of human resources

The department's Our People Plan 2017–20: *Building a high performance organisation* incorporates strategies to manage resources and build the capability necessary to achieve the department's objectives and realise its vision, by:

- creating an environment which maximises employee engagement
- investing in the ongoing development and capability of our people
- encouraging a flexible work environment.

The People Plan is updated regularly to ensure that it supports the strategic direction of the department.

### Professional development

#### Capability Development Strategy

The department invests in the ongoing professional development of its staff in order to build a high performance organisation. Our Capability Development Strategy 2017–20 drives the advancement of core capabilities at all levels and provides guidance to staff on developing policy, economics, program design and delivery, data analysis, and management and leadership capabilities.

During 2017–18, in line with the Capability Development Strategy, the department delivered a number of face-to-face programs, ranging from short masterclasses to day-long sessions and immersion programs. Staff were also able to undertake face-to-face leadership, diversity and inclusion, wellness, design thinking, project management and data analytics development opportunities.

The department also offered an online, self-paced learning program (in a broad range of formats) to cater for the needs of staff in different locations and with different learning styles.

Five scholarships were awarded to staff at the APS6 to EL1 classification levels to enable them to develop and maintain management and technical skills and build their professional capabilities.

The department's Studies Assistance program, which provides study leave and financial assistance, was accessed by 189 employees during 2017–18. Participation contributes to the improvement of professional skills and knowledge relevant to an individual's employment, the department, and the broader Australian Public Service.

#### Manager Confidence and Capability Framework

The department is committed to building management and leadership across all classifications. Our Manager Confidence and Capability Framework provides guidance to staff on building an inclusive and diverse workforce; managing performance and engagement; providing feedback; supporting mental health awareness; addressing absenteeism; and supporting high performers and nurturing talent.

In 2017–18, staff at the EL2 level had the opportunity to attend an EL2 conference that focused on inclusive leadership; undertake coaching; and participate in an Executive Leadership Program. An EL2 Talent Program aimed at high-potential EL2s, identified through a formal talent assessment process, will be piloted later in 2018.

#### Leadership and Management Capability Framework

The department's Leadership and Management Capability Framework offers a range of initiatives and opportunities to meet the development needs of Senior Executive Service (SES) officers, to strengthen their leadership capability, build confidence and enhance performance. During 2017–18, SES officers participated in Australian Public Service Commission leadership and talent programs, and accessed SES scholarships offered to enhance inclusive leadership and technical skills and knowledge.

## Workforce planning

Workforce, business and risk planning processes have been aligned in the department to ensure an integrated approach to decision-making and prioritisation of resources. Workforce planning is strategic and future focused, with a concentration on workforce needs now and into the future.

For example, the department has implemented the Australian Public Service (APS) Job Family Model, allowing it to better analyse and plan the department's workforce. Job Family data will help to create a more mobile workforce—one that can be 'surged' quickly and efficiently as capacity and capability demands. Better information on the composition of the workforce will also allow for more strategic workforce practices, such as a contingent workforce, to be used at times of peak demand.

## Performance management systems

The department is committed to building a high performance organisation by developing staff and managing their performance. The department's My Plan performance management process was implemented in July 2017.

My Plan provides a framework and mechanisms for:

- continuously improving organisational performance, to enable the department to achieve its planned outcomes and priorities
- improving individual performance and supporting individual development and career planning
- facilitating regular real-time and meaningful feedback and recognising and rewarding sustained high performance
- managing declines in performance and underperformance.

## Diversity and inclusion

The department is committed to attracting and retaining a diverse workforce, supported by an inclusive culture. The Secretary participates in the Secretaries Equality and Diversity Council and is the chair of the APS Disability Champions Network.

The department respects and celebrates the unique place that Aboriginal and Torres Strait Islander peoples hold as Australia's First Peoples. The Reconciliation Action Plan 2017–2020 sets out the department's journey to reconciliation. The department places a strong focus on career development for Aboriginal and Torres Strait Islander employees. In 2018, the department launched the Indigenous Development Pathways Program, which focuses on career development and creating effective leaders. This complements the department's Indigenous Development Awards.

The department's employee networks support and celebrate difference and foster ideas for valuing diversity and optimising inclusion. They include the:

- Women's Network
- Indigenous Employees Network
- Disability and Wellness Network
- Pride Network
- Culturally and Linguistically Diverse Network
- Flexible Workplaces Network.

Each network is supported by an SES Champion.

During 2017–18, the department launched its Inclusion Strategy 2017–2020. Initiatives delivered under the strategy in 2017–18 included the DIISability Internship Program, the Inclusion Scholarship Program, and a departmental Inclusion Expo. Work commenced on the Disability

Confident Recruiter accreditation process facilitated by the Australian Network on Disability. Each division also nominated and facilitated an inclusion and diversity activity or event. Those activities were strongly supported by departmental staff.

In 2018, the department established Inclusion Insights meetings to identify, promote and report on inclusion initiatives and drive cultural change within the department. The quarterly meetings are facilitated by the General Manager People and Planning and attended by the Secretary, the Executive Board and the employee network champions.

## Work health and safety

The department maintains a strong commitment to the health and wellbeing of all employees and visitors. During 2017–18, the department undertook initiatives ensuring the health, safety and welfare of workers and achieved some good health and safety outcomes as a result.

The department continues to explore and implement strategies to assist staff to improve their wellbeing, with an emphasis on prevention and early intervention. In 2017–18, this included offering training for all staff on mental health awareness, mental health first aid, mindfulness and building practical resilience, and recognising R U OK day and Mental Health Week. Those approaches are supported through the department's Work Well program, which also contains a range of evidence-based information, resources and tools to assist with achieving holistic wellbeing, maintaining good mental health and reducing the impact of stress and fatigue. All employees and their immediate family members also have access to free confidential counselling and support through the department's employee assistance program.

The department provides for eligible ongoing staff to claim a single payment of \$200 each calendar year to undertake independent health initiatives which contribute towards a healthy lifestyle. Free quadrivalent flu vaccinations were offered to staff in April and May 2018.

In 2017–18, six incidents 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.

The department's 2016–17 Comcare premium rate remained low at 0.86 per cent. The Work Well program, Manager Capability and Confidence strategy and Absence toolkit all play a key role in preventing potential compensation claims and loss of productivity, allowing staff to seek immediate treatment for illnesses and injuries that are likely to impact on their capacity to work.

## 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](http://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](http://www.dss.gov.au)).

## Purchasing

The department's Accountable Authority Instructions and internal policies set out the process to procure goods and services in line with the Commonwealth Procurement Rules and the Public Governance, Performance and Accountability framework.

Value for money is the core principle of the Commonwealth Procurement Rules. The department's internal policies support its employees to undertake procurement activities to meet these requirements.

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 for small and medium enterprises are available on the Department of Finance's website ([www.finance.gov.au](http://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 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 enterprises
- a dedicated online procurement toolkit to provide advice to 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 Department of the Treasury's website ([www.treasury.gov.au](http://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 2017-18, 174 new consultancy contracts were entered into involving total actual expenses of \$2 621 348 (GST inclusive). In addition, 64 ongoing consultancies were active during the year, involving total actual expenses in 2017-18 of \$1 022 081 (GST inclusive). Consultancy expenses for 2017-18 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](http://www.tenders.gov.au)).

During 2017–18, 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 2017–18 allowed for the Auditor-General to have access to the contractor's premises.

## Grant programs

Information on grants awarded by the department from 1 July 2017 to 20 December 2017 is available on the department's website ([www.industry.gov.au/topic/about-us/finance-reporting](http://www.industry.gov.au/topic/about-us/finance-reporting)). Information on grants awarded from 21 December 2017 to 30 June 2018 is available on GrantConnect ([www.grants.gov.au](http://www.grants.gov.au)).

## Advertising and market research

During 2017–18, the department did not conduct any advertising campaigns.

Table 16 sets out GST-inclusive payments that the department made to external organisations for advertising and market research services in 2017–18. This relates to non-campaign advertising and market research services, as well as preparations for future advertising campaigns. Payments of \$13 200 or less (GST inclusive) are not reported.

*Table 16: Payments for advertising and market research, 2017–18, Department of Industry, Innovation and Science*

Name of recipient	Services	Total (\$)
Advertising agencies		
Sensis	National Measurement Institute White Pages and Yellow Pages location advertisements	15 200
Porter Novelli	Development of creative materials for Industry Growth Centres Initiative public relations and advertising campaign planned for 2018–19	24 958
Direct mail		
Nil		
Market research		
Taylor Nelson Sofres (Kantar Public)	Business sector client experience research	136 000
Woolcott Research	Industry Growth Centres Initiative market research	78 045
Winning Moves	business.gov.au website market research	23 342
Media advertising		
Mitchell and Partners Australia Pty Ltd	Questacon advertising	40 151
	R&D Tax Incentive e-learning and related digital advertising	29 654
	Advertising to encourage participation in the Digital Economy Strategy consultation.	21 509
Polling organisations		
Nil		



## Ecologically sustainable development and environmental performance

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 2017–18:

- the Cooperative Research Centres (CRCs) Program enabled industry-led research partnerships to solve specific industry problems, with CRCs addressing a range of challenges facing Australia, including the challenge of 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
- the department considered referrals under the Environment Protection and Biodiversity Conservation Act 1999 to ensure that the Department of the Environment and Energy was aware of the geological and broader impacts of mining activities when making assessments on resources projects
- through membership of the National Climate Science Advisory Committee, the department contributed to the development of a national climate science strategy, which is to identify the key areas of climate science research required to build on existing climate science initiatives and fill the gaps in our ability to plan for and respond to the economic, environmental and social impacts of climate variability and change.

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 (<https://industry.gov.au/about-us>).



#### CHAPTER FOUR

## DEPARTMENTAL FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

**To the Minister for Resources and Northern Australia**

**To the Minister for Industry, Science and Technology**

### Opinion

In my opinion, the financial statements of the Department of Industry, Innovation and Science for the year ended 30 June 2018:

- (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 2018 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 2018 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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><b>Completeness and accuracy of royalty revenue</b></p> <p>I focused on this balance given the significant value of royalty revenue recognised by the Department of Industry, Innovation and Science and the complexities associated with its administration.</p> <p>The collection of royalties is reliant on data reporting and administrative functions performed by third parties, including State and foreign governments and other federal government agencies. The royalty calculations are also dependent on information provided by taxpayers in a self-assessment regime. This reliance on information sourced from third parties increases the risk that royalty revenue reported may be incomplete or inaccurate.</p> <p>The effectiveness of the assurance framework over the collection and administration of royalties implemented in 2017-18 is important to reduce the risk of recording incomplete or inaccurate revenue.</p> <p>For the year ended 30 June 2018, the Department of Industry, Innovation and Science reported royalty revenue of \$1 072.656m.</p>	<p>The audit procedures I undertook to address the matter included:</p> <ul style="list-style-type: none"> <li>• assessing the effectiveness of the assurance framework for the completeness of North West Shelf royalty revenue collections, activities relating to the collection of Joint Petroleum Development Area and the Ranger Uranium Mine royalties;</li> <li>• testing, on a sample basis, a selection of key assurance activities undertaken by the Department of Industry, Innovation and Science for its royalty revenue streams;</li> <li>• examining, on a sample basis, supporting documentation to assess the accuracy of royalty revenue recognised for 2017-18;</li> <li>• examining large royalties received after 30 June 2018 to assess for potential unrecorded royalty revenue; and</li> <li>• assessing the reasonableness of royalty revenue by analysing the relationship between production and commodity prices and revenue recognised.</li> </ul>

### 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, as applicable, matters related to going concern 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



Lorena Skipper

Audit Principal

Delegate of the Auditor-General

Canberra

4 September 2018

**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 2018 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.

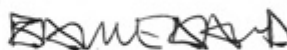
The Department of Industry, Innovation and Science (department) is on Tier 2 reporting requirements other than administered assets, administered financial instruments and administered fair value measurement disclosures which are on Tier 1, as per section 18(3) of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*.

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.



Heather Smith  
Secretary

4 September 2018



Brad Medland  
Chief Financial Officer

4 September 2018

**Department of Industry, Innovation and Science**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	289,191	293,456	279,880
Suppliers	1.1B	170,433	165,340	182,188
Grants	1.1C	8,757	3,499	329
Depreciation and amortisation	3.2A	37,688	38,089	43,009
Finance costs		46	-	-
Write-down and impairment of assets	1.1D	36,533	16,854	-
Foreign exchange losses		9	-	-
Losses from asset sales		-	338	-
Other expenses		650	604	728
<b>Total expenses</b>		<b>543,307</b>	<b>518,180</b>	<b>506,134</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	77,624	67,826	78,632
Interest		53	63	-
Rental income		716	4,468	-
Other revenue	1.2B	8,786	12,191	7,020
<b>Total own-source revenue</b>		<b>87,179</b>	<b>84,548</b>	<b>85,652</b>
<b>Gains</b>				
Gains from sale of assets		13	-	-
Foreign exchange gains		-	3	-
Reversals of previous asset write-downs and impairments		1	2	-
Other gains	1.2C	109	24,852	728
<b>Total gains</b>		<b>123</b>	<b>24,857</b>	<b>728</b>
<b>Total own-source income</b>		<b>87,302</b>	<b>109,405</b>	<b>86,380</b>
<b>Net cost of services</b>		<b>(456,005)</b>	<b>(408,775)</b>	<b>(419,754)</b>
Revenue from Government	1.2D	381,182	365,838	376,445
<b>Deficit</b>		<b>(74,823)</b>	<b>(42,937)</b>	<b>(43,309)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserve		1,403	(2,166)	-
<b>Total other comprehensive income/ (loss)</b>		<b>1,403</b>	<b>(2,166)</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(73,420)</b>	<b>(45,103)</b>	<b>(43,309)</b>

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 2018**

		2018	2017	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	12,885	13,761	4,730
Trade and other receivables	3.1B	103,846	104,446	127,928
Accrued revenue		2,402	3,394	1,968
<b>Total financial assets</b>		<b>119,133</b>	<b>121,601</b>	<b>134,626</b>
<b>Non-financial assets</b>				
Land and buildings	3.2A	99,243	108,061	126,912
Infrastructure, plant and equipment	3.2A	23,573	53,815	29,038
Laboratory equipment	3.2A	23,024	24,560	28,361
Intangibles	3.2A	57,736	48,699	60,027
Inventories		2,242	2,337	2,468
Prepayments		12,298	9,401	8,287
<b>Total non-financial assets</b>		<b>218,116</b>	<b>246,873</b>	<b>255,093</b>
<b>Total assets</b>		<b>337,249</b>	<b>368,474</b>	<b>389,719</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	21,594	17,662	43,461
Grants		2,302	270	1,177
Other payables	3.3B	53,658	45,406	33,110
<b>Total payables</b>		<b>77,554</b>	<b>63,338</b>	<b>77,748</b>
<b>Provisions</b>				
Employee provisions	6.1A	81,035	85,851	88,065
Other provisions	3.4A	1,848	1,747	20,925
<b>Total provisions</b>		<b>82,883</b>	<b>87,598</b>	<b>108,990</b>
<b>Total liabilities</b>		<b>160,437</b>	<b>150,936</b>	<b>186,738</b>
<b>Net assets</b>		<b>176,812</b>	<b>217,538</b>	<b>202,981</b>
<b>EQUITY</b>				
Contributed equity		504,138	471,444	507,888
Asset revaluation reserve		10,482	9,079	11,245
Accumulated deficit		(337,808)	(262,985)	(316,152)
<b>Total equity</b>		<b>176,812</b>	<b>217,538</b>	<b>202,981</b>

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 2018*

	2018 \$'000	2017 \$'000	Original Budget \$'000
<b>RETAINED EARNINGS</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	(262,985)	(220,048)	(272,843)
<b>Adjusted opening balance</b>	<b>(262,985)</b>	<b>(220,048)</b>	<b>(272,843)</b>
<b>Comprehensive income</b>			
Deficit for the year	(74,823)	(42,937)	(43,309)
<b>Total comprehensive income</b>	<b>(74,823)</b>	<b>(42,937)</b>	<b>(43,309)</b>
<b>Closing balance as at 30 June</b>	<b>(337,808)</b>	<b>(262,985)</b>	<b>(316,152)</b>
<b>ASSET REVALUATION RESERVE</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	9,079	11,245	11,245
<b>Adjusted opening balance</b>	<b>9,079</b>	<b>11,245</b>	<b>11,245</b>
<b>Comprehensive income</b>			
Other comprehensive income	1,403	(2,166)	-
<b>Total comprehensive income</b>	<b>1,403</b>	<b>(2,166)</b>	<b>-</b>
<b>Closing balance as at 30 June</b>	<b>10,482</b>	<b>9,079</b>	<b>11,245</b>
<b>CONTRIBUTED EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	471,444	452,029	471,134
<b>Adjusted opening balance</b>	<b>471,444</b>	<b>452,029</b>	<b>471,134</b>
<b>Transactions with owners</b>			
<b>Distribution to owners</b>			
Restructuring	-	(13,905)	-
Appropriation (equity returns) <sup>1</sup>	(4,447)	(448)	-
<b>Contributions by owners</b>			
Equity injection - Appropriations	11,907	4,880	11,520
Departmental capital budget (DCB)	25,234	28,888	25,234
<b>Total transactions with owners</b>	<b>32,694</b>	<b>19,415</b>	<b>36,754</b>
<b>Closing balance as at 30 June</b>	<b>504,138</b>	<b>471,444</b>	<b>507,888</b>

1. Unspent amounts in Appropriation Act 2 2012-13, Appropriation Act 1 2013-14 and Appropriation Act 4 2013-14 have been repealed in accordance with Schedule 3- Repeals of the Appropriation Act (No 4) 2017-18 and PGPA Act section 51 determination.

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 2018*

	<b>2018</b>	2017	Original Budget
	<b>\$'000</b>	\$'000	\$'000
<b>TOTAL EQUITY</b>			
<b>Opening balance</b>			
Balance carried forward from previous period	<b>217,538</b>	243,226	209,536
<b>Adjusted opening balance</b>	<b>217,538</b>	243,226	209,536
<b>Comprehensive income</b>			
Deficit for the year	<b>(74,823)</b>	(42,937)	(43,309)
Other comprehensive income	<b>1,403</b>	(2,166)	-
<b>Total comprehensive income</b>	<b>(73,420)</b>	(45,103)	(43,309)
<b>Transactions with owners</b>			
<b>Distribution to owners</b>			
Restructuring	-	(13,905)	-
Appropriation (equity returns)	<b>(4,447)</b>	(448)	-
<b>Contributions by owners</b>			
Equity injection - Appropriations	<b>11,907</b>	4,880	11,520
Departmental capital budget (DCB)	<b>25,234</b>	28,888	25,234
<b>Total transactions with owners</b>	<b>32,694</b>	19,415	36,754
<b>Closing balance as at 30 June</b>	<b>176,812</b>	217,538	202,981

**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 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations		452,040	466,862	377,778
Sale of goods and rendering of services		83,631	72,045	78,632
Net GST received		16,170	16,822	15,516
Rental income		752	4,845	-
Other		8,498	7,436	7,027
<b>Total cash received</b>		<b>561,091</b>	<b>568,010</b>	<b>478,953</b>
<b>Cash used</b>				
Employees		293,506	303,873	279,766
Suppliers		186,695	179,929	181,454
Grants		7,100	4,904	329
Section 74 receipts transferred to OPA		81,656	76,536	15,516
Other		2,735	2,491	728
<b>Total cash used</b>		<b>571,692</b>	<b>567,733</b>	<b>477,793</b>
<b>Net cash from/(used by) operating activities</b>		<b>(10,601)</b>	<b>277</b>	<b>1,160</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds on sales of infrastructure, plant and equipment		423	154	-
<b>Total cash received</b>		<b>423</b>	<b>154</b>	<b>-</b>
<b>Cash used</b>				
Purchase of infrastructure, plant and equipment		19,625	25,468	38,679
Purchase of intangibles		17,869	17,025	-
<b>Total cash used</b>		<b>37,494</b>	<b>42,493</b>	<b>38,679</b>
<b>Net cash used by investing activities</b>		<b>(37,071)</b>	<b>(42,339)</b>	<b>(38,679)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations - Contributed equity		24,078	10,057	36,754
Appropriations - Departmental Capital Budget		22,718	29,697	-
<b>Total cash received</b>		<b>46,796</b>	<b>39,754</b>	<b>36,754</b>
<b>Cash used</b>				
Restructuring - Special accounts cash transferred out <sup>1</sup>		-	14,663	-
<b>Total cash used</b>		<b>-</b>	<b>14,663</b>	<b>-</b>
<b>Net cash from financing activities</b>		<b>46,796</b>	<b>25,091</b>	<b>36,754</b>
<b>Net decrease in cash held</b>		<b>(876)</b>	<b>(16,971)</b>	<b>(765)</b>
Cash and cash equivalents at the beginning of the reporting period		13,761	30,732	5,495
<b>Cash and cash equivalents at the end of the reporting period</b>	3.1A	<b>12,885</b>	<b>13,761</b>	<b>4,730</b>

1. 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 2018

#### 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 2017-18 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 Australia Astronomical Observatory (AAO) functions to the Australian National University and Macquarie University as part of the 'Maintaining Australia's Optical Capability' measure announced at the 2017-18 budget (net assets of \$36.3 million)	Statement of Comprehensive Income - Write-down and impairment of assets (\$36.3 million), Employee benefits (\$4.1 million) Statement of Financial Position - Land and buildings, infrastructure, plant and equipment (decrease of \$36.3 million)
Due to the timing of the original 2017-18 budget, the estimate for Other Provisions was set prior to the reversal of the onerous lease provision relating to an accommodation lease transfer. This decrease has been reflected in the 2017-18 Additional Estimates	Statement of Financial Position - Other provisions (decrease of \$18.9 million)
Lease straight lining was budgeted in Suppliers Payables and has subsequently moved to Other Payables in the 2018-19 budget to align with the financial statements	Statement of Financial Position - Suppliers Payables, Other Payables (\$28.5 million)
The reclassification of special account balances from receivables to cash as per the Financial Reporting Rule is not reflected in the budget	Statement of Financial Position – Cash and cash equivalent, Trade and other receivables (\$9.0 million)
Due to the timing of the original 2017-18 budget, the estimate for Trade and other receivables did not reflect the transfer of the Energy function to the Department of Environment and Energy	Statement of Financial Position – Trade and other receivables (\$14.7 million)
Section 74 receipts transferred to OPA are not shown separately in the budgeted cash flow statement but are netted off against operating cash received from appropriations	Cash Flow Statement - Appropriations and Section 74 receipts transferred to OPA (\$81.7 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 2018**

	Notes	2018 \$'000	2017 \$'000	Original Budget \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	2.1A	6,533	7,026	6,828
Suppliers	2.1B	76,786	76,412	91,102
Fees		40	40	40
Subsidies	2.1C	86,634	168,489	110,364
Finance costs		-	-	213,495
Grants	2.1D	489,997	490,589	510,189
Depreciation and amortisation	4.2A	1,246	1,227	1,032
Write-down and impairment of assets		62	-	-
Payments to corporate Commonwealth entities	2.1E	1,077,214	1,054,797	1,042,088
<b>Total expenses</b>		<b>1,738,512</b>	<b>1,798,580</b>	<b>1,975,138</b>
<b>Income</b>				
<b>Revenue</b>				
<b>Taxation revenue</b>				
Tradex receipts		720	942	750
<b>Total taxation revenue</b>		<b>720</b>	<b>942</b>	<b>750</b>
<b>Non-taxation revenue</b>				
Fees from regulatory services	2.2A	51,899	49,882	16,080
Fees		2,508	5,875	-
Interest	2.2B	6,906	9,572	42,554
Royalties		1,072,656	950,106	901,101
Other non-taxation revenue		5,931	24,231	49,379
<b>Total non-taxation revenue</b>		<b>1,139,900</b>	<b>1,039,666</b>	<b>1,009,114</b>
<b>Total revenue</b>		<b>1,140,620</b>	<b>1,040,608</b>	<b>1,009,864</b>
<b>Gains</b>				
Reversals of previous financial instruments impairments		-	248	-
<b>Total gains</b>		<b>-</b>	<b>248</b>	<b>-</b>
<b>Total income</b>		<b>1,140,620</b>	<b>1,040,856</b>	<b>1,009,864</b>
<b>Net cost of services</b>		<b>(597,892)</b>	<b>(757,724)</b>	<b>(965,274)</b>
<b>Deficit</b>		<b>(597,892)</b>	<b>(757,724)</b>	<b>(965,274)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserve		(174,858)	114,515	-
<b>Total comprehensive loss</b>		<b>(772,750)</b>	<b>(643,209)</b>	<b>(965,274)</b>

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 2018**

		2018	2017	Original Budget
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash in special accounts		58,852	82,509	45,668
Trade and other receivables	4.1A	109,043	118,847	451,688
Other investments	4.1B	3,539,564	3,660,784	3,558,727
Accrued revenue		106,815	84,618	82,610
<b>Total financial assets</b>		<b>3,814,274</b>	<b>3,946,758</b>	<b>4,138,693</b>
<b>Non-financial assets</b>				
Leasehold improvements	4.2A	1,526	192	287
Infrastructure, plant and equipment	4.2A	579	197	260
Intangibles	4.2A	5,149	3,825	5,615
Prepayments		258	-	-
<b>Total non-financial assets</b>		<b>7,512</b>	<b>4,214</b>	<b>6,162</b>
<b>Total assets administered on behalf of Government</b>		<b>3,821,786</b>	<b>3,950,972</b>	<b>4,144,855</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	4.3A	27,668	12,523	11,296
Subsidies	4.3B	18,269	38,559	18,269
Grants	4.3C	51,219	44,570	37,613
Other payables		14,400	-	-
<b>Total payables</b>		<b>111,556</b>	<b>95,652</b>	<b>67,178</b>
<b>Provisions</b>				
Employee provisions	6.1B	1,536	1,875	1,519
<b>Total provisions</b>		<b>1,536</b>	<b>1,875</b>	<b>1,519</b>
<b>Total liabilities administered on behalf of Government</b>		<b>113,092</b>	<b>97,527</b>	<b>68,697</b>
<b>Net assets</b>		<b>3,708,694</b>	<b>3,853,445</b>	<b>4,076,158</b>

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 - Administered

*for the year ended 30 June 2018*

#### 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 2017-18 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 revaluation adjustments, explanation will only be provided if the variance is considered to be 'major'.

Explanations of major variances	Affected line items/statements
Slower than expected progress of projects to the loan drawdown stage under the Northern Australia Infrastructure Facility Loan programme	Schedule of Comprehensive Income – Interest revenue (\$34 million), Other non-taxation revenue (\$10 million), Finance costs (\$213 million) Statement of Assets and Liabilities – Trade and other receivables (\$305 million)
Reclassification of NOPSEMA's levy receipts to Fees from regulatory services	Schedule of Comprehensive Income – Fees from regulatory services (\$36 million - actual), Other non-taxation revenue (\$32 million - budget)
Higher than anticipated sales volumes and prices for Liquefied Natural Gas and Condensate	Schedule of Comprehensive Income – Royalties (\$165 million), Statement of Assets and Liabilities – Accrued revenue (\$29 million)
Lower costs for Entrepreneurs' Programme	Schedule of Comprehensive Income – Suppliers expenses (\$15 million)
Lower demand for assistance under the Automotive Transformation Scheme	Schedule of Comprehensive Income – Subsidies expenses (\$24 million)
Administered Investments decreased due to a reduction in ANSTO's net assets (\$237 million) due in part to an impairment of its subsidiary ANM Pty Ltd and offset by an increase in CSIRO's net assets (\$51 million)	Schedule of Comprehensive Income – Asset revaluation reserve (\$186 million)
Recovery of debt under the National Low Emissions Coal Initiative programme	Statement of Assets and Liabilities – Cash in special accounts (\$10 million)
Grants accrued but not paid for milestones met under the Cooperative Research Centres programme	Statement of Assets and Liabilities – Grants payables (\$16 million)
Expenditure accrued but not paid for work completed under the Next Generation Manufacturing Investment Programme	Statement of Assets and Liabilities – Suppliers payables (\$10 million)
Liability relating to partly paid shares for investment in Silicon Quantum Computing Pty Ltd	Statement of Assets and Liabilities – Other payables (\$14 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 Reconciliation Schedule**  
*for the year ended 30 June 2018*

	2018 \$'000	2017 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>3,853,445</b>	4,216,802
<b>Net (cost of)/contribution by services</b>		
Income	<b>1,140,620</b>	1,040,856
Expenses		
Payments to entities other than corporate Commonwealth entities	<b>(661,298)</b>	(743,783)
Payments to corporate Commonwealth entities	<b>(1,077,214)</b>	(1,054,797)
<b>Other comprehensive income</b>		
Revaluations transferred to/(from) reserves	<b>(174,858)</b>	114,515
<b>Transfers (to)/from the Australian Government</b>		
Appropriation transfers from Official Public Account		
Administered assets and liabilities appropriations		
Payments to entities other than corporate Commonwealth entities	<b>23,447</b>	24,053
Payments to corporate Commonwealth entities	<b>32,637</b>	38,841
Annual appropriations		
Payments to entities other than corporate Commonwealth entities	<b>506,286</b>	535,444
Payments to corporate Commonwealth entities	<b>1,045,019</b>	1,020,264
Special appropriations (limited)		
Payments to entities other than corporate Commonwealth entities	<b>107,323</b>	171,447
Payments to corporate Commonwealth entities	-	-
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	<b>4,833</b>	-
Payments to corporate Commonwealth entities	<b>32,195</b>	34,533
Appropriation transfers to OPA		
Transfers to OPA	<b>(1,117,927)</b>	(1,005,717)
Appropriation from prior years	<b>(5,814)</b>	987
Restructuring	-	(540,000)
<b>Closing assets less liabilities as at 30 June</b>	<b>3,708,694</b>	3,853,445

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



**Department of Industry, Innovation and Science**  
**Administered Cash Flow Statement**  
**for the year ended 30 June 2018**

	Notes	2018 \$'000	2017 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Interest		678	2,431
Fees		2,888	5,953
Royalties		1,050,459	938,764
Net GST received		47,487	49,648
Other		31,914	36,010
Levy receipts		36,452	34,645
<b>Total cash received</b>		<b>1,169,878</b>	<b>1,067,451</b>
<b>Cash used</b>			
Suppliers		85,042	82,179
Grants		510,141	545,530
Employees		7,851	7,418
Subsidies		106,926	183,349
Payment to corporate Commonwealth entities		1,077,214	1,054,797
<b>Total cash used</b>		<b>1,787,174</b>	<b>1,873,273</b>
<b>Net cash used by operating activities</b>		<b>(617,296)</b>	<b>(805,822)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Repayments of advances and loans		26,526	23,165
<b>Total cash received</b>		<b>26,526</b>	<b>23,165</b>
<b>Cash used</b>			
Advances and loans made		3,400	-
Investments		23,447	24,026
Purchase of intangibles		1,986	172
Purchase of infrastructure, plant and equipment		1,256	96
Corporate Commonwealth entity investments		32,637	38,841
<b>Total cash used</b>		<b>62,726</b>	<b>63,135</b>
<b>Net cash used by investing activities</b>		<b>(36,200)</b>	<b>(39,970)</b>
<b>Net decrease in cash held</b>		<b>(653,496)</b>	<b>(845,792)</b>

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

**Department of Industry, Innovation and Science**  
**Administered Cash Flow Statement**  
**for the year ended 30 June 2018**

	Notes	2018 \$'000	2017 \$'000
Cash and cash equivalents at the beginning of the reporting period		82,509	104,917
<b>Cash from Official Public Account</b>			
Appropriations		1,695,611	1,707,178
Appropriation - Administered assets and liabilities		23,447	24,053
Equity appropriation - corporate Commonwealth entities		32,637	38,841
Special Accounts		45	54,510
GST appropriations		45,230	55,711
<b>Total cash from official public account</b>		<b>1,796,970</b>	<b>1,880,293</b>
<b>Cash to Official Public Account</b>			
Appropriations		(1,117,927)	(1,005,717)
GST appropriations		(49,204)	(51,192)
<b>Total cash to official public account</b>		<b>(1,167,131)</b>	<b>(1,056,909)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>58,852</b>	<b>82,509</b>

**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) which is 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, including the budget variance commentaries.

## **Department of Industry, Innovation and Science**

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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 a strong 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 Spatial Data Policy function was transferred in from the Department of Prime Minister and Cabinet as a result of the Administrative Arrangements Order (AAO) of the 31 January 2018.

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); 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 debtors 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, Australian Nuclear Science and Technology Organisation (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.

There are no departmental contingent liabilities as at 30 June 2018.

#### Events After the Reporting Period

There were no events occurring after 30 June 2018 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

	2018	2017
	\$'000	\$'000
<b>Note 1.1A: Employee Benefits</b>		
Wages and salaries	205,952	212,910
Superannuation:		
Defined contribution plans	17,717	19,405
Defined benefit plans	21,264	20,926
Leave and other entitlements	30,012	30,253
Separation and redundancies	12,097	8,140
Other employee expenses	2,149	1,822
<b>Total employee benefits</b>	<b>289,191</b>	<b>293,456</b>

##### 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	2,726	3,125
Contractors and consultants	39,033	36,309
Inventory related costs	7,896	7,721
Property operating expense	14,648	18,893
Rendering of services and maintenance	47,060	32,822
Travel	11,516	12,435
Other goods and services	13,677	11,572
<b>Total goods and services supplied or rendered</b>	<b>136,556</b>	<b>122,877</b>

Goods supplied	15,269	15,494
Services rendered	121,287	107,383
<b>Total goods and services supplied or rendered</b>	<b>136,556</b>	<b>122,877</b>

##### Other suppliers

Operating lease rentals	31,094	39,792
Workers compensation expenses	2,783	2,671
<b>Total other suppliers</b>	<b>33,877</b>	<b>42,463</b>
<b>Total suppliers</b>	<b>170,433</b>	<b>165,340</b>

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

	2018 \$'000	2017 \$'000
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Within 1 year	46,431	50,018
Between 1 to 5 years	103,934	178,471
More than 5 years	72,262	17,650
<b>Total operating lease commitments</b>	<b>222,627</b>	<b>246,139</b>

#### 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

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	60	593
State and Territory Governments	(20)	9
Non-profit organisations	564	1,074
Other	8,153	1,823
<b>Total grants</b>	<b>8,757</b>	<b>3,499</b>

#### **Note 1.1D: Write-Down and Impairment of Assets**

Impairment of financial instruments	30	43
Write-down and impairment of buildings and leasehold improvements	7,629	16,498
Write-down and impairment of infrastructure, plant and equipment	28,633	-
Impairment of laboratory equipment	-	266
Impairment of intangible assets	194	-
Write-down of inventories	47	47
<b>Total write-down and impairment of assets</b>	<b>36,533</b>	<b>16,854</b>

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

#### 1.2. Own-Source Revenue and Gains

	2018	2017
	\$'000	\$'000
<b>Own-Source Revenue</b>		
<b><u>Note 1.2A: Sale of Goods and Rendering of Services</u></b>		
Sale of goods	3,820	3,823
Rendering of services	73,804	64,003
<b>Total sale of goods and rendering of services</b>	<b>77,624</b>	<b>67,826</b>

#### 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	4,000	3,990
Sponsorships	2,485	2,633
Other	1,666	4,431
Department of Foreign Affairs and Trade receipts	-	534
Resources received free of charge	635	603
<b>Total other revenue</b>	<b>8,786</b>	<b>12,191</b>

#### **Commitments for sublease rental income receivables are as follows:**

Within 1 year	531	490
Between 1 to 5 years	1,186	1,532
More than 5 years	351	-
<b>Total sublease rental income commitments</b>	<b>2,068</b>	<b>2,022</b>

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

	2018 \$'000	2017 \$'000
<b>Gains</b>		
<b><u>Note 1.2C: Other Gains</u></b>		
Others	-	4
Reversal of makegood provision	109	79
Reversal of other provisions <sup>1</sup>	-	24,769
<b>Total other gains</b>	<b>109</b>	<b>24,852</b>

1. The 2017 amount is the reversal of the provision for an onerous lease in relation to the surplus floor space for one of the department's leased premises in the previous reporting period. 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	381,182	365,838
<b>Total revenue from Government</b>	<b>381,182</b>	<b>365,838</b>

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another 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

	2018	2017
	\$'000	\$'000
<b>Note 2.1A: Employee benefits</b>		
Wages and salaries	4,557	4,765
Superannuation		
Defined contribution plans	674	485
Defined benefit plans	278	465
Leave and other entitlements	1,024	1,311
<b>Total employee benefits</b>	<b>6,533</b>	<b>7,026</b>
<b>Note 2.1B: Suppliers</b>		
<b>Services rendered</b>		
Communication, marketing and freight	869	6,832
Consultants and contractors	10,673	12,859
Travel	994	827
Fee for service	54,420	47,432
Other	8,146	6,640
<b>Total services rendered</b>	<b>75,102</b>	<b>74,590</b>
<b>Other suppliers</b>		
Operating lease rentals	1,684	1,822
<b>Total other suppliers</b>	<b>1,684</b>	<b>1,822</b>
<b>Total suppliers</b>	<b>76,786</b>	<b>76,412</b>
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Within 1 year	1,888	1,237
Between 1 to 5 years	4,489	3,872
<b>Total operating lease commitments</b>	<b>6,377</b>	<b>5,109</b>
<b>Leasing commitments</b>		
The department's administered lease payment commitments relate to office spaces for the National Offshore Petroleum Safety operations in Perth and Melbourne.		

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

	2018	2017
	\$'000	\$'000
<b>Note 2.1C: Subsidies</b>		
<b>Subsidies in connection with external parties</b>		
Assistance to industry	86,634	168,489
<b>Total subsidies</b>	<b>86,634</b>	<b>168,489</b>
	2018	2017
	\$'000	\$'000
<b>Note 2.1D: Grants</b>		
<b>Public sector</b>		
Australian Government entities (related parties)	5,647	4,540
State and Territory Governments	55	279
Local Governments	734	-
<b>Private sector</b>		
Non-profit organisations	89,731	12,388
External entities	350,410	430,342
Other	18,247	25,679
Grants through State and Territory Governments	23,000	16,003
Multi-jurisdictional sector	2,173	1,358
<b>Total grants</b>	<b>489,997</b>	<b>490,589</b>
<b>Note 2.1E: Payments to Corporate Commonwealth Entities</b>		
Commonwealth Scientific and Industrial Research Organisation	793,549	787,267
Australian Nuclear Science and Technology Organisation	198,119	183,334
Australian Institute of Marine Science	44,847	41,552
National Offshore Petroleum Safety and Environmental Management Authority	32,195	34,533
Northern Australia Infrastructure Facility	8,504	8,111
<b>Total payments to corporate Commonwealth entities</b>	<b>1,077,214</b>	<b>1,054,797</b>

#### 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 activities 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 but activities 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**

<b>2.2. Administered - Income</b>		
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
<b><u>Note 2.2A: Fees from Regulatory Services</u></b>		
Petroleum fees	<b>15,447</b>	15,237
Levy receipts	<b>36,452</b>	34,645
<b>Total fees from regulatory services</b>	<b>51,899</b>	<b>49,882</b>
<b><u>Note 2.2B: Interest</u></b>		
Loans	<b>460</b>	1,142
Unwinding of discount - concessional loans	<b>5,833</b>	5,664
Other	<b>613</b>	2,766
<b>Total interest</b>	<b>6,906</b>	<b>9,572</b>

**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

	2018	2017
	\$'000	\$'000
<b>Note 3.1A: Cash and Cash Equivalents</b>		
Cash in special accounts	11,279	11,887
Cash on hand	27	16
Cash at bank	1,579	1,858
<b>Total cash and cash equivalents</b>	<b>12,885</b>	<b>13,761</b>
<b>Note 3.1B: Trade and Other Receivables</b>		
<b>Goods and services receivables</b>		
Goods and services	9,058	7,191
<b>Total goods and services receivables</b>	<b>9,058</b>	<b>7,191</b>
<b>Appropriations receivables</b>		
Departmental appropriations	75,371	65,825
Departmental Capital Budget	3,976	1,460
Equity appropriations	11,989	27,194
<b>Total appropriations receivables</b>	<b>91,336</b>	<b>94,479</b>
<b>Other receivables</b>		
GST receivable from the Australian Taxation Office	2,643	2,036
Other	876	1,029
<b>Total other receivables</b>	<b>3,519</b>	<b>3,065</b>
<b>Total trade and other receivables (gross)</b>	<b>103,913</b>	<b>104,735</b>
<b>Less impairment allowance</b>		
Goods and services	(67)	(289)
<b>Total impairment allowance</b>	<b>(67)</b>	<b>(289)</b>
<b>Total trade and other receivables (net)</b>	<b>103,846</b>	<b>104,446</b>

	2018	2017
	\$'000	\$'000
<b>Reconciliation of the Impairment Allowance</b>		

	Goods and services	Goods and services
<b>As at 1 July</b>	<b>289</b>	<b>259</b>
Amounts written off	(252)	(13)
Increase recognised in net cost of services	30	43
<b>Total as at 30 June</b>	<b>67</b>	<b>289</b>

##### 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.

## 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 Infrastructure, Plant and Equipment and Intangibles 2018

	Buildings \$'000	Leasehold improvements \$'000	Infrastructure, plant and equipment \$'000	Laboratory equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 1 July 2017</b>							
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)
<b>Total as at 1 July 2017</b>	<b>54,119</b>	<b>53,942</b>	<b>53,815</b>	<b>24,560</b>	<b>47,401</b>	<b>1,298</b>	<b>235,135</b>
Additions:							
Purchase or internally developed	1,341	7,111	11,759	2,611	17,066	1,330	41,218
Revaluations recognised through other comprehensive income	-	-	1,403	-	-	-	1,403
Impairments recognised in net cost of services	(7,629)	-	(28,633)	-	(194)	-	(36,456)
Depreciation / amortisation	(2,842)	(6,799)	(14,735)	(4,147)	(8,537)	(628)	(37,688)
Disposals:							
From disposal of entities or operations (including restructuring)	-	-	(36)	-	-	-	(36)
Other	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
<b>Total as at 30 June 2018</b>	<b>44,989</b>	<b>54,254</b>	<b>23,573</b>	<b>23,024</b>	<b>55,736</b>	<b>2,000</b>	<b>203,576</b>
<b>Total as at 30 June 2018 represented by</b>							
Gross book value	45,093	54,418	14,939	35,464	92,756	16,913	259,583
Work in progress	994	6,576	8,634	1,362	17,313	-	34,879
Accumulated depreciation, amortisation and impairment	(1,098)	(6,740)	-	(13,802)	(54,333)	(14,913)	(90,886)
<b>Total as at 30 June 2018</b>	<b>44,989</b>	<b>54,254</b>	<b>23,573</b>	<b>23,024</b>	<b>55,736</b>	<b>2,000</b>	<b>203,576</b>
<b>Revaluations of non-financial assets</b>							

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2018 for infrastructure, plant and equipment by an independent valuer.

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

All capital commitments totalling \$13.6 million (2016-17: \$11.6 million) are payable within 12 months. The major projects include \$2.0 million for the Single Business Services program, \$3.6 million for ICT infrastructure and equipment, \$1.8 million for streamlining government grants, \$0.7 million for Vanguard Digital project and \$1.0 million for the Business Licence Information Platform.

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

#### Accounting Policy

##### 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.

##### Asset Recognition Threshold

Purchases of infrastructure, 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, infrastructure, 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 Infrastructure, Plant and Equipment asset classes were revalued effective 30 June 2018 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 infrastructure, 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:

	2018	2017
Buildings	8-40 years	8-40 years
Leasehold improvements	Lease term	Lease term
Laboratory equipment	3-10 years	3-10 years
Infrastructure, plant and equipment	3-10 years	3-10 years

##### Impairment

All assets were assessed for impairment at 30 June 2018 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 infrastructure, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Assets related to the Australian Astronomical Observatory were disposed as at 30 June following the transfer out of the function.

##### 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 (2016-17: 3 to 15 years).

##### Inventories

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

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

#### 3.3. Payables

	2018	2017
	\$'000	\$'000
<b>Note 3.3A: Suppliers</b>		
Trade creditors and accruals	20,974	17,164
Other creditors	620	498
<b>Total suppliers</b>	<b>21,594</b>	<b>17,662</b>

Settlement is usually made within 30 days.

#### **Note 3.3B: Other Payables**

Lease straight lining and incentives	28,503	30,745
Unearned revenue	10,427	6,920
Wages and salaries	3,040	2,711
Superannuation	306	317
Other	11,382	4,713
<b>Total other payables</b>	<b>53,658</b>	<b>45,406</b>

#### **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 2018 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

##### Note 3.4A: Other Provisions

	Provision for restoration \$'000	Total \$'000
<b>As at 1 July 2017</b>	<b>1,747</b>	<b>1,747</b>
Additional provisions made	572	572
Amounts reversed	(109)	(109)
Amounts used	(408)	(408)
Unwinding of discount or change in discount rate	46	46
<b>Total as at 30 June 2018</b>	<b>1,848</b>	<b>1,848</b>

##### **Accounting Judgements and Estimates**

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

##### Provision for restoration

The department currently has 12 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

	2018 \$'000	2017 \$'000	
<b><u>Note 4.1A: Trade and Other Receivables</u></b>			
<b>Loans</b>			
Amortised cost	97,220	97,743	
<b>Total loans</b>	<b>97,220</b>	<b>97,743</b>	
<b>Other receivables</b>			
Grant recoveries and other receivables	6,242	24,826	
Net GST receivable	10,577	9,555	
<b>Total other receivables</b>	<b>16,819</b>	<b>34,381</b>	
<b>Total trade and other receivables (gross)</b>	<b>114,039</b>	<b>132,124</b>	
<b>Less impairment allowance</b>			
Loans - amortised cost	(451)	(831)	
Grant recoveries and other receivables	(4,545)	(12,446)	
<b>Total impairment allowance</b>	<b>(4,996)</b>	<b>(13,277)</b>	
<b>Total trade and other receivables (net)</b>	<b>109,043</b>	<b>118,847</b>	
<b>Reconciliation of the Impairment Allowance</b>			
<b>Movements in relation to 2018</b>			
	<b>Advances and loans \$'000</b>	<b>Other receivables \$'000</b>	<b>Total \$'000</b>
<b>As at 1 July 2017</b>	<b>831</b>	<b>12,446</b>	<b>13,277</b>
Amounts written off	(330)	(8,013)	(8,343)
Increase/(Decrease) recognised in net cost of services	(50)	112	62
<b>Total as at 30 June 2018</b>	<b>451</b>	<b>4,545</b>	<b>4,996</b>
<b>Movements in relation to 2017</b>			
	<b>Advances and loans \$'000</b>	<b>Other receivables \$'000</b>	<b>Total \$'000</b>
<b>As at 1 July 2016</b>	<b>41,422</b>	<b>13,910</b>	<b>55,332</b>
Amounts written off	(40,447)	(1,360)	(41,807)
Increase/(Decrease) recognised in net cost of services	(144)	(104)	(248)
<b>Total as at 30 June 2017</b>	<b>831</b>	<b>12,446</b>	<b>13,277</b>

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.

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 has been repaid in full in 2017-18.
- 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'.
- Northern Australia Infrastructure Facility (NAIF) Loans. The department records concessional loans issued by the NAIF corporate Commonwealth entity (CCE) on behalf of the Commonwealth. The concessional element for each loan is tailored to the specific needs of each investment, with varying rates of interest and terms, consistent with the *Northern Australia Infrastructure Facility Investment Mandate Direction 2018*.

	2018 \$'000	2017 \$'000
<b><u>Note 4.1B: Other Investments</u></b>		
Australian Institute of Marine Science	185,772	176,551
Australian Nuclear Science and Technology Organisation	879,661	1,095,648
Commonwealth Scientific and Industrial Research Organisation	2,260,005	2,198,824
National Offshore Petroleum Safety and Environmental Management Authority	15,896	15,674
Pre-Seed Fund	15,106	17,986
Innovation Investment Fund Round 1	20,092	20,510
Innovation Investment Fund Round 3	117,029	104,934
Innovation Investment Follow-On Fund	17,137	23,259
Northern Australia Infrastructure Facility	2,108	2,398
Quantum Computing	24,495	5,000
Public Sector Mapping Agency Australia	2,263	-
<b>Total other investments</b>	<b>3,539,564</b>	<b>3,660,784</b>

## 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 2018. The exception is Public Sector Mapping Agency (PSMA) Australia, which is measured at cost. 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 (IIF) 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. IIF 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.

#### 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 develop a silicon quantum integrated circuit, the first step in developing a practical quantum computing system. The Australian Government owns 30.2% of this investment.

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

<u>Public Sector Mapping Agency (PSMA) Australia</u>
The principal activities of PSMA Australia are to source geospatial information and use this information to provide sustainable access to authoritative national location data to both government and businesses. It is an unlisted public company limited by shares and jointly owned (one share or 11% each) by the Australian Government and each of the State and Territory governments. The Australian Government's share, which is measured at cost, is represented by its share of PSMA's net assets.

## 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 Infrastructure, Plant and Equipment and Intangibles 2017

	Leasehold improvements \$'000	Infrastructure, plant & equipment \$'000	Computer software internally developed \$'000	Computer software purchased \$'000	Total \$'000
<b>As at 1 July 2017</b>					
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)
<b>Total as at 1 July 2017</b>	<b>192</b>	<b>197</b>	<b>3,825</b>	<b>-</b>	<b>4,214</b>
<b>Additions</b>	<b>1,414</b>	<b>462</b>	<b>2,320</b>	<b>-</b>	<b>4,196</b>
Revaluations and impairments recognised in other comprehensive income	-	90	-	-	90
Revaluations recognised in net cost of services	-	-	-	-	-
Depreciation/ Amortisation	(80)	(170)	(996)	-	(1,246)
<b>Total as at 30 June 2018</b>	<b>1,526</b>	<b>579</b>	<b>5,149</b>	<b>-</b>	<b>7,254</b>
<b>Total as at 30 June 2018 represented by:</b>					
Gross book value	192	117	7,727	-	8,036
Work in progress	1,414	462	2,332	-	4,208
Accumulated depreciation, amortisation and impairment	(80)	-	(4,910)	-	(4,990)
<b>Total as at 30 June 2018</b>	<b>1,526</b>	<b>579</b>	<b>5,149</b>	<b>-</b>	<b>7,254</b>

### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy. A revaluation was conducted as at 30 June 2018 for infrastructure, plant and equipment by an independent valuer.

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

Capital commitments totalling \$1.1 million (2016-17: \$0.4 million) relates to reconfiguring NOPTA's systems and software as part of its transition to a cloud based environment.

## Department of Industry, Innovation and Science

### Notes to and forming part of the Financial Statements

#### Accounting Policy

##### Administered Infrastructure, 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**

	2018	2017
	\$'000	\$'000
<b>Note 4.3A: Suppliers</b>		
Trade creditors and accruals	27,668	12,523
<b>Total suppliers</b>	<b>27,668</b>	<b>12,523</b>
Settlement is usually made within 30 days.		
<b>Note 4.3B: Subsidies</b>		
<b>Subsidies in connection with</b>		
Assistance to industry	18,269	38,559
<b>Total subsidies</b>	<b>18,269</b>	<b>38,559</b>
All subsidies are payable to external parties.		
<b>Note 4.3C: Grants</b>		
Non-profit organisations	43,251	41,427
Other	7,968	3,143
<b>Total grants</b>	<b>51,219</b>	<b>44,570</b>
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')

	2018 \$'000	2017 \$'000
<b>Departmental</b>		
<b>Ordinary annual services</b>		
Annual Appropriation	381,012	392,210
PGPA Act - Section 74 receipts	81,656	76,536
PGPA Act - Section 75 transfers	170	(26,350)
<b>Total</b>	<b>462,838</b>	<b>442,396</b>
Appropriation applied (current and previous years)	452,306	467,570
Variance	10,532	(25,174)
<b>Capital Budget<sup>1</sup></b>		
Annual Appropriation	25,234	28,938
PGPA - Section 75 transfers of PGPA Act		(50)
<b>Total</b>	<b>25,234</b>	<b>28,888</b>
Appropriation applied (current and previous years)	22,718	29,697
Variance	2,516	(809)
<b>Other services</b>		
Equity Injection	11,907	4,880
Appropriation applied (current and previous years)	24,078	10,057
Variance	(12,171)	(5,177)
<b>Administered</b>		
<b>Ordinary annual services</b>		
Administered items	547,439	572,126
PGPA Act - Section 75 transfers	2,057	(2,548)
Payments to corporate Commonwealth entities	1,045,019	1,020,264
<b>Total</b>	<b>1,594,515</b>	<b>1,589,842</b>
Appropriation applied (current and previous years)	1,551,305	1,555,708
Variance <sup>2</sup>	43,210	34,134
<b>Other Services</b>		
Administered assets and liabilities	8,000	28,938
Payments to corporate Commonwealth entities	32,637	38,841
<b>Total</b>	<b>40,637</b>	<b>67,779</b>
Appropriation applied (current and previous years)	56,084	62,894
Variance <sup>2</sup>	(15,447)	4,885

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. 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')

	2018	2017
	\$'000	\$'000
<b>Departmental</b>		
Appropriation Act 2 2012-13	-	224
Appropriation Act 1 2013-14	-	1,414
Appropriation Act 4 2013-14	-	2,809
Appropriation Act 1 2014-15	-	422
Appropriation Act 2 2014-15	-	222
Appropriation Act 1 2015-16	297	297
Appropriation Act 2 2015-16	448	19,207
Appropriation Act 4 2015-16	-	2,857
Appropriation Act 1 2016-17	183	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	82	313
Appropriation Act 1 2017-18	73,724	-
Appropriation Act 1 2017-18 Cash	1,606	-
Appropriation Act 1 2017-18 DCB	3,976	-
Appropriation Act 3 2017-18	1,080	-
Appropriation Act 2 2017-18	11,520	-
Appropriation Act 4 2017-18	387	-
Appropriation Act 5 2017-18	109	-
<b>Total departmental</b>	<b>93,412</b>	<b>97,466</b>
<b>Administered</b>		
Appropriation Act 1 2012-13	-	61,487
Appropriation Act 2 2012-13	-	13,191
Appropriation Act 3 2012-13	-	4
Appropriation Act 4 2012-13	-	3,450
Appropriation Act 1 2013-14	-	29,365
Appropriation Act 2 2013-14	-	7,308
Appropriation Act 4 2013-14	-	53,241
Appropriation Act 1 2014-15	-	425,371
Appropriation Act 1 2015-16	129,859	148,846
Appropriation Act 2 2015-16	-	10,299
Appropriation Act 3 2015-16	9,322	10,246
Supply Act 2 2016-17	449	12,058
Appropriation Act 1 2016-17	29,100	44,550
Appropriation Act 2 2016-17	16,880	16,880
Appropriation Act 3 2016-17	28,598	28,598
Appropriation Act 1 2017-18	78,571	-
Appropriation Act 2 2017-18	6,460	-
<b>Total administered</b>	<b>299,239</b>	<b>864,894</b>

- 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 2018.
- Departmental appropriations reduced under section 51: Appropriation Act 1 2016-17 by \$0.02 million; Appropriation Act 2 2015-16 by \$0.45 million.
- Administered appropriations reduced under section 51: Appropriation Act 1 2016-17 by \$15.53 million; Appropriation Act 3 2016-17 by \$1.13 million; Appropriation Act 1 2015-16 by \$129.86 million; Appropriation Act 3 2015-16 by \$9.32 million.
- Unspent amount in 2012-13 Appropriation Acts, 2013-14 Appropriation Acts and 2014-15 Appropriation Acts were repealed in 2017-18.

## 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')**

	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
	Total receipts	Total payments	Total receipts	Total payments
Attorney-Generals	1	4,176	506	126,665
Department of Health	-	20,129	-	9,737
Department of Defence	-	4,655	-	342
Department of Prime Minister & Cabinet	-	10,464	-	-
Department of Home Affairs	-	804	-	-
<b>Total</b>	<b>1</b>	<b>40,228</b>	<b>506</b>	<b>136,744</b>

Since 2015-16, the department has been delivering grants on behalf of other government agencies as part of the *Better Grants Administration* initiative. Payments were made from appropriations administered by these agencies in accordance with agreed arrangements. The related revenues, expenses, assets, liabilities and cash flows are disclosed in the financial statements of the relevant government agency responsible for the outcome.

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

<b>Authority</b>	<b>Appropriation applied</b>	
	2018 \$'000	2017 \$'000
<i>Automotive Transformation Scheme Act 2009</i> <sup>1</sup>	103,923	170,355
<i>Offshore Minerals Act 1994 (Act No. 28 of 1994)</i>	-	-
<i>Northern Australia Infrastructure Facility Act 2016</i>	3,400	-
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>	32,195	34,533
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>	4,833	1,092
<b>Total special appropriation applied</b>	<b>144,351</b>	<b>205,980</b>

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

The following special appropriations had zero transactions and budgets during the reporting and comparative year:

- Science and Industry Endowment Act 1926
- Space Activities Act 1998
- Uranium Royalty (Northern Territory) Act 2009
- Textile, Clothing and Footwear Investment and Innovation Programs Act 1999

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

### 5.2. Special Accounts

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

	Clean Energy Initiative Special Account <sup>1</sup>		Services for Other Entities and Trust Moneys Account <sup>2</sup>		National Offshore Petroleum Titles Administrator Special Account <sup>3</sup>	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	54,376	70,914	21,506	30,036	6,627	3,968
Total Increases	10,254	54,510	6,055	17,209	17,843	17,591
Available for payments	64,630	125,424	27,561	47,245	24,470	21,559
Total administered decreases	28,015	71,048	10,532	25,739	19,262	14,932
Total balance carried to the next period	36,615	54,376	17,029	21,506	5,208	6,627
<b>Balance represented by:</b>						
Cash held in the Official Public Account	36,615	54,376	17,029	21,506	5,208	6,627
Total balance carried to the next period	36,615	54,376	17,029	21,506	5,208	6,627
<b>Innovation, Science and Technology – Donations, Bequests and Sponsorship Special Account<sup>4</sup></b>						
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward from previous period	2,284	3,535	9,603	9,893	71,632	69,791
Total increases	2,582	1,983	9,708	9,254	182,621	144,262
Available for payments	4,866	5,518	19,311	19,147	254,253	214,053
Decreases						
Total departmental decreases	2,811	3,234	10,087	9,544	-	-
Total administered special public money decreases	-	-	-	-	180,978	142,421
Total balance carried to the next period	2,055	2,284	9,224	9,603	73,275	71,632
<b>Balance represented by:</b>						
Cash held in entity bank accounts	2,055	2,284	226	279	73,275	71,632
Cash held in the Official Public Account	-	-	8,998	9,324		
Total balance carried to the next period	2,055	2,284	9,224	9,603	73,275	71,632

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 <sup>7</sup>	
	2018	2017
	\$'000	\$'000
Balance brought forward from previous period	-	14,723
Total increases	-	74
Available for payments	-	14,797
Total departmental decreases*	-	14,797
Total balance carried to the next period	-	-

\*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

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

	2018	2017
	\$'000	\$'000
<b>Note 5.3A: Regulatory Charging Summary</b>		
<b>Amount applied</b>		
Departmental		
Annual appropriations	771	1,308
Administered		
Annual appropriations	-	468
<b>Total amounts applied</b>	<b>771</b>	<b>1,776</b>
<b>Expenses</b>		
Departmental	1,555	2,238
Administered	14,350	14,115
<b>Total expenses</b>	<b>15,905</b>	<b>16,353</b>
<b>Revenue</b>		
Departmental	785	930
Administered	17,701	17,969
<b>Total revenue</b>	<b>18,486</b>	<b>18,899</b>

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

#### Regulatory charging activities:

##### Departmental

Licensing and Appointments and Pattern Approval Laboratory.

Documentation - [www.measurement.gov.au/Documents/Charging-Arrangements.docx](http://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](http://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

	2018 \$'000	2017 \$'000
<b>Note 6.1A: Employee Provisions</b>		
Leave	79,775	83,507
Separations and redundancies	1,260	2,344
<b>Total employee provisions</b>	<b>81,035</b>	<b>85,851</b>

##### Note 6.1B: Administered - Employee Provisions

Leave	1,536	1,875
<b>Total employee provisions</b>	<b>1,536</b>	<b>1,875</b>

#### 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.

##### 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

	2018	2017
	\$000	\$000
Short-term employee benefits	1,747	1,691
Post-employment benefits	303	270
Other long-term employee benefits	187	191
<b>Total Key Management Remuneration expenses</b>	<b>2,237</b>	<b>2,152</b>

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 is 6 (2016-17: 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

	2018	2017
	\$'000	\$'000
<b>Note 7.1A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
Cash and cash equivalents	12,885	13,761
Trade and other receivables	9,867	7,931
Accrued revenue	2,402	3,394
<b>Total loans and receivables</b>	<b>25,154</b>	<b>25,086</b>
<b>Total financial assets</b>	<b>25,154</b>	<b>25,086</b>
<b>Financial Liabilities</b>		
Suppliers	21,594	17,662
Grants payable	2,302	270
Other payables	13,054	11,633
<b>Total financial liabilities measured at amortised cost</b>	<b>36,950</b>	<b>29,565</b>
<b>Total financial liabilities</b>	<b>36,950</b>	<b>29,565</b>

##### 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

	2018 \$'000	2017 \$'000
<b>Note 7.2A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	58,852	82,509
Grant recoveries and other receivables	1,697	12,380
Loans - amortised cost	96,769	96,912
<b>Total loans and receivables</b>	<b>157,318</b>	<b>191,801</b>
<b>Available for sale</b>		
Administered investments	3,539,564	3,660,784
<b>Total available for sale</b>	<b>3,539,564</b>	<b>3,660,784</b>
<b>Total financial assets</b>	<b>3,696,882</b>	<b>3,852,585</b>
<b>Financial Liabilities</b>		
<b>Financial Liabilities measured at amortised cost</b>		
Grants and subsidies payable	69,488	83,129
Suppliers payable	27,668	12,523
Other payable	14,400	-
<b>Total financial liabilities measured at amortised cost</b>	<b>111,556</b>	<b>95,652</b>
<b>Total financial liabilities</b>	<b>111,556</b>	<b>95,652</b>
<b>Note 7.2B: Net Gains or Losses on Financial Assets</b>		
<b>Loans and receivables</b>		
Interest revenue	6,306	9,572
<b>Net gains on loans and receivables</b>	<b>6,306</b>	<b>9,572</b>
<b>Net gains/(losses) on financial assets</b>	<b>6,306</b>	<b>9,572</b>
<b>Note 7.2C: Net Gains or Losses on Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Interest	600	-
<b>Net gains on financial liabilities measured at amortised cost</b>	<b>600</b>	<b>-</b>
<b>Net gains on financial liabilities</b>	<b>600</b>	<b>-</b>
<b>Note 7.2D: Fair Value of Financial Instruments</b>		

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 7.2E: 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 2018 \$'000	Not past due nor impaired 2017 \$'000	Past due or impaired 2018 \$'000	Past due or impaired 2017 \$'000	Total 2018 \$'000	Total 2017 \$'000
Grant recoveries and other receivables	193	9,640	6,049	15,186	6,242	24,826
Loans - amortised cost	96,769	96,912	451	831	97,220	97,743
<b>Total</b>	<b>96,962</b>	<b>106,552</b>	<b>6,500</b>	<b>16,017</b>	<b>103,462</b>	<b>122,569</b>

#### **Ageing of financial assets that were past due but not impaired in 2018**

	0 to 30 days \$'000	31 to 60 days \$'000	60+ days \$'000	Total \$'000
Grant recoveries and other receivables	10	-	1,494	1,504
<b>Total</b>	<b>10</b>	<b>-</b>	<b>1,494</b>	<b>1,504</b>

#### **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
<b>Total</b>	<b>683</b>	<b>-</b>	<b>2,057</b>	<b>2,740</b>

#### **Note 7.2F: 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.

All financial liabilities except for other payables are expected to be settled within 12 months. The other payable amount of \$14.4 million relates to ownership of partly paid shares in Quantum Computing, and will be paid in three instalments due on an annual basis until 30 June 2021.

#### **Note 7.2G: 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 2018.

## 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 2018

	Fair value measurements at the end of the reporting period	
	2018	2017
	\$'000	\$'000
<b>Non-financial assets:</b>		
Buildings	44,989	54,119
Leasehold improvements	54,254	53,941
Infrastructure, plant and equipment <sup>1</sup>	16,862	19,104
Infrastructure, plant and equipment	6,711	34,712
Laboratory equipment	23,024	24,560
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>145,840</b>	<b>186,436</b>

- I. Level 2. The balance of 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
	2018 \$'000	2017 \$'000		Valuation technique(s) \$'000
<b>Financial assets:</b>				
Other investments - Other <sup>1</sup>	3,539,564	3,660,784	Level 3	Cost
<b>Total financial assets</b>	<b>3,539,564</b>	<b>3,660,784</b>		
<b>Non-financial assets:</b>				
Infrastructure, plant and equipment <sup>2</sup>	579	197	Level 2	Market Approach
Leasehold Improvements	1,526	192	Level 3	Depreciated replacement cost
<b>Total non-financial assets</b>	<b>2,105</b>	<b>389</b>		
<b>Total fair value measurements of assets in the administered schedule of assets and liabilities</b>	<b>3,541,669</b>	<b>3,661,173</b>		

1. Includes investment in PSMA Australia, measured at cost and represented by the Australian Government share of PSMA's net assets.
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

	2018 \$'000	2017 \$'000
<b>Opening balance</b>	<b>3,660,976</b>	3,496,572
Total gains/(losses) recognised in other comprehensive income	(175,170)	114,515
(Disposals)/ Additions (including Restructuring)	1,414	-
Issues	70,206	62,937
Settlements	(16,256)	(12,970)
Depreciation	(80)	(78)
<b>Closing balance</b>	<b>3,541,090</b>	3,660,976
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 31 January 2018, the Spatial Data Policy function transferred in from the Department of Prime Minister and Cabinet.

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

##### Note 8.1A: Departmental Restructuring

	ASSUMED	RELINQUISHED
	2018	2017
	Spatial Data Policy	Energy
	Department of Prime Minister and Cabinet	Department of Environment and Energy
	\$'000	\$'000
<b>FUNCTIONS ASSUMED/RELINQUISHED</b>		
<b>Assets relinquished</b>		
Appropriation receivables	161	8,150
Special accounts	-	14,663
Trade Receivables	-	74
Intangibles	-	492
<b>Total assets assumed/relinquished</b>	<b>161</b>	<b>23,379</b>
<b>Liabilities assumed/relinquished</b>		
Employee provisions	161	8,150
Unearned revenue	-	1,057
Payables	-	267
<b>Total liabilities assumed/relinquished</b>	<b>161</b>	<b>9,474</b>
<b>Net assets/(liabilities) assumed/relinquished</b>	<b>-</b>	<b>13,905</b>
<b>Income assumed</b>		
Recognised by the receiving entity	116	
Recognised by the losing entity	345	
<b>Total income assumed</b>	<b>461</b>	
<b>Expenses assumed</b>		
Recognised by the receiving entity	116	
Recognised by the losing entity	345	
<b>Total expenses assumed</b>	<b>461</b>	

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**

<b>Note 8.1B: Administered Restructuring</b>		
	<b>ASSUMED</b>	<b>RELINQUISHED</b>
	<b>2018</b>	<b>2017</b>
	<b>Spatial Data Policy</b>	<b>Energy</b>
	<b>Department of the Prime Minister and Cabinet</b>	<b>Department of the Environment and Energy</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>FUNCTIONS RELINQUISHED</b>		
<b>Assets relinquished</b>		
Investments	-	540,000
<b>Total assets assumed/relinquished</b>	-	540,000
<b>Net assets relinquished</b>	-	540,000
<b>Expenses assumed</b>		
Recognised by the receiving entity	<b>2,057</b>	
Recognised by the losing entity	<b>6,240</b>	
<b>Total expenses assumed</b>	<b>8,297</b>	







CHAPTER FIVE:

DEPARTMENTAL APPENDICES

Appendix A1: Entity resource statement

Table 17: Entity resource statement, 2017-18

	Actual available appropriations for 2017-18 \$'000	Payments made 2017-18 \$'000	Balance remaining 2017-18 \$'000
1 / Ordinary Annual Services			
Departmental appropriation			
Prior year departmental appropriation	66,138	65,841	297
Departmental appropriation	406,246	327,527	78,719
s. 75 adjustments	331	-	331
s. 74 receipts	81,656	81,656	-
<b>Total</b>	554,371	475,024	79,347
Administered expenses			
Outcome 1	547,439	506,286	
Payments to corporate entities	1,045,019	1,045,019	
Total	1,592,458	1,551,305	
<b>Total ordinary annual services</b>	<b>2,146,829</b>	<b>2,026,329</b>	

	Actual available appropriations for 2017-18 \$'000	Payments made 2017-18 \$'000	Balance remaining 2017-18 \$'000
<b>2/ Other services</b>			
<b>Departmental non-operating</b>			
Equity Injections	11,907	24,078	(12,171)
<b>Total</b>	11,907	24,078	(12,171)
<b>Administered non-operating</b>			
Administered Assets and Liabilities	8,000	23,447	
Payments to corporate entities - non-operating	32,637	32,637	
<b>Total</b>	40,637	56,084	
<b>Total other services</b>	<b>52,544</b>	<b>80,162</b>	
<b>3/ Special Appropriations</b>			
<b>Special appropriation limited by criteria/entitlement</b>			
<i>Offshore Petroleum and Greenhouse Gas Storage Act 2006</i>		32,195	
<i>Public Governance, Performance and Accountability Act 2013 s.77</i>		4,833	
<b>Special appropriation limited by amount</b>			
<i>Automotive Transformation Scheme Act 2009</i>		103,923	
<i>Offshore Mineral Act 1994</i>		-	
<i>Northern Australia Infrastructure Facility Act 2016</i>		3,400	
<b>Total special appropriation</b>		<b>144,351</b>	
<b>Special Accounts</b>			
Opening balance	94,396		
Appropriation receipts	4,045		
Non appropriated receipts to special accounts	42,397		
Payments made		70,707	
<b>Closing balance</b>			70,131
<b>Total Resourcing and Payments</b>	<b>2,340,211</b>	<b>2,321,550</b>	

## Appendix A2: Expenses and resources for Outcome 1

Table 18: Expenses and resources for Outcome 1, 2017–18

<b>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.</b>	<b>Budget 2017–18 \$'000 (a)</b>	<b>Actual Expenses 2017–18 \$'000 (b)</b>	<b>Variation 2017–18 \$'000 (a) - (b)</b>
<b>Program 1: Supporting Science and Commercialisation</b>			
<b>Administered expenses</b>			
Ordinary Annual Services (Appropriation Act No. 1,3,5)	278,203	279,912	(1,709)
Special Appropriations	0	0	0
Special Accounts	0	0	0
Expenses not requiring appropriation in the Budget year	0	(50)	50
<b>Total for Program 1</b>	<b>278,203</b>	<b>279,862</b>	<b>(1,659)</b>
<b>Program 2: Growing Business Investment and Improving Business Capability</b>			
<b>Administered expenses</b>			
Ordinary Annual Services (Appropriation Act No. 1,3,5)	271,248	244,041	27,207
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	33,000	31,694	1,306
Special Appropriations	77,331	78,932	(1,601)
Special Accounts	36,482	26,751	9,731
Expenses not requiring appropriation in the Budget year	30,813	21	30,792
<b>Total for Program 2</b>	<b>448,874</b>	<b>381,439</b>	<b>67,435</b>
<b>Program 3: Program Support</b>			
<b>Departmental expenses</b>			
Departmental appropriation	464,571	492,072	(27,501)
Special Appropriations	0	0	0
Special Accounts	8,403	12,898	(4,495)
Expenses not requiring appropriation in the Budget year	99,837	38,337	61,500
<b>Total for Program 3</b>	<b>572,811</b>	<b>543,307</b>	<b>29,504</b>

<b>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.</b>	<b>Budget 2017-18 \$'000 (a)</b>	<b>Actual Expenses 2017-18 \$'000 (b)</b>	<b>Variation 2017-18 \$'000 (a) - (b)</b>
<b>Outcome 1 Totals by Appropriation Type</b>			
<b>Administered Expenses</b>			
Ordinary Annual Services (Appropriation Act No. 1,3,5)	549,451	523,953	25,498
Ordinary Annual Services (Appropriation Act No. 1) credited to special accounts	33,000	31,694	1,306
Special Appropriations	77,331	78,932	(1,601)
Special Accounts	36,482	26,751	9,731
Expenses not requiring appropriation in the Budget year	30,813	(29)	30,842
	<b>727,077</b>	<b>661,301</b>	<b>65,776</b>
<b>Departmental Expenses</b>			
Departmental appropriation	464,571	492,072	(27,501)
Special Appropriations	0	0	0
Special Accounts	8,403	12,898	(4,495)
Expenses not requiring appropriation in the Budget year	99,837	38,337	61,500
	<b>572,811</b>	<b>543,307</b>	<b>29,504</b>
<b>Total expenses for Outcome 1</b>	<b>1,299,888</b>	<b>1,204,608</b>	<b>95,280</b>

## Appendix A3: Workforce statistics

*Table 19: Ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 1	5	0	3	1	8	1
APS 2	3	3	10	8	13	11
APS 3	67	44	52	42	119	86
APS 4	123	98	55	46	178	144
APS 5	172	183	136	125	308	308
APS 6	397	386	307	302	704	688
EL 1	305	300	311	297	616	597
EL 2	116	129	183	168	299	297
CRS 1	2	1	6	2	8	3
CRS 2	0	0	3	3	3	3
SES Band 1	22	26	31	30	53	56
SES Band 2	2	2	12	8	14	10
SES Band 3	1	2	0	1	1	3
Secretary	1	1	0	0	1	1
<b>Total</b>	<b>1216</b>	<b>1175</b>	<b>1109</b>	<b>1033</b>	<b>2325</b>	<b>2208</b>

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

Note: This table does not include 155 casuals employed by the department at 30 June 2017 and 146 casuals employed by the department at 30 June 2018.

*Table 20: Non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 1	4	2	1	3	5	5
APS 2	0	1	0	0	0	1
APS 3	8	8	7	5	15	13
APS 4	20	32	16	13	36	45
APS 5	6	5	4	8	10	13
APS 6	15	29	11	20	26	49
EL 1	8	4	10	4	18	8
EL 2	4	1	1	2	5	3
CRS 1	0	0	0	0	0	0
CRS 2	0	0	0	0	0	0
SES Band 1	0	0	1	0	1	0
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
<b>Total</b>	<b>65</b>	<b>82</b>	<b>51</b>	<b>55</b>	<b>116</b>	<b>137</b>

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

Note: This table does not include 155 casuals employed by the department at 30 June 2017 and 146 casuals employed by the department at 30 June 2018.

*Table 21: Ongoing and non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 1	9	2	4	4	13	6
APS 2	3	4	10	8	13	12
APS 3	75	52	59	47	134	99
APS 4	143	130	71	59	214	189
APS 5	178	188	140	133	318	321
APS 6	412	415	318	322	730	737
EL 1	313	304	321	301	634	605
EL 2	120	130	184	170	304	300
CRS 1	2	1	6	2	8	3
CRS 2	0	0	3	3	3	3
SES Band 1	22	26	32	30	54	56
SES Band 2	2	2	12	8	14	10
SES Band 3	1	2	0	1	1	3
Secretary	1	1	0	0	1	1
<b>Total</b>	<b>1281</b>	<b>1257</b>	<b>1160</b>	<b>1088</b>	<b>2441</b>	<b>2345</b>

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

Note: This table does not include 155 casuals employed by the department at 30 June 2017 and 146 casuals employed by the department at 30 June 2018.

*Table 22: Ongoing and non-ongoing employees by full-time or part-time status, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Attendance type	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
Full-time	2161	1936	104	116	2265	2052
Part-time	164	272	12	21	176	293
<b>Total</b>	<b>2325</b>	<b>2208</b>	<b>116</b>	<b>137</b>	<b>2441</b>	<b>2345</b>

Note: This table does not include 155 casuals employed by the department at 30 June 2017 and 146 casuals employed by the department at 30 June 2018.



*Table 23: Ongoing and non-ongoing employees by location, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Location	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
ACT	1534	1463	66	81	1600	1544
NSW	345	302	45	26	390	328
Vic.	236	232	3	9	239	241
Qld	67	69	0	6	67	75
SA	39	33	0	2	39	35
WA	72	72	2	9	74	81
Tas.	20	19	0	4	20	23
NT	8	14	0	0	8	14
Overseas	4	4	0	0	4	4
<b>Total</b>	<b>2325</b>	<b>2208</b>	<b>116</b>	<b>137</b>	<b>2441</b>	<b>2345</b>

Note: This table does not include 155 casuals employed by the department at 30 June 2017 and 146 casuals employed by the department at 30 June 2018.

*Table 24: Indigenous employees, 30 June 2017 and 30 June 2018, Department of Industry, Innovation and Science*

Employment status	2017	2018
Ongoing	36	32
Non-ongoing	0	1
<b>Total</b>	<b>36</b>	<b>33</b>

*Table 25: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2018, Department of Industry, Innovation and Science, Geoscience Australia SES and IP Australia SES*

Classification	Enterprise agreement coverage	Employment arrangement		Salary range <sup>1</sup>	
		s. 24 determination	Common law agreement	Minimum (\$)	Maximum (\$)
APS 1	6	0	0	46 823	51 350
APS 2	12	0	0	52 962	59 078
APS 3	99 (1)	0	0	59 476	68 704
APS 4	189 (3)	0	0	66 756	79 265
APS 5	321 (6)	0	0	73 419	89 080
APS 6	737 (32)	0	0	83 660	107 879
EL 1	605 (95)	0	0	103 592	143 018
EL 2	300 (125)	0	0	124 926	212 516 <sup>2</sup>
CRS 1	3	0	0	132 190	146 489
CRS 2	3 (3)	0	0	152 216	186 399
SES Band 1	0	0	64	198 312	240 454
SES Band 2	0	0	15	250 385	279 076
SES Band 3	0	0	5	319 230	397 102
<b>Total</b>	<b>2275</b>	<b>0</b>	<b>84</b>		

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

<sup>1</sup> 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.

<sup>2</sup> Salary range reflects arrangements for recognition of specialist skills and knowledge.

Note: This table does not include 146 casuals employed by the department at 30 June 2018. Numbers in brackets indicate employees whose salary is supplemented by an individual flexibility arrangement provided under the enterprise agreement. Geoscience Australia's SES and IP Australia's SES figures are included with the department's figures to ensure non-identification of individual recipients.

*Table 26: Performance payments from 1 July 2017 to 30 June 2018, Department of Industry, Innovation and Science and IP Australia SES*

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1–6	28	95 182	3399	749	5460
EL 1	67	332 800	4967	681	11 001
EL 2	98	868 964	8867	2000	26 901
CRS 1–2 and SES Band 1–3	4	47 500	11 875	7500	20 000
<b>Total</b>	<b>197</b>	<b>1 344 446</b>	<b>6825</b>		

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. Geoscience Australia did not make any performance payments to SES staff during 2017–18.

## Appendix A4: 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 2017–18.

The Hon Craig Laundy MP appointed Dr Gary Richards as the Acting Authority for a 12-month term commencing on 21 May 2017. On 18 May 2018, the Hon Michaelia Cash MP appointed Mr Mike Lawson as the Acting Authority for a 12-month term commencing on 21 May 2018.

### 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 2017–18, the Authority approved 18 AIP plans for projects with total capital expenditure of more than \$32.1 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 the national media.

In 2017–18, the Authority:

- wrote to 14 project proponents alerting them to their potential obligations under the Jobs Act and providing guidance on meeting their obligations (equal to 14 in 2016–17)
- received formal notification of 31 major projects with current or future obligations under the Jobs Act (up from 15 in 2016–17)

- approved 18 draft AIP plans (up from 11 in 2016–17) and published the AIP plan summaries at [www.industry.gov.au/aip](http://www.industry.gov.au/aip)
- accepted that two major projects had met the requirements under the Australian Jobs (Australian Industry Participation) Rule 2014 for an exception to providing a draft AIP plan (down from five in 2016–17)
- received, evaluated and accepted 37 AIP plan compliance reports (up from 20 in 2016–17).

### 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 (ICN) 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 introduced an evaluation survey in 2017–18 to obtain feedback and comments on its performance from stakeholders that had their AIP plans and first compliance reports approved in 2017–18 under the Jobs Act. The survey responses are being compiled and the findings will be reported in the 2017–18 self-assessment report.

### Industry Capability Network Limited

The department provides annual funding to ICN Limited to deliver national coordination and IT support for the Industry Capability Network. The ICN supports the AIP National Framework by connecting potential suppliers to project opportunities through a national database of industry capability and project opportunities, the ICN Gateway, managed by ICN Limited. The department has been working with other jurisdictions and ICN Limited on transitioning ICN Gateway to a broader, national system. Regular discussions have been held with a range of stakeholders, including state and territory senior officials. A national stakeholder workshop was held in February 2018. A service provider was contracted in April 2018 to assist the transition.

### 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 on 1 July 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 2017–18, the Authority continued to publish 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 2018, a total of 363 AIP plans had been approved for Commonwealth procurements, grants, and Clean Energy Finance Corporation and Northern Australia Infrastructure Facility investments valued at \$20 million or more (up by 29 since the 2016–17 report).

*Table 27: AIP plan statistics in Commonwealth funding, as at 30 June 2018*

<b>AIP plans in Commonwealth procurements (since 1 January 2010)</b>	
No. of AIP plans approved	315 (8)
No. of released approaches to market requiring AIP plans	71 (8)
Value of contracts requiring AIP plans	\$15.0b (\$0.6b)
No. of proposed approaches to market exempted from AIP plan requirement	167 (25)
<b>AIP plans in Commonwealth grants and Commonwealth-funded infrastructure projects (since 1 July 2012)</b>	
No. of AIP plans approved	13 <sup>1,2</sup> (0)
No. of grants exempted from AIP plan requirement	13 (0)
<b>AIP plans in Commonwealth investments—Clean Energy Finance Corporation (since 1 July 2013)</b>	
No. of AIP plans approved	33 (19)
No. of investments exempted from AIP plan requirement	10 (4)
<b>AIP plans in Commonwealth investments—Northern Australia Infrastructure Facility (since 1 July 2016)</b>	
No. of AIP plans approved	2 (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 2017.

### 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 2018, 57 summaries had been published:

- 19 for Commonwealth procurements, including nine added in 2017–18
- nine for Commonwealth grants, including one added in 2017–18
- 29 for Clean Energy Finance Corporation investments, including 14 added in 2017–18.

### 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).

The 2017–18 financial year marked the end of Australian passenger vehicle manufacturing, with GM Holden and Toyota Australia's manufacturing closures in October 2017. While this has reduced demand on the ATS, a significant number of supply chain firms remain in the program, drawing support to develop their capabilities, undertake research and product development and invest in new equipment. The ATS is part of a suite of Government programs that are helping firms diversify and workers to reskill into new industries following the car manufacturing closures.

*Table 28: Total assistance paid to ATS participants for the 12-month period ending 31 March 2018*

Participants	Capped assistance (\$)	Uncapped assistance (\$)	Total assistance (\$)
Motor vehicle producers	58 080 803	3 984 306	62 065 109
Automotive component producers	59 622 772	0	59 622 772
Automotive machine tool producers	1 592 954	0	1 592 954
Automotive service providers	1 398 405	0	1 398 405
<b>Total</b>	<b>120 694 934</b>	<b>3 984 306</b>	<b>124 679 240</b>

*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 2018*

Economic sustainability	
Capability development	77% of ATS participants reported participation in change management processes (up 2 percentage points from the previous year).
Business performance	70% of ATS participants reported improved business performance through increased productivity (down 7 percentage points from the previous year). 64% reported that they had found new customers (down 1 percentage point from the previous year).
Environmental outcomes	
Manufacturing process	80% of ATS participants reported better environmental outcomes resulting from improved manufacturing processes (down 2 percentage points from the previous year).
Environmentally sustainable cars	54% of ATS participants reported contributing to the manufacture of more environmentally sustainable cars (down 1 percentage point from the previous year).
Workforce skills development	
Applicable post-school qualifications	Of the ATS registrant workforce with post-school qualifications: <ul style="list-style-type: none"> <li>• 27% of ATS participants' workforces had certificate I and II qualifications (down 1 percentage point from the previous year)</li> <li>• 21% had certificate III and IV qualifications (down 4 percentage points from the previous year)</li> <li>• 15% had other trade qualifications (up 2 percentage points from the previous year)</li> <li>• 7% had diplomas or advanced diplomas (down 1 percentage point from the previous year)</li> <li>• 29% had bachelor degrees or higher qualifications (up 3 percentage points from the previous year).</li> </ul>

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 a statutory appointment under section 695A of the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*. Supported by the Resources Division within the department, NOPTA's main functions are to assist and advise the Joint Authority and the responsible Commonwealth Minister; keep a register of titles; and data and information management.

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

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

In 2017-18, NOPTA:

- improved its systems and competent capacity to better analyse and manage Australia's offshore petroleum resources
- received external validation from the Growth Centres Advisory Committee that NOPTA has implemented the government's Regulator Performance Framework and met all the stipulated key performance indicators
- launched a refreshed website to significantly improve accessibility and transparency (including with the rollout of an interactive map)
- improved accessibility to the National Electronic Approvals Tracking System (NEATS) with the release of six short tutorial videos relating to the NEATS public portal, and new online guidance to the NEATS industry portal
- continued the development of the National Offshore Petroleum Information Management System with Geoscience Australia and the Western Australian Department of Mines, Industry Regulation and Safety
- provided technical input to the department's Offshore South East Australia Future Gas Supply Study
- provided an initial report on the re-evaluation of the commercial viability of petroleum production from 10 retention lease areas in the North West Shelf and reported to the Joint Authority
- continued to work with the Offshore Resources Branch and NOPSEMA on decommissioning matters under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*
- designed and built a secure, cost-effective cloud-based ICT environment
- published a Statement of Intent in response to the Minister's Statement of Expectations.



## Appendix A5: Corrections to the previous annual report

The following errors appeared in the department's 2016–17 annual report.

Page 46 incorrectly stated 'During 2016–17, 178 new consultancy contracts were entered into involving total actual expenses of \$5 715 860 (GST inclusive)'. This should have indicated 159 new consultancy contracts were entered into involving total actual expenses of \$5 664 686 (GST inclusive).

Table 28 on page 123 contained incorrect figures on total assistance paid to ATS participants for the 12-month period ending 31 March 2017. The correct information is provided in the table below.

Participants	Capped assistance (\$)	Uncapped assistance (\$)	Total assistance (\$)
Motor vehicle producers	115 123 088	15 553 519	130 676 607
Automotive component producers	69 700 570 <sup>1</sup>	0	69 700 570 <sup>1</sup>
Automotive machine tool producers	1 570 589	0	1 570 589
Automotive service providers	382 235	0	382 235
<b>Total</b>	<b>186 776 482<sup>1</sup></b>	<b>15 553 519</b>	<b>202 330 001<sup>1</sup></b>

<sup>1</sup> Automotive component producers capped assistance was incorrectly reported as \$69 288 032, which affected capped totals and program total assistance values.

PART B:  
GEOSCIENCE AUSTRALIA



**Australian Government**  
**Geoscience Australia**

Senator the Hon Matthew Canavan  
Minister for Resources and  
Northern Australia  
Parliament House  
CANBERRA ACT 2600

The Hon Karen Andrews MP  
Minister for Industry, Science and  
Technology  
Parliament House  
CANBERRA ACT 2600

Dear Ministers

I present to you the 2017-18 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, appearing to read 'Johnson'.

James Johnson  
5 September 2018



## CHAPTER SIX:

# GEOSCIENCE AUSTRALIA OVERVIEW

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## 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 2017-18.

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

To help build Australia's resource wealth, Geoscience Australia delivers world-class data to industry to attract minerals and energy exploration investment to Australia. Anglo American, a global mining business, recently re-entered Australia to search for metals in previously unexplored areas of western Queensland. The company has publicly acknowledged the excellent pre-competitive geoscientific data supplied by Geoscience Australia that informed their decision to re-invest in Australia.

In 2017-18, Geoscience Australia continued work on the \$100.5 million Exploring for the Future program. Commencing in 2016, this four-year program will produce an integrated resources prospectus for key regions in northern Australia to boost Australia's attractiveness as a destination for investment in mineral, energy and groundwater resource exploration.

Work completed this year includes data acquisition in Northern Territory and Queensland, revealing a potentially mineral-rich area three times larger than previously thought; the Northern Australian Geochemical Survey, which underpins mineral, agriculture, and environmental resource management in northern Australia; the completion of eight pre-competitive stratigraphic drill holes in the Coompana region of South Australia; and the acquisition of data to help identify and understand groundwater potential and assess the depth and water quality of potential groundwater resources across targeted regions of northern Australia.

In other resources work, the release of the update to the Australian Energy Resources Assessment in May reaffirmed Australia as a powerhouse of energy resources, providing a snapshot of our current and potential energy resources and how they contribute to our economy. The report found Australia is largely under-explored for oil and gas, with great potential for more to be found, and that we have abundant and widely-distributed renewable energy resources.

To ensure community safety and to assist with preparedness for natural disasters, Geoscience Australia improved its earthquake monitoring capability with the reopening of the upgraded National Earthquake Alerts Centre in June 2018. The 24-7 earthquake monitoring centre has upgraded its detection, analysis and alert systems, and is the first earthquake monitoring facility in the world to use a commercial cloud-based service as its core infrastructure platform.

In April 2018, researchers from Geoscience Australia launched a new tool-kit to help coastal managers to better understand how beaches are impacted by storm events and support decision making to protect valuable coastal assets.

In May 2018, Geoscience Australia celebrated its 10 year partnership with Indonesia to strengthen disaster management, develop policy informed by science and technology, and greatly improve decision making around disaster management in Indonesia. This work highlights Geoscience Australia's role as a trusted expert in earthquake analysis and community safety in our shared region.

In securing Australia's water resources, Geoscience Australia completed the final reports of the Bioregional Assessment program in 2017-18. An inter-agency partnership between the Department of the Environment and Energy, Geoscience Australia, the Bureau of Meteorology and the CSIRO, the program undertook assessments to better understand the potential impacts of coal seam gas and large coal mining developments on our water resources. This work supports responsible decision-making about groundwater and is fundamental to addressing the nation's critical water security challenges.

Geoscience Australia also completed stage 1 of the Geological and Bioregional Assessment Program, which assesses potential impacts of shale and tight gas developments on water resources. The report identified three regions for detailed study—Cooper Basin, Isa Superbasin and Beetaloo Sub-basin.

Contributing to the management of Australia's marine jurisdictions, Phase Two data gathered during the underwater search for missing Malaysia Airlines flight MH370 was released in June 2018. This high resolution imagery revealed in greater detail geological features of the ocean floor. These datasets contribute to a greater understanding of the geology of the deep ocean and will be important for a range of future scientific research, including oceanographic and habitat modelling. This data has been made freely available, allowing the world to visualise and gain a deeper understanding of one of the largest marine surveys ever conducted.

In January 2018, Geoscience Australia released the first-ever high-resolution sea floor maps of the Great Barrier Reef, showing 1.5 million square kilometres of Australia's iconic landmark. The maps are the product of a collaborative project between James Cook University, Geoscience Australia and the Australian Hydrographic Service. The datasets will support vessel safety at sea, the enforcement of law, and government operations.

To advance the provision of fundamental geographic information, Geoscience Australia undertook the successful Satellite-Based Augmentation Systems (SBAS) test-bed program in 2017-18. SBAS augments and corrects positioning signals transmitted to Australia by GPS, improving accuracy, availability and reliability. Together with partners CRC for Spatial Information and Land Information New Zealand, the test-bed included 25 test participants trialling

technology to improve the accuracy of positioning from 5 metres to 10 centimetres across the country, enabling new advancements across 10 industry sectors including transport, agriculture, construction and mining. Projects included testing how this increased accuracy will assist farmers manage livestock and reduce costs and waste, help aircraft land in regional airports during inclement weather, and improve the ability of ships to dock in Sydney Harbour.

Due to the success of this test-bed program, in May 2018 the Australian Government committed \$224.9 million over the next four years to provide reliable positioning data accurate to 10 centimetres available in every corner of Australia. Areas with mobile coverage will have access to positioning data accurate to 3 centimetres. With \$160.9 million used to fund a SBAS for Australia, the remaining \$64 million will be used to establish a national ground station network, improve coordination across government and the private sector, and ensure Australian industry has access to world-leading software tools for positioning.

Another example of how Geoscience Australia is putting Australian industry and business at the forefront of global innovation is Digital Earth Australia (DEA). DEA is world-class digital infrastructure that gives everyone, from government organisations to business, town planners to farmers, free access to 30 years of satellite imagery of the Australian continent. Following the \$15.3 million announced in Budget 2017-18, DEA has now been fully funded with an additional \$36.9 million over the next four years. The ongoing funding will ensure DEA provides the high-quality data and tools required for policy and investment decision-making, and enables businesses to develop applications and services for sectors across the entire Australian economy.

In support of maintaining Australia's geoscience knowledge and capability, 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.

The Core Information Management System for external users was released November 2017, with stakeholders now able to view metadata for cores, cuttings and other samples and order these online. Improvements to the National Offshore Petroleum Information Management System, an online data discovery and delivery system for Australian offshore petroleum wells and surveys were implemented in May 2018.

This financial year, Geoscience Australia's Education Centre hosted over 13 000 students and teachers from schools across Australia, where they discovered the Earth sciences through curriculum-linked, hands-on activities tailored to their age-groups to enhance their understanding of how the earth sciences are a part of everyday life.

Another highlight was the completion of Geological Antarctic Field Notebooks Citizen Science Transcription project. Volunteers transcribed 87 field notebooks containing nearly 5500 pages of detailed observations, geological sketches and photographs of Antarctica that might otherwise have been lost to a new generation of scientists. The completed transcriptions are available via the Geoscience Australia website and the Biodiversity Heritage Library.

Further details on Geoscience Australia's work and performance in 2017-18 are provided in the annual performance statements section in Chapter 7 of this report.

## Overview

### Role and functions

Geoscience Australia is the nation's trusted adviser on the geology and geography of Australia. It applies science and technology to the opportunities and challenges that face the nation.

Geoscience Australia's information and capabilities support government, industry and the community to make informed decisions to improve economic, environmental and social outcomes for Australia.

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

- Building Australia's resource wealth—to maximise benefits from Australia's minerals and energy resources, now and into the future
- Ensuring Australia's community safety—to increase resilience to natural hazards in Australian communities
- Securing Australia's water resources—to help drive optimal and sustainable use of Australia's groundwater resources
- Managing Australia's marine jurisdictions—to maximise benefits from the sustainable use of Australia's marine environment
- Providing fundamental geographic information—to 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—to 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 2018. The department's organisational chart (Figure 1 in Chapter 1) shows how Geoscience Australia fits into the overall portfolio structure.

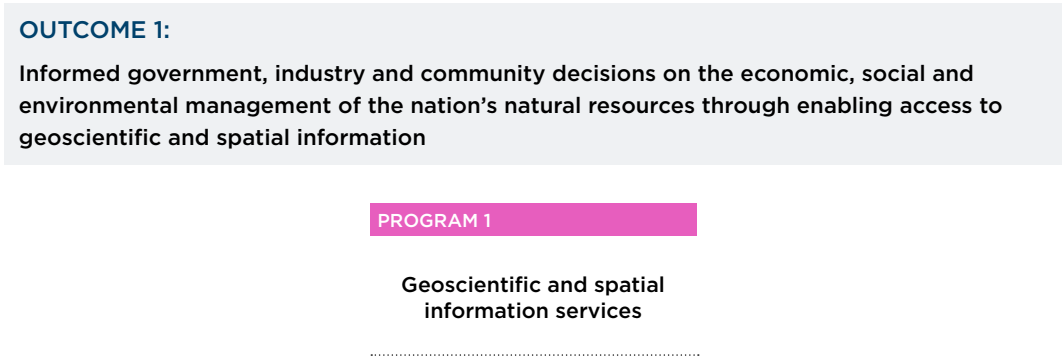
Figure 4: Geoscience Australia organisational structure, 30 June 2018

CHIEF EXECUTIVE OFFICER <i>Dr James Johnson</i>					
CHIEF SCIENTIST	CHIEF OF DIVISION	CHIEF OF DIVISION	CHIEF OF DIVISION	CHIEF OPERATING OFFICER	CHIEF INFORMATION OFFICER
	Resources Division	Community Safety and Earth Monitoring Division	Environmental Geoscience Division	Enabling Services	Digital Science and Information Branch
	Energy Systems Mineral Systems Resources Advice and Promotion	Community Safety Geodesy and Seismic Monitoring Observatories and Science Support	Groundwater National Earth and Marine Observations National Location Information	Finance and Human Resources Governance and Risk Products and Promotion Property Services	Enterprise Architecture Discovery and Engagement Scientific Computing Science Data

Outcome and program structure

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

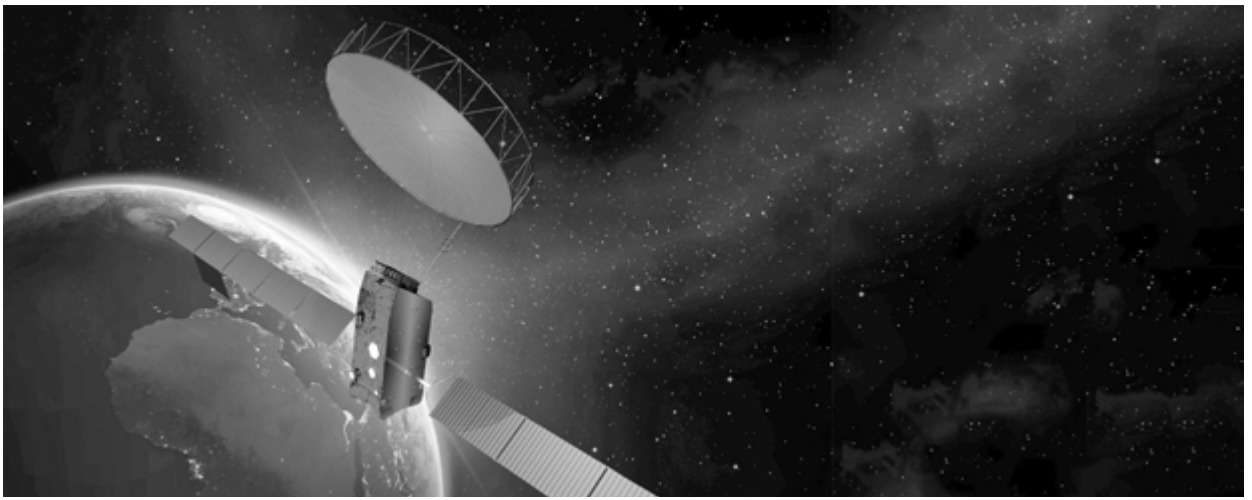
Figure 5: Geoscience Australia outcome and program structure, 2017-18



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

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## 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 2017-18, 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.

5 September 2018

## **Purpose**

Geoscience Australia is Australia's pre-eminent public sector geoscience organisation and the nation's trusted advisor on the geology and geography of Australia.

Geoscience Australia's purpose is to apply science and technology to address important national issues and deliver a broad range of products that assist government and the community to make informed decisions about the use of natural resources, management of the environment, and community safety.

Geoscience Australia's purpose is delivered through its six key strategic priority areas:

- Building Australia's resource wealth—to maximise benefits from Australia's minerals and energy resources, now and into the future
- Ensuring Australia's community safety—to increase resilience to natural hazards in Australian communities
- Securing Australia's water resources—to help drive optimal and sustainable use of Australia's groundwater resources
- Managing Australia's marine jurisdictions—to maximise benefits from the sustainable use of Australia's marine environment
- Providing fundamental geographic information—to 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—to maintain an enduring and accessible knowledge base and capability to enable evidence-based policy and decision-making by government, industry and the community.

## Performance reporting structure

The 2017–18 Annual Performance Statements report performance in line with the measures detailed in the 2017–18 Portfolio Budget Statements and the 2017–18 Corporate Plan. Performance is assessed at entity level and each of the six key strategic priority areas.

## Entity-level performance

Performance criteria reviewing entity-level performance is provided in Table 30.

*Table 30 Entity performance*

Performance criterion <sup>1</sup>	2017–18 target	2017–18 result
<i>Program performance</i>		
Geoscience Australia's products and services are fit-for-purpose, meet stakeholder needs and are underpinned by quality science	Products and services adhere to Geoscience Australia's science principles and are delivered on schedule	<p>In 2017, Geoscience Australia completed a comprehensive evaluation of its science program. The independent evaluation, reported in last year's annual report, concluded that the quality of Geoscience Australia's science is consistently very high, effective and largely fit for purpose.</p> <p>The evaluation also identified areas where Geoscience Australia could improve. These learnings were incorporated into the development of the 2017–18 work program so that the delivery of products and services continued to be based on quality science and was fit for purpose.</p> <p>Geoscience Australia's work program is routinely monitored and reviewed.</p>
<i>Stakeholder satisfaction</i>		
Overall level stakeholder satisfaction with Geoscience Australia	>80% stakeholder satisfaction rating	Geoscience Australia conducts a biennial stakeholder survey to measure the level of satisfaction with its products and services.
The level of stakeholder satisfaction with the quality of Geoscience Australia's products and services		<p>Results of the last survey were reported in 2016–17 and showed that the overall level of stakeholder satisfaction remains high at 91 per cent.</p> <p>In 2017–18, Geoscience Australia embarked on a new initiative to build its positive stakeholder relations.</p>
The level of stakeholder satisfaction with the timeliness of Geoscience Australia in delivering its products and services		<p>Work commenced on a stakeholder engagement model that will facilitate a more strategic and systematic approach to stakeholder relations and better support a coordinated science agenda across government.</p> <p>This stakeholder engagement model will be implemented and reported on in 2018–19.</p>

<sup>1</sup> Source: 2017–18 Portfolio Budget Statements.

## Building Australia's resource wealth

### Objective

To 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*

Program deliverable	Source	Result
<b>Exploring for the Future—Energy and Minerals</b> Acquisition, interpretation and delivery of pre-competitive resources data	2017-18 Corporate Plan	<p>During the year, eight pre-competitive stratigraphic drill holes and associated reports were completed and released for the Coompana region on the South Australia – Western Australia border. The drilling was undertaken in collaboration with the Geological Survey of South Australia, in a region previously unexplored by the industry.</p> <p>The AusAEM survey is approaching completion. It will provide data covering an area of more than 1 million square kilometres across the Northern Territory and Queensland and will effectively provide a scan of potential mineral and groundwater resources in the top 500 metres from the surface. Tranche 1 of the AusAEM data, covering 300 000 square kilometres of the Barkly Tableland in the Northern Territory, was released on 13 June 2018 at the Association of Mining and Exploration Companies Convention.</p> <p>Data acquisition in the South Nicholson Basin, spanning the Northern Territory – Queensland border, included completion of a 1100 kilometre-long seismic survey, a new 4 kilometre spaced gravity survey and re-evaluation of solid geology mapping. Results indicate that the basin is three times the previously interpreted volume, suggesting increased potential for resources. The surveys and re-evaluation were undertaken in collaboration with the Northern Territory Geological Survey and the Geological Survey of Queensland.</p> <p>Geoscience Australia also:</p> <ul style="list-style-type: none"> <li>• delivered a data package and report on 780 new surface geochemistry samples from the Tennant Creek – Mt Isa region, which indicated potential hotspots of elemental concentration that will encourage industry investigation</li> <li>• commenced acquiring 119 new passive seismic soundings and 182 magnetotelluric soundings from the Tennant Creek – Mt Isa region—these will build a picture of the deep structures in the Earth's crust that could indicate hidden areas of mineralisation</li> <li>• commenced an 870 kilometre-long seismic survey across the Kidson Sub-basin in Western Australia to provide data on an under-explored region—the survey is being undertaken in collaboration with the Geological Survey of Western Australia.</li> </ul>

Program deliverable	Source	Result
<b>Energy Pre-Competitive Resource</b> Deliver geological studies of the evolution and resource potential of onshore and offshore energy systems  Deliver assessments of the energy potential of the Geological and Bioregional Assessments Program	2017-18 Corporate Plan	<p>In collaboration with the Japan Agency for Marine-Earth Science and Technology, Geoscience Australia completed two marine surveys in remote offshore eastern Australia, in an area proposed for deep stratigraphic drilling. Data from the first marine survey were released.</p> <p>Studies were also completed in the Browse Basin and Houtman Sub-basin. The studies revealed previously unknown petroleum potential and resulted in enhanced industry exploration.</p> <p>Geoscience Australia signed agreements for access to commercial-in-confidence seismic data with two multi-client seismic companies. The data will be integrated into regional prospectivity studies in offshore northwest Australia, to enable assessment of potential new petroleum systems in the region.</p> <p>The report on stage 1 of the Geological and Bioregional Assessments Program, Rapid Regional Prioritisation, was delivered to the Department of the Environment and Energy. The report identified nine basins with potential for further evaluation.</p> <p>Stage 2, Baseline Synthesis and Gap Analysis, has commenced, assessing the Cooper Basin, the Isa Superbasin and the Beetaloo Sub-basin.</p>
<b>Minerals Pre-competitive Resource</b> Deliver new pre-competitive data from greenfield undercover regions Deliver geological studies of the evolution and resource potential of undercover regions	2017-18 Corporate Plan	<p>The National Mineral Exploration Strategy was endorsed by the Council of Australian Governments Energy Council in July 2017. Under the strategy, Geoscience Australia collaborated with state government bodies to:</p> <ul style="list-style-type: none"> <li>• complete 20 geophysical surveys—in New South Wales, South Australia, Western Australia, Northern Territory, Victoria and Queensland—and publicly release the data and associated science products</li> <li>• complete a 450 kilometre-long deep seismic survey across the south-eastern Lachlan Orogen, spanning the Victoria – New South Wales border</li> <li>• complete 12 pre-competitive stratigraphic drill holes for the Southern Thomson region, spanning the New South Wales – Queensland border</li> <li>• complete and deliver 120 new geochronological age dates for locations across Australia</li> <li>• deliver industry workshops on basin-hosted mineral systems and inversion methods, and a forum on minerals, all of which were well attended and well received by stakeholders</li> <li>• publish 11 papers in the international scientific literature on Australian mineral systems.</li> </ul>
<b>Resources Advice and Promotion</b> Deliver geological information to support the Offshore Petroleum Acreage Release	2017-18 Corporate Plan	<p>The 2018 Offshore Petroleum Exploration Acreage Release was announced by the Minister for Resources and Northern Australia in May 2018 at the annual conference of the Australian Petroleum Production and Exploration Association. Geoscience Australia supported the release by providing comprehensive updated geological information for all offshore basins where new acreage was being offered.</p> <p>All associated seismic and well data were made available through the National Offshore Petroleum Information Management System.</p>

Program deliverable	Source	Result
Deliver final reports for the China Australia Geological Storage of CO <sub>2</sub> Project		<p>The China Australia Geological Storage of CO<sub>2</sub> project completed two technical symposiums, nine research exchanges (four Australian and five Chinese) and three research projects.</p> <p>The aim of the project is to build publicly available knowledge in both nations on aspects of the geological storage of carbon dioxide. Now in its tenth year, the project is being recommended by the Department of Foreign Affairs and Trade as a model for successful bilateral capacity building and science engagement. The project's schedule has been extended to December 2018.</p>
Deliver investment promotions at key international resource seminars and trade conventions		<p>Geoscience Australia promoted existing and emerging Australian oil and gas investment opportunities to stakeholders in the United Kingdom (at the American Association of Petroleum Geologists International Conference and Exhibition, held in London) and the United States (at the NAPE Summit 2018, held in Houston). These activities were carried out under the banner of Australia Petroleum, a collaboration between the Australian Government and the state governments of Western Australia, South Australia and Queensland.</p> <p>Geoscience Australia organised promotional activities to attract overseas investment into Australian mining and exploration, at:</p> <ul style="list-style-type: none"> <li>• events in Beijing, Tokyo and Seoul, and the China Mining convention in Tianjin, in September 2017</li> <li>• seminars and meetings across four cities in India, in November 2017</li> <li>• the Prospectors and Developers Association of Canada's annual meeting, in March 2018.</li> </ul> <p>These activities were carried out under the banner of Australia Minerals, a collaboration between the Australian Government, the Northern Territory Government and the state governments of Western Australia, South Australia, Victoria, Tasmania, New South Wales and Queensland.</p>

### Analysis of performance

During 2017–18, 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 the quality, diversity, and ease and cost of access of its data holdings. This is reflected in the high praise provided by international stakeholders, who consider Australia to be one of the world's best sources of high-quality data, available at the cost of transfer. Their high regard is also evidenced by the requests for data and associated products and the approaches for collaboration, support or training that Australia receives from geological surveys in other nations, including Afghanistan, Canada, Colombia, India, Sri Lanka, Saudi Arabia and the United States.

In regard to investment in oil and gas exploration and production projects, Australia has seen a significant downturn in recent years. Interest in carrying out exploration programs in frontier regions has particularly diminished. However, since a recovery in the oil price in early 2018, there have been indications that several basins are likely to attract new interest in the near future.

Anglo American, a global mining business, recently re-entered Australia to search for metals in previously unexplored areas of western Queensland. The company has publicly credited the excellent pre-competitive geoscientific data supplied by Geoscience Australia and the Geological Survey of Queensland for enabling their evaluation of previously under-explored parts of Australia.

## Ensuring Australia's community safety

### Objective

To increase resilience to natural hazards in Australian communities.

### 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*

Program deliverable	Source	Result
<b>Community Safety</b> Provide information and advice to the Australian Government and other stakeholders concerning natural hazards	2017-18 Corporate Plan	<p>Geoscience Australia participated in all elements of the Australian Government's national resilience strategy and the development of a national disaster mitigation framework, including the National Steering Committee for Disaster Risk Reduction, the Australian Vulnerability Profile Project and scoping of the Disaster Risk Information Platform.</p> <p>Geoscience Australia worked with:</p> <ul style="list-style-type: none"> <li>the Department of Home Affairs and Emergency Management Australia, to develop an earthquake impact scenario for presentation at the 2018 East Asia Summit International Disaster Assistance Workshop</li> <li>the Department of the Environment and Energy and the Department of Defence, to craft and test climate impact scenarios for Australia's urban environment and infrastructure</li> <li>state government emergency services, to develop state-wide natural hazard risk assessments, establish agreements for future collaboration, and provide earthquake scenarios for exercises and tsunami scenarios for modelling projects</li> <li>the Australian Tsunami Advisory Group, a reference group of the Australia – New Zealand Emergency Management Committee, to develop the Tsunami Hazard Modelling Guidelines.</li> </ul> <p>Geoscience Australia provided information to insurance and reinsurance providers in relation to the National Seismic Hazard Assessment.</p>
Develop information and tools on natural hazard impacts on the built environment through the Bushfire and Natural Hazards Cooperative Research Centre		<p>The Coastal Erosion Story Map was published, as part of a Bushfire and Natural Hazards Cooperative Research Centre (BNHCRC) project led by Geoscience Australia. The map includes links to open data and software tools developed during the four-year project. The map was promoted nationally and internationally, including by the United Nations Office for Disaster Risk Reduction; the level of engagement far exceeding expectations.</p> <p>Through the BNHCRC, Geoscience Australia has:</p> <ul style="list-style-type: none"> <li>advanced research to virtually retrofit the heritage town of York, Western Australia, to assist the community to make informed decisions to reduce its earthquake risk, as part of an earthquake mitigation project</li> <li>engaged with key stakeholders to translate vulnerability functions developed by Geoscience Australia into a resource that can be effectively used by floodplain managers, as part of a flood mitigation project</li> <li>developed the VAWS (Vulnerability and Adaptation to Wind Simulation) software, which will enable researchers to assess the benefits of various retrofit strategies for buildings, as part of a severe wind mitigation project.</li> </ul>



Program deliverable	Source	Result
Deliver work in support of the Department of Foreign Affairs and Trade's international disaster risk reduction strategies and policies		<p>Geoscience Australia successfully concluded a 10-year collaboration in disaster risk management between the Australian and Indonesian governments with the completion of the Disaster Management Innovation Program in June 2018. Key stakeholders and technical experts from both countries met in Jakarta in May 2018 to present the knowledge gained and lessons learned from the Department of Foreign Affairs and Trade (DFAT)-funded program.</p> <p>Geoscience Australia provided support to the Government of Papua New Guinea through a technical disaster risk reduction program funded by DFAT. Key achievements were:</p> <ul style="list-style-type: none"> <li>• providing support to successfully deploy staff from Rabaul Volcanological Observatory (RVO) to monitor and provide warnings for the eruption of Kadovar Island that commenced on 5 January 2018</li> <li>• providing critical infrastructure to RVO's volcano-monitoring network, which is vital to RVO's ability to provide alerts to the international aviation industry</li> <li>• completing a detailed assessment of international volcano monitoring techniques that will guide investment in RVO for the final year of the program</li> <li>• upgrading the seismic network system at the Port Moresby Geophysical Observatory to detect smaller magnitude events, to aid the detection of local tectonic features and deepen understanding of Papua New Guinea's seismicity</li> <li>• facilitating a workshop with key government and industry stakeholders to revise Papua New Guinea's building and bridge design standards—the current standards date back to 1982 and underestimate the seismic hazard in some areas by a factor of two.</li> </ul> <p>In response to a request from the Government of Papua New Guinea via DFAT, Geoscience Australia conducted a scientific assessment of the source of a magnitude 7.5 earthquake in the New Guinea Highlands (Hela Province) on 26 February 2018.</p> <p>Geoscience Australia delivered three in-country workshops, two in Tonga and one in Fiji, for the PacSAFE project funded by DFAT and the World Bank. Geoscience Australia is working with the Secretariat of the Pacific Community to build a toolkit to strengthen the resilience of Pacific island countries against the impacts of natural hazards. The project is funding the development of an open source geographic information systems (GIS) platform that will deliver this capability to the local national disaster management offices.</p> <p>Geoscience Australia provided technical and policy advice to DFAT to support Australia's disaster risk reduction partnerships, primarily with the United Nations Office for Disaster Risk Reduction and the Global Facility for Disaster Reduction and Recovery.</p> <p>Geoscience Australia represented Australia at the Second Asian Science and Technology Conference for Disaster Risk Reduction, held in Beijing in April 2018.</p>

Program deliverable	Source	Result
<b>Seismic Alerts</b> Provide ongoing nuclear monitoring for detection of suspected nuclear tests Provide 24 hour, 7 days per week earthquake monitoring and alerts  Deliver system improvements to the earthquake detection and nuclear monitoring systems	2017-18 Corporate Plan	<p>Geoscience Australia analysed continuous seismic data to identify clandestine nuclear weapon detonations. Geoscience Australia detected and provided rapid notification of North Korea's sixth nuclear detonation, which occurred on 3 September 2017, to the Australian Safeguards and Non-proliferation Office and the Defence Intelligence Organisation.</p> <p>Geoscience Australia analysed and catalogued 1652 earthquakes from around the world. A total of 1482 earthquakes occurred in the Australasian region, of which 756 occurred in Australia, and 201 earthquakes were alerted to the Australian Government's Crisis Coordination Centre.</p> <p>The largest Australian earthquake during 2017-18 had a magnitude of 5.0 and occurred near Sturt Creek, Western Australia, on 6 August 2017.</p> <p>The National Earthquake Alerts Centre received a major upgrade, including the migration of its systems to cloud computing infrastructure and transition to SeisComp3 seismic processing software. Geoscience Australia continued to work on further improving the speed and accuracy of the centre's earthquake detection, characterisation and alerting objectives, and developing enhanced earthquake situational awareness products for the emergency management sector.</p> <p>Major achievements in upgrading the nuclear monitoring system included the installation of an infrasound monitoring facility near Davis Station, Antarctica. The facility is the last component of Australia's contribution to the International Monitoring System of the Comprehensive Nuclear-Test-Ban Treaty Organization. Acceptance testing is underway and due for completion in 2018-19.</p> <p>Additional improvements to the nuclear monitoring systems included operationalisation of an enhanced data retrieval utility that enables rapid event characterisation and reporting of suspect events to key stakeholders. Geoscience Australia continued to research methods and tools for detection and forensic analysis of events of interest to key stakeholders.</p>
<b>Situational Awareness Information Framework</b> Provide advice and spatial capability to support the Australian Government's response to national disasters  Deliver updated information products to Airservices Australia to support air safety	2017-18 Corporate Plan	<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, including flooding in North Queensland and bushfires in Tathra, New South Wales. Geoscience Australia produced over 800 exposure reports to support government briefings and information dissemination to state and territory organisations, to assist planning, response and recovery efforts.</p> <p>To further enhance the government's situational awareness capability, Geoscience Australia developed an emergency management web services catalogue, EM-LINK. Publicly launched in September 2017, EM-LINK enables 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 to inform government decision-making. EM-LINK has 192 registered users from 50 emergency management organisations.</p> <p>Geoscience Australia continued to maintain the National Vertical Obstructions database for Airservices Australia, delivering all services on time.</p>

Program deliverable	Source	Result
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"> <li>the 2017 version of exposure information products, incorporating updated national and state data as well as 2016 census data, in November 2017</li> <li>over 800 exposure reports for the Crisis Coordination Centre, Queensland Fire and Emergency Services and Western Australia Department of Fire and Emergency Services, to support planning for, responses to and recovery from disasters.</li> </ul> <p>The exposure reports were also supplied to various government departments in the Northern Territory, Queensland and Western Australia, to support risk assessments.</p> <p>Geoscience Australia completed an initial pilot for the Australian Exposure Information Platform. The platform is partly funded through the BNHCRC as a research utilisation project based on the Natural Hazards Exposure Information Modelling Framework developed by Geoscience Australia. It aims to provide users with direct access to exposure information, through an application programming interface and a mapping interface, to improve workflows and use of exposure information. Future releases of the platform will expand the data content and functionality, based on user feedback.</p>

Key performance indicator	Source	Target	Result
Number of flood study entries accessible to the public through the Australian Flood Risk Information Portal	2017-18 Corporate Plan	1200	The number of flood risk studies accessible to the public through the Australian Flood Risk Information Portal grew to 1240.
All significant earthquakes detected, analysed and reported within agreed timeframes, with alerts issued for potentially tsunamigenic earthquakes	2017-18 Corporate Plan	100%	100% All significant earthquakes were detected, analysed and reported within agreed timeframes. Alerts were issued for potentially tsunamigenic earthquakes.
Nuclear events detected, analysed and reported within agreed timeframes	2017-18 Corporate Plan	100%	100% All nuclear events were detected, analysed and reported within agreed timeframes.
Availability of the national bushfire monitoring system, Sentinel, between October and March each year	2017-18 Corporate Plan	95%	100% The uptime of the Sentinel Bushfire Monitoring system exceeded the 95% target for the period between October and March.
Respond to requests to activate the International Charter for Space and Major Disasters within 24 hours	2017-18 Corporate Plan	90%	No natural hazard events occurred that required activation of the charter.
Respond to requests for geospatial information to the Australian Government Crisis Coordination Centre within 2 hours between October and March and within 24 hours during steady state periods	2017-18 Corporate Plan	90%	100% Geoscience Australia provided the Crisis Coordination Centre with all requested situational awareness mapping and exposure reports for bushfires, floods and cyclones, and provided information to support one overseas incident related to terrorism.

Key performance indicator	Source	Target	Result
National vertical obstacle products comply with civil aviation regulations and are delivered monthly, or as specified, to Airservices Australia	2017-18 Corporate Plan	100%	100%  All updates of the Vertical Obstructions Database were compliant and delivered on time to Airservices Australia.

### Analysis of performance

Australia's ability to ensure the safety of communities has been significantly enhanced by two new digital services delivered by Geoscience Australia in 2017-18.

- EM-LINK enables emergency management agencies to access real-time views of meteorological data and data related to incident and emergency management that has been shared through Commonwealth, state or territory web services. Access to EM-LINK has highlighted the need to improve the implementation of supporting standards such as the Common Alerting Protocol and associated metadata in 2018-19.
- The Australian Exposure Information Platform will benefit users by providing timely, direct access to an application programming interface and a mapping interface to generate customised exposure information reports. Geoscience Australia will continue to develop the platform, expanding both the data content and functionality, based on feedback from users.

Geoscience Australia also continued to develop the currency and accuracy of publicly available exposure information in 2017-18, including by updating the demographics to incorporate information from the 2016 census.

Throughout 2017-18, 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; Council of Australian Governments committees; and state government bodies, including emergency services organisations.

Geoscience Australia provided tools and products to support other organisations in managing natural disaster impacts, such as:

- methods for assessing and understanding the impacts of storm clusters on the coastal environment—tools, information and methods are openly available and can be applied at any location nationwide to support decision-making to better protect coastal assets
- tsunami hazard modelling guidelines to provide further detail to the *Tsunami emergency planning in Australia* handbook—the guidelines facilitate appropriate standards of rigour and improve national consistency in tsunami hazard modelling.

Progress was made on increasing the understanding of flood vulnerability and mitigation strategies for flood risk managers. A research project of the Bushfire and Natural Hazards Cooperative Research Centre, led by Geoscience Australia, is translating vulnerability information into best practice flood risk management guidelines.

In collaboration with the Department of Foreign Affairs and Trade, Geoscience Australia concluded a successful 10-year collaboration in disaster risk management between the Australian and Indonesian governments with the completion of the Disaster Management Innovation Program in June 2018. The partnership has strengthened the evidence base for informed disaster management by improving hazard information and spatial data for exposure and developing a decision support tool.

Securing Australia’s water resources

Objective

To help drive optimal and sustainable use of Australia’s groundwater 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

Program deliverable	Source	Result
<b>Exploring for the Future—Groundwater</b> Acquisition, interpretation and delivery of pre-competitive data	2017-18 Corporate Plan	Airborne and ground geophysical surveys for groundwater assessments were completed in targeted regions: the Keep River and East Kimberley region, the Southern Stuart Corridor between Tennant Creek and Alice Springs, the Surat Basin and the Galilee Basin, and the Upper Burdekin River catchment. Water bore drilling and testing have commenced, to further assess the scale and suitability of potential resources.
<b>Evaluating Australia’s Groundwater Systems</b> Provide authoritative, independent information and advice to the Australian Government and other stakeholders on groundwater resources, processes and impacts  Deliver final products and data for Lake Eyre Basin bioregion as part of the Bioregional Assessment Program  Deliver stage reports to the Department of the Environment and Energy on the Geological and Bioregional Assessment Program	2017-18 Corporate Plan	<p>Geoscience Australia provided independent technical advice to the Department of the Environment and Energy on matters including:</p> <ul style="list-style-type: none"><li>• post-approval governance of major coal seam gas projects and coal projects</li><li>• a potential breach of approval conditions for a coal seam gas operation in the Surat Basin</li><li>• a submission to a Senate inquiry into water use by the extractive industry.</li></ul> <p>Geoscience Australia delivered the final products and accompanying datasets for the Bioregional Assessment of the Galilee sub-region of the Lake Eyre Basin bioregion. This included five reports on conceptual and hydrological modelling, as well as reports covering receptor impact modelling, impact and risk analysis, and the outcome synthesis.</p> <p>Geoscience Australia delivered the stage 1 report on rapid regional prioritisation of basins for the Geological and Bioregional Assessment Program, and signed a project agreement with the Department of the Environment and Energy for stage 2 of the program. Work will be undertaken in the Stuart Corridor and the Surat and Galilee basins.</p>

Program deliverable	Source	Result
<b>Groundwater and Surface Water Innovation</b> Assess geophysical and remote sensing technologies for groundwater system mapping and characterisation	2017-18 Corporate Plan	Geoscience Australia developed: <ul style="list-style-type: none"> <li>• new approaches to integrate re-processed industry seismic reflection data with newly acquired airborne electromagnetic data for groundwater system mapping</li> <li>• a new water table mapping technique using surface nuclear magnetics resonance data</li> <li>• new workflows to integrate seismic, airborne electromagnetic, drilling and surface nuclear magnetics resonance techniques for aquifer mapping and characterisation.</li> </ul>

Key performance indicator	Source	Target	Result
Requests for groundwater resource management advice under the <i>Environment Protection and Biodiversity Conservation Act 1999</i> responded to within agreed timeframes	2017-18 Corporate Plan	95%	100% Geoscience Australia responded to 25 requests related to the <i>Environment Protection and Biodiversity Conservation Act 1999</i> , delivering 13 referrals, seven proposed approval decisions and five reviews, all within statutory timeframes.

### Analysis of performance

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

In 2017-18, Geoscience Australia delivered scientific advice to the Department of the Environment and Energy on matters including pre-approval review of proponents' submissions, and post-approval governance, in relation to major coal seam gas and coal developments. The completion of the final reports of the Bioregional Assessment Program was a major highlight. This collaboration between the Australian Government and state governments has provided key information on potential impacts of coal seam gas and coal mining on water resources in six bioregions. The final two reports, for the Namoi Sub-region and the Galilee Sub-region, are expected to be publicly released in 2018-19.

Geoscience Australia also completed a report for stage 1 of the Geological and Bioregional Assessment Program, which assesses potential impacts of shale and tight gas developments on water resources. The report identified three regions for detailed study: the Isa Superbasin, the Beetaloo Sub-basin and the Cooper Basin.

The Exploring for the Future program is progressing well. In 2017-18, Geoscience Australia acquired major new airborne and geophysical datasets to help identify and understand groundwater potential in targeted regions, and commenced the drilling and monitoring of bores to assess the depth and water quality of potential groundwater resources.

Through investment in innovation, Geoscience Australia has developed new approaches to integrate re-processed industry seismic reflection data with newly acquired airborne electromagnetic data for groundwater system mapping, as well as a new technique for mapping water tables using surface nuclear magnetics resonance data.

## Managing Australia’s marine jurisdictions

### Objective

Maximise benefits from the sustainable use of Australia’s marine environment.

### 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

Program deliverable	Source	Result
<b>Marine Jurisdiction and Coastal Zone</b>	2017–18 Corporate Plan	Geoscience Australia successfully established AusSeabed, a national bathymetry data coordination program involving government, academic and commercial entities.
Lead a collaborative national program on bathymetry data acquisition and management with key Commonwealth and state government entities		As part of the program, consultation and coordination workshops were held, and a program website and the Australian Multibeam Guidelines were approved for release.
Provide information and advice to support policy and operations in Australia’s marine jurisdiction under the Offshore Petroleum and Greenhouse Gas Storage (Environment) Regulations 2009, the <i>Environment Protection and Biodiversity Conservation Act 1999</i> , and the <i>Antarctic Treaty (Environment Protection) Act 1980</i>		<p>Geoscience Australia provided a range of information and advice to the Australian Government and international agencies, including:</p> <ul style="list-style-type: none"><li>• input on resources and maritime boundaries to the Compulsory Conciliation Process under Annex V of the Law of the Sea Convention under the auspices of the Permanent Court of Arbitration between Australia and Timor-Leste, and subsequent input to government alignment processes and the development of revised national maritime boundaries</li><li>• input to the development of Australian Government policy on maritime boundary effects of climate change</li><li>• advice to the International Seabed Authority on the drafting of exploitation regulations and proposed changes to acreage release processes</li><li>• evidence as an expert witness against challenges to determinations under the <i>Migration Act 1958</i> relating to Ashmore Reef—this legal issue involves more than 1000 related legal assessments and is fundamental to Australia’s offshore detention system</li><li>• evidence as an expert witness in a number of Federal Court matters relating to fisheries management in northern Australia</li><li>• evidence as an expert witness in three Native Title cases testing the common law definition of the physical feature ‘the mouth of the river’—this legal issue was being tested in an Australian court for the first time</li><li>• input to government and international agencies regarding matters affecting the marine environment, particularly noise</li><li>• a written submission and evidence at a public hearing of the Joint Standing Committee on the National Capital and External Territories inquiry into Australia’s Antarctic Territory</li><li>• input to the Australian Antarctic Science Program Governance Review</li><li>• comment to the Australian Antarctic Division on environmental impact assessments for infrastructure developments in Antarctica proposed by China and the United Kingdom.</li></ul>

Program deliverable	Source	Result
Undertake collaborative projects with partners of the Australian Government's National Environmental Science Program Marine Biodiversity Hub, to support management of the Commonwealth marine area		In collaboration with the National Environmental Science Program Marine Biodiversity Hub, Geoscience Australia led a group of over 70 contributors to publish a suite of field manuals for marine sampling. The collaboration also delivered a report on the utility of remote sensing change detection products for coastal habitats in northern Australia, and seabed mapping products for selected marine parks for use by Parks Australia. Geoscience Australia also led the mapping of the Beagle Marine Park in the South-east Marine Region.
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 the Australian Antarctic Division and Royal Australian Navy		The Antarctic shallow-water mapping project continued. The Royal Australian Navy completed mapping in the offshore area adjacent to Mawson Station and Geoscience Australia began analysing bathymetry data and sediment samples.

### Analysis of performance

Geoscience Australia delivers high-quality marine geoscience information and evidence to support decision-making and policy development for the marine and coastal zone, including expert advice to government on Australia's marine jurisdiction. In particular, the domestic operations of the Australian Hydrographic Office, the Australian Border Force, the Australian Maritime Safety Authority, Parks Australia and the Australian Antarctic Division depend upon Geoscience Australia information to support marine spatial planning, safety of navigation, the management and monitoring of marine protected areas, and on-water activities.

The need for authoritative and defensible information to support policy and operations in the marine zone remains high. In 2017–18, Geoscience Australia coordinated policy on georegulation and led the development of the AusSeabed website ([ausseabed.gov.au](http://ausseabed.gov.au)) to facilitate improved access to seabed data and partnerships for the coordination of acquisition of new data, with an initial focus on bathymetry.

Geoscience Australia also continued to build and maintain enduring geoscience data and associated products covering the marine zone that maximise the value of bathymetry, seabed samples and imagery. These products are used in monitoring the management and promoting the conservation values of Australian marine parks, for example. This work on improved access to marine data also received international recognition in 2017–18: Geoscience Australia received the 2018 Special Achievement in GIS Award from the global leader in geographic information system technology, Esri, for the public release of bathymetry data acquired during the search for missing aircraft MH370.



## 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*

Program deliverable	Source	Result
<b>Digital Earth Australia</b>  Develop and deliver information to support Australian Government programs and business innovation	2017–18 Corporate Plan	In the 2018–19 Budget the Australian Government invested an additional \$36.9 million (starting in 2019–20) for Digital Earth Australia (DEA) to continue to provide critical information and environmental monitoring services to government, and to grow the DEA platform for industry use. DEA provided satellite information and monitoring products to the Australian Government. This included: <ul style="list-style-type: none"> <li>• providing information to the Murray–Darling Basin Authority and the Commonwealth Environmental Water Office to support improved monitoring, compliance and reporting</li> <li>• working with the Clean Energy Regulator to develop change detection applications to monitor project areas for carbon abatement</li> <li>• developing near-real-time processing of imagery for the Landsat (25 metre resolution) and Sentinel-2 (10 metre resolution) satellites, offering unprecedented, high-frequency routine national coverage of the Australian continent</li> <li>• working with Australian industry and the Cooperative Research Centre for Spatial Information to develop a strategy to enable Australian business to use DEA and freely available satellite data to develop and sell new applications and services.</li> </ul>
<b>National Location Information Framework</b>  Maintain Australian Spatial Data Infrastructure collection management, governance, discovery and delivery systems	2017–18 Corporate Plan	Geoscience Australia maintained the Foundation Spatial Data Framework website (FSDF-LINK), which provided up-to-date information on governance, data discovery and data access for foundation spatial data supplied by Australian Government entities to 10 000 individual users and over 6000 repeat users. The website infrastructure was replicated for EM-LINK, allowing emergency managers to access a categorised web service to support disaster response and planning.  The Elevation Information System (ELVIS) infrastructure continued to grow, in terms of data orders and breadth of collaboration with state and territory jurisdictions. The infrastructure now holds over 50 terabytes of elevation data for open access and delivers over 4000 orders, or approximately 40 terabytes of data, per month.

Program deliverable	Source	Result
Provide advice to develop and operate the Australian Spatial Data Infrastructure in line with the Australian Government's Spatial Data and Open Data Policy functions		<p>Under the auspices of ANZLIC—the Spatial Information Council, Geoscience Australia initiated a new work program to support the implementation of spatial metadata standards that will improve search and discovery of spatial data derived from Australian Government entities.</p> <p>Geoscience Australia also continued to work with other Australian Government agencies, ANZLIC—the Spatial Information Council, the Cooperative Research Centre for Spatial Information, and the private sector, to provide direction on the redevelopment of a national spatial data infrastructure.</p>
Develop and deliver information products identified in the Foundation Spatial Data Framework to support Australian Government onshore and offshore programs		<p>Geoscience Australia continued to host websites and provide web services for the NationalMap, Australian Renewable Energy Mapping Infrastructure and Northern Australia Map for the Digital Transformation Agency, Australian Renewable Energy Agency and Austrade respectively. The NationalMap, which enables spatial viewing of open government data, was used by more than 191 000 individual users, a 46 per cent increase compared to 2016–17.</p> <p>Geoscience Australia continued to redevelop the Australian Maritime Spatial Information System in anticipation of the release of revised maritime boundaries. New boundaries are expected to be released as a result of the ratification of Australia's new treaty with Timor-Leste and a comprehensive review of maritime boundaries to be undertaken within the next two years, taking into account a new international standard for the exchange of maritime boundaries. The redeveloped system will complement the Commonwealth's law-making systems, the Federal Register of Legislation, and the depository of maritime boundaries administered by the United Nations Division for Ocean Affairs and the Law of the Sea.</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>
<b>Positioning</b> Deliver components of the National Positioning Infrastructure project	2017–18 Corporate Plan	<p>Geoscience Australia supported Australian industry, governments and academia through the provision of geodetic observatory infrastructure, including the Global Navigation Satellite System (GNSS) network, the Satellite Laser Ranging (SLR) network and the Very Long Baseline Interferometry (VLBI) network.</p> <p>Geoscience Australia is custodian of Australia's national coordinate reference system and is enhancing the national positioning capability with improved accuracy, reliability and accessibility.</p> <p>The two SLR observatories continued to perform exceptionally well, and were ranked first and third in a ranking of the world's SLR observatories.</p> <p>Together with the Cooperative Research Centre for Spatial Information and Land Information New Zealand, Geoscience Australia tested Satellite-Based Augmentation System technology across 10 industry sectors. Since testing commenced, in June 2017, this technology has improved the accuracy of positioning from 5 metres to 10 centimetres, across Australia.</p>

Key performance indicator	Source	Target	Result
Geoscience Australia's foundation spatial data products, including authoritative representations of Australia's maritime boundaries and topography, are updated and/or accessible through interactive mapping platforms	2017-18 Corporate Plan	70%	80%  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.  The DEA Landsat data has been made available as web services via the NationalMap. Users can now access terrain-corrected surface reflectance from Landsat 5, Landsat 7 and Landsat 8, and newly developed functionalities allow comparisons of imagery for different points in time. Some of Geoscience Australia's imagery and land cover datasets remain to be made more accessible as web services.  Geoscience Australia has prepared revised maritime boundaries for release following ratification of Australia's new treaty with Timor-Leste. A comprehensive review and redevelopment of Australia's maritime boundary information will be undertaken within the next two years to better align with domestic and international administrative infrastructure and systems.
Data availability from geodetic observatory networks	2017-18 Corporate Plan	95%	99%  The performance of the Australian Regional Global Navigation Satellite System Network was improved through the deployment of cloud computing infrastructure, facilitating real-time access to data.
Data availability from South Pacific Earth monitoring network.	2017-18 Corporate Plan	90%	90%  The South Pacific Regional Global Navigation Satellite System network met its performance target despite a number of equipment failures. The majority of the equipment in the network is nearing the end of its life, and the network will be refurbished in the next two financial years.

## Analysis of performance

Geoscience Australia provides fundamental geographic information and advice on spatial data infrastructure and the application of spatial data, to governments and other decision-makers.

In its first full year of operation, DEA achieved near-real-time processing of imagery from the United States Geological Survey's Landsat and the European Space Agency's Copernicus satellite programs, and delivered a range of new capabilities that are being embedded in compliance and modelling processes by Commonwealth and state agencies.

The use of DEA to monitor summer cropping within the Namoi catchment was particularly noteworthy. Crop mapping products developed by DEA provided monitoring agencies with improved understanding of water use patterns within the Namoi region. Agencies involved in the project estimated that the use of DEA would provide a 50 per cent gain in productivity in terms of the time and effort involved in preparing data for compliance and monitoring activities.

Internationally, the profile of DEA has grown significantly, with over 40 countries now exploring their own data cube developments based on the same Open Data Cube source code. These initiatives, together with DEA's strong engagement with industry, are paving the way for Australian businesses to develop and sell satellite-based information products and services on the global market.

In 2017–18:

- Geoscience Australia tested Satellite-Based Augmentation System technology across 10 industry sectors, demonstrating the utility of its 10 centimetre accuracy compared to the 5 metre to 10 metre accuracy achieved with standalone GPS technology.
- Geoscience Australia provided key technical advice to enable a new determination of Australia's geographic coordinate system, known as the Geocentric Datum of Australia 2020. The new system underpins all spatial and mapping data, and means that Australia's latitude and longitude reference points are compatible internationally. Geoscience Australia provided key technical advice on maritime boundaries to the Department of Foreign Affairs and Trade, in support of the ratification of Australia's new treaty with Timor-Leste.
- Use of the Foundation Spatial Data Framework website and information registry increased. The framework has been adopted by emergency management experts nationally, as a tool for planning and operations concerning disaster response.
- The Elevation Information System (ELVIS) became a fully-fledged collaborative data discovery and delivery platform, with buy-in by most state and territory data custodians. The achievement was recognised at the 2018 Geospatial World Forum, where ELVIS received the Excellence Award for Application of Geospatial Technology in the Open Data Platform category.
- Through collaboration with the Digital Transformation Agency and CSIRO's Data61, Geoscience provide operational support for the Australian Government's NationalMap portal, which has a broad uptake as the application of choice for visualising government open data on a map.

Geoscience Australia will continue to build on these successes and deepen relationships with collaborators, partners and stakeholders to ensure that Australia's national spatial data infrastructure meets future needs and is sustainable.

Geoscience Australia is leading the development of administrative infrastructure such as the Australian Maritime Spatial Information System and international data exchange standards. Enabling relevant domestic and international stakeholders to access that infrastructure represents a significant step towards stable and sustainable delivery of authoritative and accessible spatial information to inform the administration of Australia's offshore jurisdictions.

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

Program deliverable	Source	Result
<b>Observatories</b> Operate and maintain Geoscience Australia's observatory networks and ground station Deliver upgrades to the observatory networks and ground stations infrastructure	2017-18 Corporate Plan	<p>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 globally.</p> <p>The networks detected seismic, infrasound, hydroacoustic and geomagnetic activity in Australia and the Antarctic region, underpinning the earthquake, tsunami, nuclear test, and geomagnetic monitoring capabilities of Geoscience Australia, the Bureau of Meteorology and the Department of Foreign Affairs and Trade.</p> <p>Seismic 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.</p> <p>Geomagnetic data are 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.</p> <p>Four new seismic monitoring stations were added to the network in South Australia and significant equipment upgrades were made to eight seismic stations and two geomagnetic observatories. A further 25 stations received upgrades to their real-time state-of-health monitoring systems.</p> <p>Geoscience Australia operates and maintains a satellite ground station in Alice Springs, acquiring Earth observation from space data for government, industry, education and research uses in Australia. The ground station provides support for the United States Geological Survey's Landsat satellite mission.</p> <p>Geoscience Australia conducted a search for an industry partner to operate the Alice Springs ground station to reduce its operating cost while preserving operational and strategic priorities and relationships. Due to the complexity of the requirements, no tender responses satisfied this objective. However, the process identified a number of potential opportunities to engage the market on a limited tender basis.</p>

Program deliverable	Source	Result
		<p>The completion of projects to upgrade the electrical power systems and 9 metre satellite tracking antenna at the Alice Springs satellite ground station was rescheduled due to contractor and supplier delays. The upgrades will be completed in September 2018.</p> <p>In February 2018, Geoscience Australia signed a memorandum of understanding with the United States Geological Survey to participate in the Landsat-9 Ground Network. Landsat-9 is due to replace the Landsat-7 satellite in 2019–20. Geoscience Australia participated in detailed engineering design reviews and high-level workshops critical to the success of the Landsat-9 mission.</p> <p>Geoscience Australia led the formation of the Australian National Ground Segment Technical Team, which coordinates collaboration between civilian and government operators of satellite ground segment infrastructure. The members of the team include Geoscience Australia, the Bureau of Meteorology, CSIRO and Landgate (Western Australia).</p> <p>Geoscience Australia delivered a publicly accessible Australian Government ground station information portal. The portal provides a synoptic view of all satellite passes scheduled to be received at each Australian Government-operated satellite ground station. This provides information about potential sources of Earth observation satellite data over a particular area of interest.</p> <p>Geoscience Australia commissioned two atmospheric spectrometers on behalf of the European Space Agency for its Pandora Earth observation satellite sensor calibration and validation network. One spectrometer was installed in Canberra and the other at the Alice Springs satellite ground station.</p>
<b>Science Support</b> Deliver analytical data to support Geoscience Australia's science activities	2017-18 Corporate Plan	<p>Geoscience Australia provided quality, fit-for-purpose geochemistry and geochronological data to support internal activities and external collaborations, within agreed timeframes. The highest priority activity was the Exploring for the Future program. External clients included the Australian Antarctic Division, the Australian Institute of Marine Science, and state and territory geological surveys.</p>

Program deliverable	Source	Result
Deliver effective and safe support for field logistics, equipment, and data acquisition		<p>Delivery of Geoscience Australia's work program was supported by specialist science services that assisted with field planning, logistics, land access, field-based equipment repairs and modifications, laboratory services, and work, health and safety training.</p> <p>Geoscience Australia successfully engaged with organisations based in regional Australia, such as the Centre for Appropriate Technology in Alice Springs, where a temporary laboratory employing local staff was established to process samples for the Exploring for the Future program.</p> <p>Geoscience Australia instigated a project to determine its future laboratory capability requirements in the context of aging laboratory infrastructure and instruments.</p> <p>Geoscience Australia conducted a limited tender process for the provision of a laboratory information management system (LIMS) to replace aging job management systems and facilitate the integration of externally sourced analytical services. The implementation of the LIMS will be completed in 2019.</p>

Key performance indicator	Source	Target	Result
Data availability from the Comprehensive Nuclear-Test-Ban Treaty networks	2017-18 Corporate Plan	98%	99% Primary seismic, infrasound and hydroacoustic stations exceeded data availability targets.
Data availability from the seismic networks	2017-18 Corporate Plan	90%	93% The Australian National Seismic Network exceeded data availability targets.
Data availability from the geomagnetic networks	2017-18 Corporate Plan	98%	99% Six observatories maintained an availability of 100% and the remainder had minimal downtime. Overall, the network exceeded the target.
Alice Springs ground station scheduled satellite passes acquired	2017-18 Corporate Plan	98%	99% The Alice Springs satellite ground station exceeded the target.

### Analysis of performance

Geoscience Australia's network of observatories has consistently exceeded availability targets and enjoys strong collaborative relationships with Australian and international stakeholders.

The completion of four new seismic stations in South Australia has enhanced the earthquake monitoring capability of the Australian National Seismic Network. State-of-health monitoring system upgrades have augmented the supportability and maintainability of stations across the network.

The Alice Springs satellite ground station continues to exceed its availability target and remains the best performing international ground station for Landsat satellite operations. Completion of the delayed upgrades to the electrical power system and satellite tracking antenna at the ground station will ensure that the target continues to be met for future satellite missions.

Successful implementation of the laboratory sustainability and laboratory information management system projects will be critical to ensuring that Geoscience Australia has an enduring, relevant, cost-effective and capable science support capability.

Geoscience Australia exceeded its performance targets for response to client services requests. In May 2018, improvements to the National Offshore Petroleum Information Management System were completed and the new systems were 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. The new Core Information Management System for external users was released in November 2017.

## Financial performance

### Operating result

In 2017–18, Geoscience Australia had an operating deficit of \$9.5 million, before adjusting for unfunded depreciation and amortisation of \$6.7 million and rent straight-lining of \$3.0 million (for which a loss has been approved). The result excluding depreciation, amortisation and rent straight-lining was a small operating surplus of \$0.2 million.

Geoscience Australia's total income for the year was \$193.6 million, comprising \$151.1 million in appropriations from government and \$42.5 million from the sale of goods and services to related and external entities.

Geoscience Australia's total expenses were \$203.1 million. The major expense categories were employee expenses of \$73.7 million, supplier expenses of \$122.3 million and depreciation and amortisation of \$6.7 million.

The note on departmental budget variances in the financial statements compares the actual results to the original budget disclosed in the 2017–18 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 2018 was \$15.3 million. Total assets were \$118.8 million. Total liabilities were \$103.5 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, property (land and buildings) and leasehold improvements owned by Geoscience Australia.

### Administered items

Geoscience Australia administered one grant on behalf of government in 2017–18. 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 Program.







## CHAPTER EIGHT:

# GEOSCIENCE AUSTRALIA MANAGEMENT AND ACCOUNTABILITY

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## Corporate governance

Geoscience Australia's corporate governance arrangements guide management practices and business operations to ensure that the entity is accountable, manages risk appropriately, delivers on strategic priorities, and meets its legal obligations.

The governance framework includes advisory bodies and committees as well as Accountable Authority Instructions, policies, procedures and guidelines.

The Chief Executive Officer is supported by the Advisory Board and Portfolio Board.

The Advisory Board comprises Senior Executive Service officials and four staff members, and provides advice to the Chief Executive Officer on strategy, financial operations and risk management. The board is supported by the Audit and Risk Committee, Security Committee, ICT Strategy Committee, Work Health and Safety Committee, Workplace Relations Committee, and Cultural Reference Group.

The Portfolio Board comprises Senior Executive Service officials and advises the Chief Executive Officer on investment priorities and resource allocation. It is responsible for meeting the entity's planning and performance reporting obligations set out in the *Public Governance, Performance and Accountability Act 2013* and associated rules.

The Portfolio Board is specifically responsible for assisting the accountable authority in developing a corporate plan that documents the purpose, priorities, and performance information of Geoscience Australia over the current and forward years.

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 Framework, Geoscience Australia reviews and updates its Fraud Control Plan biennially. The plan details fraud prevention, detection, investigation and reporting procedures.

## 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 2017-18.

## External scrutiny

In 2017-18, no judicial or administrative tribunal decisions or decisions of the Australian Information Commissioner were relevant to Geoscience Australia, and no report on the organisation's operations was given by the Commonwealth Ombudsman.

### Auditor-General

Geoscience Australia was one of three entities subject to the Australian National Audit Office's fourth performance audit into the cyber resilience of government entities. The objective of the audit was to assess the effectiveness of the selected entities' management of cyber risks.

Audit staff undertook fieldwork at Geoscience Australia from October 2017 to March 2018. The report of the audit, Report No. 53: *Cyber resilience*, was tabled in parliament on 28 June 2018.

The audit findings show that Geoscience Australia has low levels of cyber resilience and compliance with mandatory security controls.

Geoscience Australia is committed to improving its security compliance and cyber resilience to a level appropriate for a government organisation which plays a role in providing scientific information and services to industry and the broader community. Geoscience Australia has commenced actions to improve compliance to address the security issues identified.

### Parliamentary committees

No parliamentary committee conducted investigations into Geoscience Australia's operations in 2017-18. Geoscience Australia appeared before:

- the Senate Economics Legislation Committee hearings on Budget estimates, on 5 June 2018
- the Joint Standing Committee on the National Capital and External Territories inquiry into Australia's Antarctic Territory, on 19 October 2017
- the Senate Environment and Communications References Committee inquiry into the adequacy of the regulatory framework governing water use by the extractive industry, on 2 May 2018.

## 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](http://www.ga.gov.au/ips)).

## Public interest disclosure

Geoscience Australia performed one investigation under the *Public Interest Disclosure Act 2013* during 2017–18. Investigators external to Geoscience Australia were appointed and found no serious disclosable conduct.

## Management of human resources

The Geoscience Australia People Strategy 2017–2022 was launched in June 2017. Activities undertaken to implement the strategy in 2017–18 included:

- reviewing the rewards and recognition program and the end-to-end recruitment process
- transforming the performance management framework
- developing a learning and development action plan
- developing operational workforce plans for each division and commencing the development of a strategic workforce plan for the organisation.

Geoscience Australia also launched a new leadership framework, which outlines the behaviours expected of a leader at all levels across the organisation, as an individual, as a manager or science leader and as a senior executive.

Under the new learning and development action plan, a training calendar was produced, detailing all centrally funded training activities available to Geoscience Australia employees from January to June 2018. 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. Eight graduates completed the Geoscience Australia graduate program in 2017, with one graduate leaving the organisation before the end of the program. Eight new graduates commenced in 2018, six in science disciplines and two in ICT.

The Geoscience Australia Cultural Reference Group continued to improve opportunities for employee diversity and inclusiveness. The group created a network to provide additional focus on diversity-specific activities and commenced planning the development of an overarching diversity strategy.

Two performance payments were made in 2017–18. To avoid disclosing personal information performance bonus figures have not been published.

Geoscience Australia's workforce statistics are detailed in Appendix B3.

## 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 and embraced through all levels of the organisation.

During 2017–18, Geoscience Australia's investment in employee health and wellness included:

- the establishment of renewed work health and safety policies and procedures to ensure clarity of the system and associated roles and responsibilities
- an external audit of the work health and safety system, which found 67 per cent compliance, and the development of a future-focused corrective action plan
- redevelopment of the rehabilitation management system, including revised policies, procedures and capability assessments for rehabilitation case managers
- an external audit of the rehabilitation management system, which found 100 per cent compliance, an improvement from 92 per cent in 2016–17

- access to free influenza virus vaccinations for all employees, resulting in 50 per cent of employees being vaccinated
- promoting the employee assistance program and the tools it provides.

During 2017-18, Geoscience Australia reported five notifiable incidents to Comcare, which required no further action. Of the five notifications, two were for electrical-related incidents; one was for a motor vehicle – related incident; and two were for serious personal injuries.

## 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](http://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](http://www.dss.gov.au)).

## Purchasing

During 2017-18, 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](http://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 Department of the Treasury's website ([www.treasury.gov.au](http://www.treasury.gov.au)).

## Consultants

During 2017-18, Geoscience Australia entered into six new consultancy contracts involving total actual expenditure of \$0.114 million (GST inclusive). No ongoing consultancy contracts were active during 2017-18.

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 cost, value for money and the 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](http://www.tenders.gov.au)).

The Chief Executive Officer did not exempt any contract let during 2017-18 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 2017-18 allowed for the Auditor-General to have access to the contractor's premises.

## Grant programs

Information on grants awarded by Geoscience Australia during 2017-18 is available on the organisation's website ([www.ga.gov.au/about/corporate-documents/grants-awarded](http://www.ga.gov.au/about/corporate-documents/grants-awarded)).

## Advertising and market research

During 2017-18, Geoscience Australia did not undertake advertising campaigns, and did not pay advertising agencies or marketing, polling or direct mail organisations above the reporting threshold of \$13 200 per payment (GST inclusive).

## Ecologically sustainable development and environmental performance

Many of Geoscience Australia's programs contribute to an improved understanding of the physical nature and health of the natural environment. See the Annual Performance Statements in Chapter 7 for more details of specific activities.

Geoscience Australia also pursues ecologically sustainable development initiatives in its property and facilities management. 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 the system.

The Geoscience Australia building has many ecologically sustainable features, including:

- a north-south orientation to increase access to natural light
- infrared movement detection for lighting in general office areas
- a geothermal air-conditioning system
- double-glazed windows and doors
- a large building footprint, allowing for a low ratio of external wall to gross floor area, minimising the impact of external thermal conditions on the air-conditioning system.

During 2017-18, the controls of 209 individual geothermal heat pump units were replaced with smart controllers and the geothermal piping system and control strategy were modified to increase efficiency. The 20-year-old building control system was also replaced with smart technology, and fluorescent lighting in office areas was replaced with more efficient LED lighting controlled through a digital interface.

The lease for the Geoscience Australia building includes an ongoing commitment by the lessor to endeavour to upgrade the building to achieve at least a 4-star National Australian Built Environment Rating System (NABERS) energy rating.





CHAPTER NINE:

# **GEOSCIENCE AUSTRALIA FINANCIAL STATEMENTS**

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## 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 2018:

- (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 2018 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 2018 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; 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 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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 Geoscience Australia, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer 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 Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Peter Kerr  
Executive Director  
Delegate of the Auditor-General  
Canberra  
5 September 2018

STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER


In our opinion, the attached financial statements for the year ended 30 June 2018 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

5 /09/2018

Signed..... 

Vanessa Graham  
Chief Finance and Human  
Resources Officer

5 /09/2018

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- Statement of Financial Position
- Statement of Changes in Equity
- Cash Flow Statement
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### Overview

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**Statement of Comprehensive Income***for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget <sup>1</sup> \$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	73,721	72,557	77,160
Suppliers	1.1B	122,294	109,902	121,693
Depreciation and amortisation	3.2A	6,682	6,120	7,248
Finance costs - unwinding of discount		49	13	20
Write-down and impairment of assets		-	171	-
Losses from asset sales and disposals		320	25	-
<b>Total expenses</b>		<b>203,066</b>	<b>188,788</b>	<b>206,121</b>
<b>Own-source income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	41,148	38,144	43,643
Rental income		205	47	-
Other revenue	1.2B	1,130	662	95
<b>Total own-source revenue</b>		<b>42,483</b>	<b>38,853</b>	<b>43,738</b>
<b>Gains</b>				
Reversal of write-downs and impairment		-	6	-
<b>Total gains</b>		<b>-</b>	<b>6</b>	<b>-</b>
<b>Total own-source income</b>		<b>42,483</b>	<b>38,859</b>	<b>43,738</b>
<b>Net cost of services</b>		<b>(160,583)</b>	<b>(149,929)</b>	<b>(162,383)</b>
Revenue from government	1.2C	151,108	142,619	151,108
<b>Deficit on continuing operations</b>		<b>(9,475)</b>	<b>(7,310)</b>	<b>(11,275)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		(1,483)	5,962	-
<b>Total other comprehensive income (deficit)</b>		<b>(1,483)</b>	<b>5,962</b>	<b>-</b>
<b>Total comprehensive (deficit)</b>		<b>(10,958)</b>	<b>(1,348)</b>	<b>(11,275)</b>

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

Variance commentary is consolidated in the departmental budget variance commentary note.

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).

**Statement of Financial Position***as at 30 June 2018*

		<b>2018</b>	2017	Original Budget <sup>1</sup>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents		<b>2,406</b>	2,253	2,500
Trade and other receivables	3.1A	<b>58,569</b>	77,425	45,913
Accrued revenue		<b>2,668</b>	2,172	1,441
<b>Total financial assets</b>		<b>63,643</b>	81,850	49,854
<b>Non-financial assets</b>				
Land	3.2A	<b>1,255</b>	1,255	1,240
Buildings	3.2A	<b>345</b>	365	327
Leasehold improvements	3.2A	<b>16,431</b>	9,840	16,722
Heritage and cultural	3.2A	<b>2,254</b>	2,254	2,254
Plant and equipment	3.2A	<b>30,825</b>	30,975	26,575
Computer software	3.2A	<b>255</b>	305	1,065
Prepayments		<b>3,833</b>	7,051	4,017
<b>Total non-financial assets</b>		<b>55,198</b>	52,045	52,200
<b>Total assets</b>		<b>118,841</b>	133,895	102,054
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	<b>37,369</b>	32,731	33,743
Other payables	3.3B	<b>38,999</b>	51,459	35,796
<b>Total payables</b>		<b>76,368</b>	84,190	69,539
<b>Provisions</b>				
Employee provisions	5.1A	<b>25,011</b>	26,071	27,313
Other provisions		<b>2,114</b>	1,990	768
<b>Total provisions</b>		<b>27,125</b>	28,061	28,081
<b>Total liabilities</b>		<b>103,493</b>	112,251	97,620
<b>Net assets</b>		<b>15,348</b>	21,644	4,434
<b>EQUITY</b>				
Contributed equity		<b>50,393</b>	45,731	50,393
Reserves		<b>12,292</b>	13,775	7,813
Accumulated deficit		<b>(47,337)</b>	(37,862)	(53,772)
<b>Total equity</b>		<b>15,348</b>	21,644	4,434

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

Variance commentary is consolidated in the departmental budget variance commentary note.

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).

**Statement of Changes in Equity***for the period ended 30 June 2018*

		2018	2017	Original Budget <sup>1</sup>
	Notes	\$'000	\$'000	\$'000
<b>CONTRIBUTED EQUITY</b>				
Opening balance		45,731	37,492	45,731
<b>Transactions with owners</b>				
<b>Contributions by owners</b>				
Equity injection - appropriations	4.1A	-	3,700	-
Departmental capital budget	4.1A	4,662	4,539	4,662
<b>Total transactions with owners</b>		<b>4,662</b>	<b>8,239</b>	<b>4,662</b>
<b>Closing balance as at 30 June</b>		<b>50,393</b>	<b>45,731</b>	<b>50,393</b>
<b>RETAINED EARNINGS</b>				
Opening balance		(37,862)	(30,552)	(42,497)
<b>Comprehensive income</b>				
Deficit for the period		(9,475)	(7,310)	(11,275)
<b>Total comprehensive income</b>		<b>(9,475)</b>	<b>(7,310)</b>	<b>(11,275)</b>
<b>Closing balance as at 30 June</b>		<b>(47,337)</b>	<b>(37,862)</b>	<b>(53,772)</b>
<b>ASSET REVALUATION RESERVE</b>				
Opening balance		13,775	7,813	7,813
<b>Comprehensive income</b>				
Other comprehensive income				
Change in make good provision		24	(1,150)	-
Revaluation and impairments	3.2A	(1,507)	7,112	-
<b>Total comprehensive income</b>		<b>(1,483)</b>	<b>5,962</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>12,292</b>	<b>13,775</b>	<b>7,813</b>
<b>TOTAL EQUITY</b>				
Opening balance		21,644	14,753	11,047
<b>Comprehensive income</b>				
Deficit for the period		(9,475)	(7,310)	(11,275)
Other comprehensive income				
Change in make good provision		24	(1,150)	-
Revaluation and impairments	3.2A	(1,507)	7,112	-
<b>Total comprehensive income</b>		<b>(10,958)</b>	<b>(1,348)</b>	<b>(11,275)</b>
<b>Transactions with owners</b>				
<b>Contributions by owners</b>				
Equity injection - appropriations	4.1A	-	3,700	-
Departmental capital budget	4.1A	4,662	4,539	4,662
<b>Total transactions with owners</b>		<b>4,662</b>	<b>8,239</b>	<b>4,662</b>
<b>Closing balance as at 30 June</b>		<b>15,348</b>	<b>21,644</b>	<b>4,434</b>

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

Variance commentary is consolidated in the departmental budget variance commentary note.

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).

**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 2018*

	2018	2017	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	213,229	191,719	208,201
Sale of goods and rendering of services	32,369	36,799	44,516
Net GST received	10,646	7,765	9,226
Other	1,235	689	-
<b>Total cash received</b>	<b>257,479</b>	<b>236,972</b>	<b>261,943</b>
<b>Cash used</b>			
Employees	74,703	73,612	76,350
Suppliers	126,376	114,528	128,727
Section 74 receipts transferred to OPA	46,757	47,039	44,516
<b>Total cash used</b>	<b>247,836</b>	<b>235,179</b>	<b>249,593</b>
<b>Net cash from operating activities</b>	<b>9,643</b>	<b>1,793</b>	<b>12,350</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	2	2	-
<b>Total cash received</b>	<b>2</b>	<b>2</b>	<b>-</b>
<b>Cash used</b>			
Purchase of property, plant and equipment	14,933	8,938	15,975
Purchase of intangibles	85	126	1,037
<b>Total cash used</b>	<b>15,018</b>	<b>9,064</b>	<b>17,012</b>
<b>Net cash used by investing activities</b>	<b>(15,016)</b>	<b>(9,062)</b>	<b>(17,012)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Other	-	19	-
Appropriations - contributed equity	883	2,517	-
Appropriations - departmental capital budget	4,662	4,539	4,662
<b>Total cash received</b>	<b>5,545</b>	<b>7,075</b>	<b>4,662</b>
<b>Cash used</b>			
Other	19	-	-
<b>Total cash used</b>	<b>19</b>	<b>-</b>	<b>-</b>
<b>Net cash from financing activities</b>	<b>5,526</b>	<b>7,075</b>	<b>4,662</b>
<b>Net increase (decrease) in cash held</b>	<b>153</b>	<b>(194)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	2,253	2,447	2,500
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,406</b>	<b>2,253</b>	<b>2,500</b>

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

Variance commentary is consolidated in the departmental budget variance commentary note.

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).



**Administered Schedule of Comprehensive Income***for the period ended 30 June 2018*

		2018	2017	Original Budget <sup>1</sup>
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Grants	2.1A	20	20	20
<b>Total expenses</b>		<u>20</u>	<u>20</u>	<u>20</u>
<b>Net cost of services</b>		<u>(20)</u>	<u>(20)</u>	<u>(20)</u>
<b>Total comprehensive deficit</b>		<u>(20)</u>	<u>(20)</u>	<u>(20)</u>

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

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).

Administered Reconciliation Schedule			
	Notes	2018 \$'000	2017 \$'000
<b>Opening assets less liabilities as at 1 July</b>		-	-
<b>Net cost of services</b>			
Expenses			
Payments to entities other than corporate Commonwealth entities		(20)	(20)
<b>Transfers from the Australian Government</b>			
Appropriation transfers from Official Public Account			
Annual appropriations			
Payments to entities other than corporate Commonwealth entities		20	20
<b>Closing assets less liabilities as at 30 June</b>		-	-
The above schedule should be read in conjunction with the accompanying notes.			
<b>Accounting Policy</b> <u>Administered Cash Transfers from the Official Public Account</u> 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 2018*

	<b>2018</b>	2017	Original Budget <sup>1</sup>
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>OPERATING ACTIVITIES</b>			
<b>Cash used</b>			
Grants	20	20	20
<b>Total cash used</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Net cash used by operating activities</b>	<b>(20)</b>	<b>(20)</b>	<b>(20)</b>
<b>Cash from Official Public Account</b>			
Appropriations	20	20	20
<b>Total cash from official public account</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

1. Original budget as presented in the 2017-18 Portfolio Budget Statements (PBS).

## Departmental Budget Variance Commentary

The financial statements provide a comparison of the original budget as presented in the 2017-18 Portfolio Budget Statements (PBS) to the 2017-18 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

**Total own-source revenue** is lower than budget by 3% due to delays in the completion of milestones for the Keep River, Bioregional Assessments Phase 2 and Improved Maritime Governance to Pacific Islands projects. In addition, the budget for the Gawler Craton survey was deferred to a future year. These delays were partially offset by new revenue for the Southeast Lachlan Seismic survey, the Kidson Airborne gravity survey and other revenue from insurance claims.

**The deficit on continuing operations** is an improvement on budget by \$1.8 million largely reflecting lower total expenses as a result of: lower than budgeted employee numbers due to the deferral of recruitment to accommodate additional positions funded through new measures announced in the 2018-19 Budget; and depreciation and amortisation expenses being lower than budget by 8% due to delays with the Symonston Building Refresh project and the Alice Springs ViaSat antenna upgrade.

### Statement of Financial Position

**Total Assets** are higher than budget by 16% due to higher financial assets and non-financial assets as outlined below.

**Financial assets** are higher than budget primarily as a result of higher receivables due to increases in unearned revenue from Commonwealth and State Government income streams which were not anticipated in the budget, and higher accrued revenue mainly due to a greater volume of completed services not invoiced.

**Non-financial assets** are higher than budget by 6% mainly as a result of increases in plant and equipment due to additional capital expenditure on computer equipment, infrastructure and the antenna upgrade, partially offset by a reduction in computer software due to the reprioritisation of capital spending after the budget was finalised.

**Total Liabilities** are higher than budget by 6% due to higher payables and lower provisions as outlined below.

**Payables** are higher than budget by 10% primarily due to an increase in unearned revenue from Commonwealth and State Government income streams and more supplier accrued expenses than anticipated.

**Provisions** are lower than budget by 3% largely as a result higher other provisions of \$1.3 million due to the revaluation of make good provisions at **30 June 2017**, offset by lower employee provisions due to reduced employee numbers.

### Statement of Changes in Equity

**Equity** is higher than budget, mainly due to: **Reserves** being higher as a result of the revaluation of plant and equipment assets of \$5.6 million not anticipated in the budget, offset by the impairment of a prior year revaluation of leasehold improvement fitout of \$1.4 million; and the **Accumulated deficit** having improved on the budget, reflecting lower expenses (as explained in Statement of Comprehensive Income section).

**Cash Flow Statement**

**Total cash received from operating activities** is lower than budget by \$4.5 million primarily due to lower sale of goods and rendering of services of \$12.1 million, offset by the increase in appropriations of \$5.0 million and increase in net GST received and other receipts totalling \$2.7 million.

**Total cash used for investing activities** is lower than budget by 12% mainly due to delays in capital expenditure on the Symonston Building Refresh project as a result of the inclusion of the replacement of the ceiling and lighting grid in the project.

**Appropriations - Contributed equity reflects** \$0.8 million used for equipment purchases for the Exploring for the Future program.

## Overview

### Objectives of the Entity

Geoscience Australia (GA) is an Australian Government controlled 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 programs is dependent on Government policy and on continued funding by Parliament for the entity's administration and programs.

GA's activities contributing toward its 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); 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

#### New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. All other standards, revised standards, interpretations and amending standards issued by the Australian Accounting Standards Board prior to the signing of the statements by the CEO and the CFO have no material financial impact on the 2017-18 financial statements and are not expected to have a material future financial impact.

#### 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 the financial statements for future reporting periods.

*AASB 9 Financial Instruments (effective date 1 January 2018) - refer note 6.2 disclosures*

*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 2019)*

*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 2018 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 2018.

### 1.1 Expenses

	2018	2017
	\$'000	\$'000
<b>1.1A: Employee benefits</b>		
Wages and salaries	56,772	55,561
Superannuation		
Defined contribution plans	5,214	4,746
Defined benefit plans	4,669	5,551
Leave and other entitlements	7,066	4,580
Separation and redundancies	-	2,119
<b>Total employee benefits</b>	<b>73,721</b>	<b>72,557</b>

#### 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	922	532
Contractors	43,434	38,995
Travel	4,663	4,543
IT services	24,171	22,985
Property operating	5,969	5,695
Office supplies	758	971
Direct operational costs	4,531	3,990
Other	11,161	5,082
<b>Total goods and services supplied or rendered</b>	<b>95,609</b>	<b>82,793</b>

Goods supplied	4,094	3,505
Services rendered	91,515	79,288
<b>Total goods and services supplied or rendered</b>	<b>95,609</b>	<b>82,793</b>

#### Other suppliers

Operating lease rentals	26,318	26,660
Workers compensation expenses	367	449
<b>Total other suppliers</b>	<b>26,685</b>	<b>27,109</b>
<b>Total suppliers</b>	<b>122,294</b>	<b>109,902</b>

#### 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	26,557	23,943
Between 1 to 5 years	113,528	110,068
More than 5 years	305,784	335,322
<b>Total operating lease commitments</b>	<b>445,869</b>	<b>469,333</b>

#### 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.



**1.2 Own-Source Revenue and Gains**

	2018	2017
	\$'000	\$'000

**Own-Source Revenue****1.2A: Sale of goods and rendering of services**

Sale of goods	468	505
Rendering of services	40,680	37,639
<b>Total sale of goods and rendering of services</b>	<b>41,148</b>	<b>38,144</b>

**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: Other revenue**

Audit fees	90	94
Employee contributions (salary sacrifice arrangements)	493	510
Other	547	58
<b>Total other revenue</b>	<b>1,130</b>	<b>662</b>

**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.

	2018	2017
	\$'000	\$'000
<b>1.2C: Revenue from government</b>		
Appropriations		
Departmental appropriations	151,108	142,619
<b>Total revenue from Government</b>	<b>151,108</b>	<b>142,619</b>

**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.

<b>Income and Expenses Administered on Behalf of Government</b>		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.	
<b>2.1 Administered - Expenses</b>			
		<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b><u>2.1A: Grants</u></b>			
Private sector			
Not-for-profit organisations		<b>20</b>	<b>20</b>
<b>Total grants</b>		<b>20</b>	<b>20</b>
<b>Accounting Policy</b>			
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

	2018 \$'000	2017 \$'000
<b>3.1A: Trade and other receivables</b>		
<b>Goods and services receivables</b>		
Goods and services	5,074	7,455
<b>Total goods and services receivables</b>	<b>5,074</b>	<b>7,455</b>
<b>Appropriations receivable</b>		
Appropriation receivable	50,959	67,206
<b>Total appropriations receivable</b>	<b>50,959</b>	<b>67,206</b>
<b>Other receivables</b>		
Statutory receivables	2,023	2,355
Other	513	409
<b>Total other receivables</b>	<b>2,536</b>	<b>2,764</b>
<b>Total trade and other receivables (gross)</b>	<b>58,569</b>	<b>77,425</b>
<b>Less impairment allowance</b>	-	-
<b>Total trade and other receivables (net)</b>	<b>58,569</b>	<b>77,425</b>

Credit terms for goods and services were within 30 days (2017: 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.

**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 <sup>1</sup> \$'000	Plant and equipment \$'000	Computer Software \$'000	Total \$'000
<b>As at 1 July 2017</b>							
Gross book value	1,255	365	9,840	2,254	30,975	8,670	53,359
Accumulated depreciation and amortisation	-	-	-	-	-	(8,365)	(8,365)
<b>Total as at 1 July 2017</b>	<b>1,255</b>	<b>365</b>	<b>9,840</b>	<b>2,254</b>	<b>30,975</b>	<b>305</b>	<b>44,994</b>
Additions - purchase	-	-	8,942	-	5,855	85	14,882
Revaluations and impairments recognised in other comprehensive income	-	-	(1,441)	-	(66)	-	(1,507)
Depreciation and amortisation	-	(20)	(891)	-	(5,631)	(140)	(6,682)
Other movements - reclassification	-	-	(19)	-	14	5	-
Disposals - other	-	-	-	-	(322)	-	(322)
<b>Total as at 30 June 2018</b>	<b>1,255</b>	<b>345</b>	<b>16,431</b>	<b>2,254</b>	<b>30,825</b>	<b>255</b>	<b>51,365</b>
<b>Total as at 30 June 2018 represented by</b>							
Gross book value	1,255	365	17,228	2,254	36,379	8,760	66,241
Accumulated depreciation and amortisation	-	(20)	(797)	-	(5,554)	(8,505)	(14,876)
<b>Total as at 30 June 2018</b>	<b>1,255</b>	<b>345</b>	<b>16,431</b>	<b>2,254</b>	<b>30,825</b>	<b>255</b>	<b>51,365</b>

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 2018 (2017: nil)

Land, buildings and leasehold improvement assets were assessed for impairment in accordance with the impairment policy stated below. In 2018 the Symonston leasehold fitout has been impaired by \$1,441,000 (2017: nil).

Plant and equipment assets were assessed for impairment in accordance with the impairment policy stated below. In 2018 three assets had indicators of impairment and were impaired by \$65,000 (2017: 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 not revalued in 2018 (2017: \$4,451,000). Plant and equipment assets were not revalued in 2018 (2017: \$2,490,000 increment credited to the Asset Revaluation Reserve). Heritage and cultural assets were not revalued in 2018 (2017: nil fair value changes). An independent valuer has conducted a review of the current values of all tangible assets and has determined that they do not differ materially from fair value at 30 June 2018. Refer to Note 6.3 for the full disclosure of fair value measurement.

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

Property, plant, equipment and intangible assets commitments total \$6,646,862

**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 (JLL Public Sector Valuations Pty Ltd). 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 (JLL Public Sector Valuations Pty Ltd). 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:

<b>Asset Type</b>	<b>Threshold</b>		<b>Useful lives</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Building on freehold land	<b>N/A</b>	N/A	<b>40 years</b>	40 years
Leasehold improvements	<b>\$25,000</b>	\$25,000	<b>7 - 15 years</b>	7 years
Plant and equipment	<b>\$5,000</b>	\$2,500	<b>3-25 years</b>	4-25 years
Collections	<b>\$5,000</b>	\$2,500	<b>Indefinite</b>	Indefinite

**Impairment**

All assets were assessed for impairment at 30 June 2018. 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 intangible assets comprise of software. These assets, except for software purchases costing less than \$10,000 (2017: \$2,500) or internally developed software costing less than \$200,000 (2017: \$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 3 to 15 years (2017: 2 to 6 years).

All software assets were assessed for indications of impairment as at 30 June 2018.

### **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 SPECTRUM<sup>1</sup>, ICOM<sup>2</sup> and Museums Australia<sup>3</sup> to manage the collection.

The Geoscience Australia museum is registered as a Deductible Gift Recipient (DGR) and the Cultural Gifts Program (CGP).

### **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 (BMR), 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; and
- 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](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](https://www.museumsaustralia.org.au/sites/default/files/uploaded-content/website-content/SubmissionsPolicies/ma_code_of_ethics_1999.pdf)



**3.3 Payables**

	2018 \$'000	2017 \$'000
<b>3.3A: Suppliers</b>		
Trade creditors	380	282
Accruals	10,825	10,318
Operating lease rentals	26,164	22,131
<b>Total suppliers</b>	<b>37,369</b>	<b>32,731</b>
Supplier payables are settled within 30 days (2017: 30 days).		
<b>3.3B: Other payables</b>		
Salaries and wages	816	753
Superannuation	82	80
Separations and redundancies	255	177
Lease incentive	14,779	15,841
Prepayments received/unearned income	22,748	34,343
Other	319	265
<b>Total other payables</b>	<b>38,999</b>	<b>51,459</b>
<b>Total payables</b>	<b>76,368</b>	<b>84,190</b>

**Accounting Policy***Prepayments 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.

## Funding

This section identifies Geoscience Australia's funding structure.

### 4.1 Appropriations

#### 4.1A: Annual appropriations ('recoverable GST exclusive')

##### Annual Appropriations for 2018

	Annual Appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance <sup>2</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	151,108	35,348	186,456	201,971	(15,515)
Capital Budget <sup>3</sup>	4,662	-	4,662	4,662	-
Other services					
Equity Injections	-	-	-	883	(883)
<b>Total departmental</b>	<b>155,770</b>	<b>35,348</b>	<b>191,118</b>	<b>207,517</b>	<b>(16,399)</b>
<b>Administered</b>					
Administered items	20	-	20	20	-
<b>Total administered</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>20</b>	<b>-</b>

1. PGPA Act Section 74 receipts.

2. The variance is due to accrued expenses from prior year being drawn down in the current year and 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 2017

	Annual Appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance <sup>2</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	142,619	38,394	181,013	182,389	(1,376)
Capital Budget <sup>3</sup>	4,539	-	4,539	4,691	(152)
Other services					
Equity Injections	3,700	-	3,700	2,517	1,183
<b>Total departmental</b>	<b>150,858</b>	<b>38,394</b>	<b>189,252</b>	<b>189,597</b>	<b>(345)</b>
<b>Administered</b>					
Administered items	20	-	20	20	-
<b>Total administered</b>	<b>20</b>	<b>-</b>	<b>20</b>	<b>20</b>	<b>-</b>

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 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.

#### 4.1B: Unspent annual appropriations ('recoverable GST exclusive')

	2018 \$'000	2017 \$'000
<b>Departmental</b>		
Appropriation Act (No. 1) 2016-17	-	63,072
Appropriation Act (No. 2) 2016-17	300	1,183
Appropriation Act (No. 3) 2016-17	-	2,951
Appropriation Act (No. 1) 2016-17 - Cash on hand	-	2,253
Appropriation Act (No. 1) 2017-18	50,659	-
Appropriation Act (No. 1) 2017-18 - Cash on hand	2,406	-
<b>Total departmental</b>	<b>53,365</b>	<b>69,459</b>

## 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

	2018 \$'000	2017 \$'000
<b>5.1A: Employee provisions</b>		
Leave	23,943	23,501
Separations and redundancies	1,068	1,766
Superannuation	-	804
<b>Total employee provisions</b>	<b>25,011</b>	<b>26,071</b>

#### 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 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 employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), 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.

**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:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>1,836</b>	1,830
Post-employment benefits	<b>331</b>	345
Other long-term employee benefits	<b>262</b>	259
<b>Total key management personnel remuneration expenses<sup>1</sup></b>	<b>2,429</b>	2,434

Seven senior executive (SES) positions performed by 21 key management personnel (KMP) including acting arrangements, included in the above table. (2017: SES positions 7, KMP 16).

1. 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 include the Portfolio Minister and GA's 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. Related parties of Executive were employed by the entity during the year and were 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 in 2018 (2017: nil).

## 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 liabilities in 2018 (2017: nil). A contingent financial asset resulting from a probable insurance settlement of \$322,000 exists at 30 June 2018 (2017: nil).

#### 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**

	2018 \$'000	2017 \$'000
<b>6.2A: Categories of financial instruments</b>		
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	2,406	2,253
Goods and services receivables (net)	5,074	7,455
<b>Total loans and receivables</b>	<b>7,480</b>	<b>9,708</b>
<b>Total financial assets</b>	<b>7,480</b>	<b>9,708</b>
<b>Financial liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accrual	11,205	10,600
<b>Total financial liabilities measured at amortised cost</b>	<b>11,205</b>	<b>10,600</b>
<b>Total financial liabilities</b>	<b>11,205</b>	<b>10,600</b>
<b>6.2B: Net gains or losses on financial assets</b>		
<b>Loans and receivables</b>		
Impairment	-	(2)
<b>Net gains/(losses) on loans and receivables</b>	<b>-</b>	<b>(2)</b>
<b>Net gains on financial assets</b>	<b>-</b>	<b>(2)</b>

**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.

From 1st July 2018 Geoscience Australia will adopt AASB 9 Financial Instruments (AASB 9) and no longer apply AASB 139 Financial Instruments. Under AASB 9 the requirements for classification, measurement, impairment and disclosures of Financial Instruments will change. The financial impact on the measurement of Financial Instruments will be minimal. Any differences between the previous carrying amounts and the new carrying amounts will be recognised in the opening retained earnings at the beginning of the reporting period. GA will not restate prior periods with the adoption of AASB 9.

Under AASB 9, GA's financial assets (excluding trade receivables) will be initially measured at fair value and trade receivables at transaction price (as defined in AASB 15). GA has conducted the contractual cash flow test and business model assessment and determined that GA's existing financial assets consisting of trade receivables, lease receivables and contract assets will then subsequently be measured at Amortised Cost. When recognising a loss allowance, GA will apply the simplified approach in AASB 9. The loss allowance will be measured at an amount equal to lifetime expected credit loss, reflecting all possible default events over the expected life of a financial instrument. The majority of GA's debtors are government entities leaving a negligible likelihood of default.

AASB 9 will not impact the existing classification for GA's financial liabilities.



**6.3 Fair Value Measurement****Accounting Policy**

GA engaged the service of the JLL Public Sector Valuations Pty Ltd to conduct desktop revaluation of GA's non-financial assets as at 30 June 2018 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. JLL Public Sector Valuations Pty Ltd has provided written assurance 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	
	2018 \$'000	2017 \$'000
<b>Non-financial assets<sup>1</sup></b>		
Land <sup>4</sup>	1,255	1,255
Building <sup>5</sup>	345	365
Leasehold Improvements <sup>5</sup>	15,553	9,172
Infrastructure, Plant and Equipment <sup>2</sup>	3,096	2,079
Infrastructure, Plant and Equipment <sup>5</sup>	24,698	23,963
Heritage and Cultural Collection <sup>2</sup>	2,054	2,054
Heritage and Cultural Collection (CPC Collection) <sup>2</sup>	200	200
Work in Progress - Leasehold Improvements <sup>3</sup>	878	668
Work in Progress - Infrastructure, Plant & Equipment <sup>3</sup>	3,031	4,933
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>51,110</b>	<b>44,689</b>

1. JLL Public Sector Valuations Pty Ltd undertook an annual assessment and determined that the carrying amount of all non-financial assets at 30 June 2018 is not materially different from the fair value (2017: comprehensive revaluation was conducted). GA 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 Cooperative Research Centres (CRC)

#### 7.1A: 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 \$3.755 million for the year (2017: \$3.460 million). Contributions made 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 2018:**

<b>Name of the CRC</b>	<b>Expected Termination Date<sup>1</sup></b>
CRC Spatial Information <sup>2</sup>	30/06/2018
Bushfire and Natural Hazards CRC	30/06/2020

1. Expected termination date for GA participation.

2. CRC Spatial Information involvement in the CRC Program ceased on 30 June 2018.





CHAPTER TEN:

# 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 2017–18.

Table 37: Entity resource statement, 2017–18

	Actual available appropriation for 2017–18 \$’000 (a)	Payments made 2017–18 \$’000 (b)	Balance remaining 2017–18 \$’000 (a)–(b)
Ordinary annual services			
Departmental appropriation <sup>1</sup>	259 698	206 633	53 065
Total	259 698	206 633	53 065
Administered expenses			
UN grants-in-aid	20	20	0
Total	20	20	0
Total ordinary annual services	259 718	206 653	53 065
Departmental non-operating			
Equity injections <sup>2</sup>	1 183	883	300
Total	1 183	883	300
Total available annual appropriations and payments	260 901	190 344	53 365
Total resourcing and payments for Geoscience Australia	260 901	190 344	53 365

1 Includes *Appropriation Act (No. 1) 2017–18*, section 74 retained revenue receipts of \$38m, \$69m carried forward from Appropriation Act (No. 1 and 3) 2016–17 and an amount of \$4.6m in 2017–18 for the departmental capital budget. For accounting purposes the later amount has been designated as ‘contributions by owners’.

2 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, 2017–18*

<b>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</b>	<b>Budget<sup>1</sup> 2017–18 \$'000</b>	<b>Actual Expenses 2017–18 \$'000</b>	<b>Variation 2017–18 \$'000</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
Program 1: Geoscientific and spatial information services			
Administered expenses			
Ordinary annual services (Appropriation Act No. 1)	20	20	0
Departmental expenses			
Departmental appropriation <sup>1</sup>	194 751	193 501	1 250
Expenses not requiring appropriation in the budget year	11 370	9 565	1 805
Total for Program 1	206 141	203 086	3 055
Total expenses for Outcome 1			
	2016–17	2017–18	
Average staffing level (number)	562	560	

<sup>1</sup> Departmental appropriations combine ordinary annual services *Appropriation Act (No.1, 2 and 3) 2017–18* and section 74 retained revenue receipts.

## Appendix B3: Workforce statistics

*Table 39: Ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Geoscience Australia*

APS classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 2	0	0	0	0	0	0
APS 3	1	0	1	1	2	1
APS 4 (including graduates)	18	16	18	19	36	35
APS 5	50	50	52	50	102	100
APS 6	61	64	87	88	148	152
EL 1	55	56	110	105	165	161
EL 2	25	25	81	77	106	102
SES Band 1	0	0	2	1	2	1
SES Band 2	0	0	2	3	2	3
SES Band 3	0	0	1	1	1	1
<b>Total</b>	<b>210</b>	<b>211</b>	<b>354</b>	<b>345</b>	<b>564</b>	<b>556</b>

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

*Table 40: Non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Geoscience Australia*

APS classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 2	0	0	1	0	1	0
APS 3	0	0	0	0	0	0
APS 4	3	3	2	5	5	8
APS 5	2	6	4	4	6	10
APS 6	4	7	5	11	9	18
EL 1	4	1	6	9	10	10
EL 2	1	0	3	5	4	5
SES Band 1	0	0	0	0	0	0
SES Band 2	1	0	0	0	1	0
SES Band 3	0	0	0	0	0	0
<b>Total</b>	<b>15</b>	<b>17</b>	<b>21</b>	<b>34</b>	<b>36</b>	<b>51</b>

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

*Table 41: Ongoing and non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, Geoscience Australia*

APS classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 2	0	0	1	0	1	0
APS 3	1	0	1	1	2	1
APS 4 (including graduates)	21	19	20	24	41	43
APS 5	52	56	56	53	108	109
APS 6	65	71	92	99	157	170
EL 1	59	57	116	114	175	171
EL 2	26	25	84	83	110	108
SES Band 1	0	0	2	1	2	1
SES Band 2	1	0	2	3	3	3
SES Band 3	0	0	1	1	1	1
<b>Total</b>	<b>225</b>	<b>228</b>	<b>375</b>	<b>379</b>	<b>600</b>	<b>607</b>

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 2017 and 30 June 2018, Geoscience Australia*

Attendance type	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
Full-time	519	512	28	37	547	549
Part-time	45	44	8	14	53	58
<b>Total</b>	<b>564</b>	<b>556</b>	<b>36</b>	<b>51</b>	<b>600</b>	<b>607</b>

*Table 43: Ongoing and non-ongoing employees by location, 30 June 2017 and 30 June 2018, Geoscience Australia*

Employee location	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
ACT	557	549	36	51	593	600
WA	6	6	0	0	6	6
NT	1	1	0	0	1	1
<b>Total</b>	<b>564</b>	<b>556</b>	<b>36</b>	<b>51</b>	<b>600</b>	<b>607</b>

*Table 44: Indigenous employees, 30 June 2017 and 30 June 2018, Geoscience Australia*

Employment status	2017	2018
Ongoing	3	2
Non-ongoing	1	0
<b>Total</b>	<b>4</b>	<b>2</b>

*Table 45: Workplace agreement coverage by classification, 30 June 2018, Geoscience Australia*

APS classification	Enterprise agreement	Common law contract	Salary range	
			Minimum (\$)	Maximum (\$)
APS 1 (cadets)	0	0	40 310	43 731
APS 2	0	0	49 978	53 403
APS 3	1	0	56 935	60 530
APS 4 (including graduates)	43	0	64 126	116 730
APS 5	109	0	71 431	116 758
APS 6	170	0	82 846	99 798
EL 1	171	0	99 723	162 545
EL 2	108	0	118 509	223 686
<b>Total</b>	<b>602</b>	<b>0</b>		

APS = Australian Public Service; EL = Executive Level

Note: Senior Executive Service employment arrangements are included in Department of Industry, Innovation and Science data (Table 25 in Appendix A3) to ensure non identification of individual recipients.





# PART C: IP AUSTRALIA



## Australian Government

### IP Australia

Senator the Hon Matthew Canavan  
Minister for Resources and  
Northern Australia  
Parliament House  
CANBERRA ACT 2600

The Hon Karen Andrews MP  
Minister for Industry, Science and  
Technology  
Parliament House  
CANBERRA ACT 2600

Dear Minister

I present to you the 2017-18 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, reading "Frances Roden".

Frances Roden  
Acting Director General

17 September 2018



## CHAPTER ELEVEN

# IP AUSTRALIA OVERVIEW

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## 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 that 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 2017-18 are outlined below.

## IP rights administration

IP Australia sees itself as an important element of the innovation ecosystem, so the provision of robust IP rights is an ongoing focus. In 2017-18, we continued to focus on our core business to deliver an effective framework for the protection of IP rights. We increased our commitment to quality improvement by transitioning our quality management system certification from ISO 9001:2008 to ISO 9001:2015, expanding it to include ICT functions.

We also pursued a number of strategies to improve IP rights quality and timeliness. The Examination Excellence working group reviewed our current product quality and looked at how we can work more effectively. With an ongoing focus on the needs of our customers, this major project will evaluate the role of automation, artificial intelligence and machine learning in improving the quality of our examination output.

The complementary review of the performance-setting and incentive arrangements for IP rights examiners aims to improve the delivery of IP Australia's examination objectives by developing contemporary incentives that seek to effectively motivate staff. The review will benchmark our processes against those of comparable international agencies and undertake a global study of current best practice for performance setting and incentives. Trials to test and validate a potential new framework will take place in 2018–19.

These strategies and improvements reflect IP Australia's strong commitment to continual improvement of its processes, procedures and quality of outcomes.

### **Customer experience and building awareness**

In 2017–18, we maintained a high customer satisfaction rate: 85 per cent of customers surveyed were satisfied with our performance and services. We updated our Customer Service Charter commitments to provide customers and stakeholders with more transparency around the operations of IP Australia.

We also implemented a number of new and innovative tools to assist our customers with IP rights management, and enhance their experience of IP Australia. We launched Trade Mark Assist, a web technology that uses machine learning to guide applicants through the initial stages of the trade mark application process. The tool is of particular value to small business and unrepresented applicants. We also released the IP Folio mobile app, which assists with tracking IP rights registration processes, and the Transactional Digital Services program, which will update interfaces for client transactions.

Customer engagement activities included holding the first IP Summit, which supported small and medium enterprises by helping them to understand more about the importance of IP in growing a business and moving to export; a workshop/webinar series that educated and promoted the benefits of IP among the start-up community; and the Understanding Certification Trade Marks for Food forum, which has been complemented with an ongoing digital education and awareness campaign.

### **Policy**

In 2017–18, IP Australia undertook a number of policy activities, including expanding our successful Patents Analytics Hub to cover government, universities and publicly funded research organisations.

In partnership with the Department of Industry, Innovation and Science, and Indigenous IP firm Terri Janke and Company, we developed a paper exploring the issues that Indigenous people face in protecting their Indigenous knowledge. Moving forward, we intend to consult with Indigenous stakeholders on potential ways to enhance the protection of Indigenous knowledge and promote economic opportunities for Indigenous Australians.

We continued to implement changes arising out of the Productivity Commission's 2016 inquiry into Australia's IP arrangements. In 2017–18, we finalised legislative proposals to streamline IP processes, undertake automated decision-making, and implement a first tranche of recommendations from the government's response to the inquiry. Following consultation on the proposals, the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Matters) Bill 2018 was introduced into Parliament. The Bill was passed in the House of Representatives on 27 June 2018 (since the end of 2017–18 the Bill has been passed by the Senate and received Royal Assent).

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.

## International engagement

In 2017–18, IP Australia continued to undertake capacity-building activities with other IP offices, especially those in our region. We moved our Regional Patent Examiner Training program to a sustainable mentoring model designed to allow broader impact.

We also evaluated the posting of IP Australia's first overseas-based officer, the Australian IP Counsellor to China. Prior to the IP Counsellor's deployment in 2016, IP Australia established a set of objectives and success criteria for the role. They included supporting Australian businesses to navigate the Chinese IP system and protect their IP rights; contributing to Australia's engagement on Chinese IP policy matters; and building relationships and networks with government and non-government stakeholders in China. The evaluation found that the role had achieved the objectives and represented a significant step in IP Australia's efforts to support Australian businesses that operate or seek to operate in China. The IP Counsellor position will be extended to December 2020.

## Technology and data

Enhancing the use of technology and data was a big focus for IP Australia this year. We worked to improve our data by implementing phase 1 of the Data Governance Project as part of the Data Matters Strategy. The strategy is a major, long-term initiative to improve IP Australia's data and make the right data available to those who need it, anywhere and anytime, providing important resources for our staff and our customers.

We also continued to expand IP Australia's open data. We improved Australian Business Number matching and added metadata and information guidance to assist users to understand the data, greatly improving results for users who wish to track investment and innovation. IP Australia also released a new dataset that includes a trade mark geo-term database, and patent data linked with public data on the Department of Health Pharmaceutical Benefits Scheme.

## 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. 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 2018

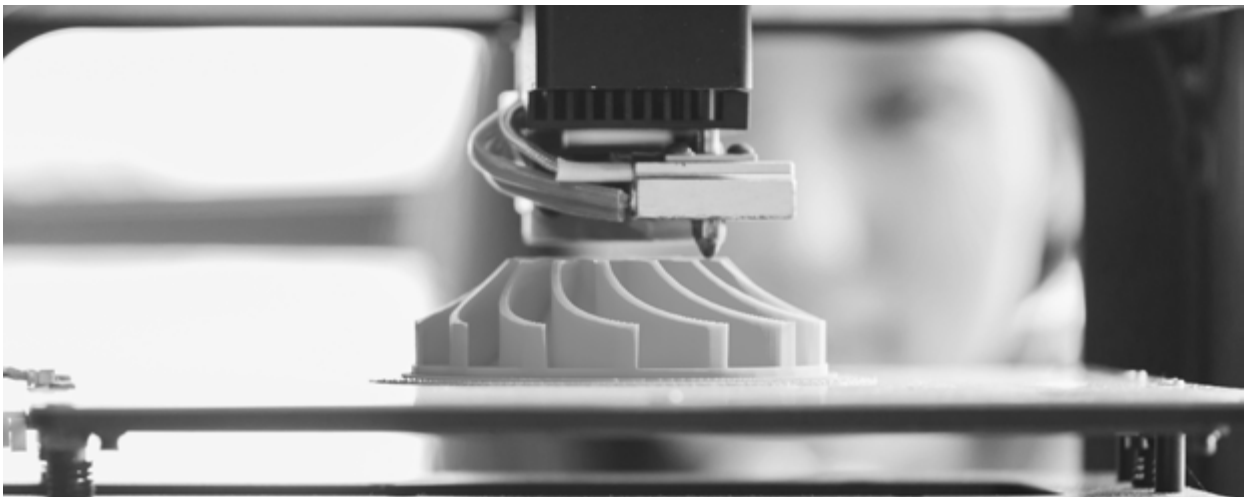


Outcome and program structure

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, 2017–18





## CHAPTER TWELVE

# IP AUSTRALIA REPORT ON PERFORMANCE

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## Annual Performance Statements

### Introductory statement

I, Frances Roden, as the accountable authority of IP Australia, present the Annual Performance Statements of IP Australia for 2017-18, 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.

Frances Roden  
Acting Director General

17 September 2018



Vision and purposes

IP Australia’s vision is to create a world-leading intellectual property (IP) system building prosperity for Australia. It works towards this vision by achieving three purposes as outlined in its 2017-18 Corporate Plan:

- Deliver improved IP rights administration and professional registration
- Increase awareness of the IP system
- Shape the IP system domestically and internationally to serve Australian innovation and business.

The objectives identified in the 2017-18 Corporate Plan provide a clear connection between IP Australia’s purposes and priorities. The objectives are:

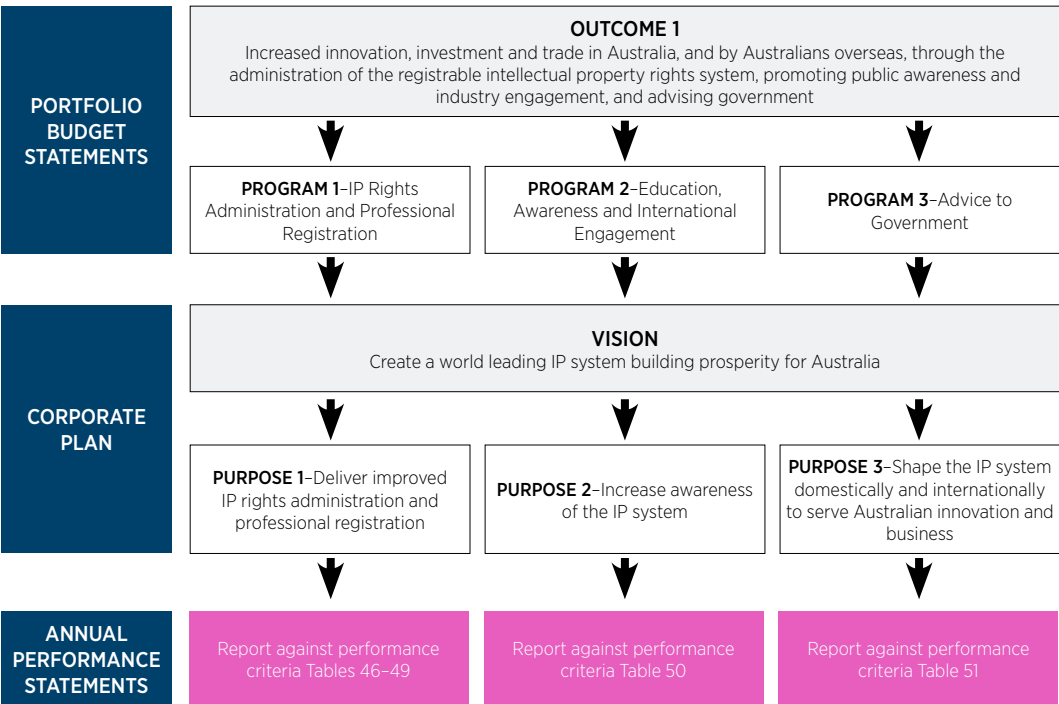
- Operational excellence—high performing core business and internal operations
- Service excellence—high performing customer services that support our core business
- Value add—our expertise is leveraged to deliver value to the Australian IP system and broader economy.

Performance reporting structure

IP Australia’s Annual Performance Statements assess and report on the entity’s performance in 2017-18 against the performance criteria set out in the 2017-18 Portfolio Budget Statements and 2017-18 Corporate Plan.

Figure 8 provides an outline of the performance reporting structures set out in the 2017-18 Portfolio Budget Statements and 2017-18 Corporate Plan, and shows how their performance criteria are addressed in the Annual Performance Statements.

Figure 8: Relationships between the Portfolio Budget Statements, Corporate Plan and Annual Performance Statements for 2017-18



## Program 1: IP rights administration and professional registration

Related purposes	Deliver improved IP rights administration and professional registration <sup>1,2</sup>
Related objectives	<p>IP Australia will deliver robust IP rights and satisfy its customers in terms of timeliness and value for money. 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 grants.<sup>1</sup></p> <p>IP Australia will successfully undertake its functions associated with persons wishing to qualify for registration as Patents and/or Trade Marks Attorneys and will provide effective secretariat support to the Trans-Tasman IP Attorneys Board.<sup>1</sup></p> <p>High performing core business and internal operations<sup>2</sup></p>

1 Source: 2017–18 Portfolio Budget Statements.

2 Source: 2017–18 Corporate Plan.

Achieving this purpose involves the delivery of improved IP rights administration and professional registration. By operating as a sustainable, cost-effective business and an efficient administrator to issue IP rights and professional registration for customers and stakeholders, IP Australia ensures that Australians benefit from great ideas.

The IP administration and professional registration program encompasses the administration of patent, trade mark, design and plant breeder's IP rights legislation. Under legislative requirements, customers pay fees to IP Australia to receive and to retain rights once granted. This program also includes the administration of the Trans-Tasman IP Attorneys Board and the Trans-Tasman IP Attorneys Disciplinary Tribunal.

### Main achievements

IP Australia's key achievements in 2017–18 included:

- transitioning the quality management system certification from ISO 9001:2008 to ISO 9001:2015. The certification was also expanded to cover ICT functions
- implementing phase 1 of the Data Governance Project as part of the Data Matters Strategy, a major long-term initiative that aims to improve IP Australia's data and make the right data available to those who need it, anywhere and anytime
- updating the Customer Service Charter commitments in response to stakeholder feedback, to provide customers and stakeholders with more transparency around the operations of IP Australia
- implementing the new Trans-Tasman attorney regime, with five meetings of the Trans-Tasman IP Attorneys Board held and reports provided to the relevant Australian and New Zealand ministers
- reviewing the Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys and registering a revised code
- securing long-term accommodation for IP Australia at Discovery House in Canberra, and upgrading the base building to meet codes, standards and Commonwealth regulatory requirements
- implementing a trade marks search and research dashboard for examination staff, to improve the quality and timeliness of examining trade mark applications
- implementing new tools to assist stakeholders with IP rights management and enhance the customer experience, including by
  - improving online services through the Portfolio View initiative
  - enhancing IP Australia's virtual assistant, Alex
  - providing more customer-centric correspondence on IP rights.

## Performance criteria and results

*Table 46: Program 1—IP rights administration and professional registration*

<b>Intended results of Program 1</b> <ul style="list-style-type: none"> <li>Continuous improvement in quality across our IP Rights administration and professional registration services and adherence to service commitments</li> <li>A sustainable and cost-effective business model</li> <li>Staff satisfaction with supporting and enabling services, and the way we work together across the agency.<sup>1</sup></li> </ul>		
Performance criterion	Target	Result
Overall customer satisfaction with IP Australia as an agency <sup>1</sup>	85%+ overall customer satisfaction with IP Australia as an agency maintained in the annual customer satisfaction survey <sup>1</sup>	85% of customers surveyed in the annual customer satisfaction survey indicated that they were satisfied with IP Australia as an agency.
Effective and efficient trans-Tasman attorney registration <sup>1</sup>	Meet or exceed all legislative commitments <sup>1</sup>	100% of applications for trans-Tasman attorney registration were processed within the internal measure of 15 working days of being assessed as ready to proceed to registration.
ISO 9001 quality certification in relevant business areas <sup>1</sup>	Current ISO certification extended to ICT areas <sup>1</sup>	<p>IP Australia continued to demonstrate a strong commitment to quality outcomes with the transition of quality certification to the latest version of the standard, ISO 9001:2015, and the expansion of the quality management system to cover ICT deliverables.</p> <p>IP Australia conducted an internal management review and an external certification audit of its quality management system during 2017-18. Both investigations demonstrated that the system continues to support the efficient and effective operations of IP Australia.</p>
Compliance with Digital Continuity 2020 <sup>1</sup>	Compliant with Digital Continuity 2020 <sup>1</sup>	IP Australia maintained compliance with the Australian Government's Digital Continuity 2020 Policy, meeting targets for continuously improving governance and management of data and information. Key achievements included the appointment of an information governance officer, the establishment of a data governance framework, and the identification of all high-value data assets (including a risk assessment against those assets).
Internal systems availability <sup>1</sup>	99.5%+ internal systems availability during business hours <sup>1</sup>	IP Australia achieved 99.9% internal systems availability during business hours.
Financial and production targets in Portfolio Budget Statements (PBS) are met <sup>1</sup>	PBS estimates met <sup>1</sup>	IP Australia ended 2017-18 with a surplus of \$1.9 million compared with an approved forecast operating loss of \$4.9 million.

**Intended results of Program 1**

- Continuous improvement in quality across our IP Rights administration and professional registration services and adherence to service commitments
- A sustainable and cost-effective business model
- Staff satisfaction with supporting and enabling services, and the way we work together across the agency.<sup>1</sup>

Performance criterion	Target	Result
Staff satisfaction with flexible working opportunities available <sup>1</sup>	85%+ overall staff satisfaction with flexible working opportunities <sup>1</sup>	92% of staff surveyed in the State of the Service survey were satisfied with IP Australia's flexible working opportunities.
Accommodation refit improves staff amenity, satisfies Government requirements and enhances business outcomes <sup>1</sup>	Commence refurbishment pending Government approvals <sup>1</sup>	<p>IP Australia's accommodation refresh project will create an efficient, adaptable and sustainable workplace designed to support flexible work practices, provide a childcare facility, and achieve the whole-of-government target for occupied work point density of 14 square meters per person.</p> <p>In September 2017, the Parliamentary Standing Committee on Public Works approved IP Australia's submission to undertake this work at Discovery House. Building works commenced in June 2018. Construction activities are scheduled to continue through to early 2020.</p>

<sup>1</sup> Source: 2017-18 Corporate Plan.

<sup>2</sup> Source: 2017-18 Portfolio Budget Statements.

The performance criteria and targets that define our commitment to delivering high-quality products and services are set out in our Portfolio Budget Statement (PBS) and Corporate Plan. The metrics IP Australia uses to achieve these targets are detailed in our Customer Service Charter, as referenced in the PBS and Corporate Plan. Table 47 details IP Australia's performance against the targets and metrics.

*Table 47: Program 1—IP rights quality and timeliness administration*

Performance criterion	Target	Metrics to achieve target <sup>3</sup>	Result
Identified Acceptable Quality Levels (AQL) for IP rights search and examination <sup>1</sup>  Processing of IP Rights applications is conducted in accordance with IP Australia's quality standards <sup>2</sup>	Meet or exceed all AQL commitments <sup>1</sup>  All IP Rights applications are processed within the undertakings set out in the Customer Service Charter which is reviewed and set in consultation with stakeholders <sup>2</sup>	Tier 1—93.5% of cases conforming to the product quality standard	Patents—96.2% Plant breeder's rights—100% Trade marks—93.9% Designs—100%
		Tier 2—90% of cases conforming to the product quality standard	Patents—96% Plant breeder's rights—100% Trade marks—95% Designs—92%
		Tier 3—85% of cases conforming to the product quality standard	Patents—86% Plant breeder's rights—100% Trade marks—96% Designs—92%
Customer Service Charter (CSC) and legislative commitments <sup>1</sup>  Timely processing of IP Rights applications <sup>2</sup>	Meet or exceed all CSC and legislative commitments <sup>1</sup>  All IP Rights applications are processed within the average timeframes of the Customer Service Charter <sup>2</sup>	<b>Patents</b>	
		85% of applications for standard patents will be examined and a first report issued within 12 months of receiving the request for examination	87% of applications for standard patents were examined and a first report issued within 12 months.
		85% of innovation patents will be examined and a first report issued within eight weeks of receiving the request for examination or publication	87% of innovation patents were examined and a first report issued within eight weeks.
		85% of applications for standard patents will be examined and a first report issued within eight weeks of receiving a request for expedited examination	88% of standard patents were examined and a first report issued within eight weeks of receiving a request for expedited examination.

Performance criterion	Target	Metrics to achieve target <sup>3</sup>	Result
		85% of international search reports will be issued within ten weeks of receiving the search copy of the international application unless the application is for more than one invention	<p>73% of international search reports were issued within 10 weeks. In the interest of good service we have improved timeliness metrics to a new, more customer-centric metric (compliance rate vs average time). Reporting has been updated to catch up with that change. Compliance against this new customer-centric metric requires a higher standard of work for examination staff, which has resulted in non-compliance at this time. Management is closely monitoring the performance against the new metrics and processes are being adapted to suit the new metrics.</p> <p>Please refer to the analysis of performance for further information.</p>

Performance criterion	Target	Metrics to achieve target <sup>3</sup>	Result
		85% of international-type search reports for patents will be issued within six weeks of receiving the request for the search, unless the search request covers more than one invention, or the applicant is asked to supply a written search statement	71% of international-type search reports were issued within six weeks. In the interest of good service we have improved timeliness metrics to a new, more customer-centric metric (compliance rate vs average time). Reporting has been updated to catch up with that change. Compliance against this new customer-centric metric requires a higher standard of work for examination staff, which has resulted in non-compliance at this time. Management is closely monitoring the performance against the new metrics and processes are being adapted to suit the new metrics.  Please refer to the analysis of performance for further information.
		85% of standard patents will be granted within four weeks after the opposition period has expired, provided no one has opposed the application and any applicable fees have been paid	99.6% of standard patents were granted within four weeks.
		85% of innovation patents will be granted, provided the applicant has paid the fee and complied with the formalities, within four weeks of the application being lodged	96% of innovation patents were granted within four weeks.
		<b>Plant breeder's rights</b>	
		85% of applications for plant breeder's rights will have initial examinations conducted within eight weeks of receiving the application	100% of initial examinations were conducted within eight weeks.
		85% of plant breeder's rights will be registered within 10 working days, being satisfied that all criteria for registration have been met	100% of plant breeder's rights were registered within 10 working days.

Performance criterion	Target	Metrics to achieve target <sup>3</sup>	Result
<b>Trade marks</b>			
		85% of trade mark applications will be examined and issued with a report within 13 weeks of receiving the application	48% of examination reports were examined and issued within 13 weeks. The backlog of trade mark applications continues to remain higher than anticipated. Mitigation strategies such as overtime and forward recruitment remain in place. The decrease in compliance is anticipated to continue through 2018-19. Customers have been notified of this delay through various communication channels.  Please refer to the analysis of performance for further information.
		85% of TM Headstart requests will be responded to within five working days of their submission	100% of TM Headstart requests were responded to within five working days.
		85% of trade marks will be registered within 10 working days after the opposition period has expired if no one has opposed the application and all applicable fees have been paid	100% of trade marks were registered within 10 working days.
<b>Designs</b>			
		85% of registered designs will be examined and issued with a report within 13 weeks of receiving the request for examination	95.6% of examination reports were issued within 13 weeks.
		85% of design applications will undergo formality checks within eight weeks of receiving a request for registration.	99.7% of applications underwent formality checks within eight weeks.
		85% of designs will be registered within 20 working days of compliance with the formalities check	100% of designs were registered within 20 working days.



Performance criterion	Target	Metrics to achieve target <sup>3</sup>	Result
<b>All IP rights</b>			
		85% of correspondence relating to the examination of your application will be issued within 20 working days of receiving the correspondence	<p>83% of patents correspondence was responded to within 20 working days. In the interest of good service we have improved timeliness metrics to a new, more customer-centric metric (compliance rate vs average time). Reporting has been updated to catch up with that change. Compliance against this new customer-centric metric requires a higher standard of work for examination staff, which has resulted in non-compliance at this time. Management is closely monitoring the performance against the new metrics and processes are being adapted to suit the new metrics.</p> <p>100% of plant breeder's rights correspondence was responded to within 20 working days.</p> <p>89% of trade marks correspondence was responded to within 20 working days.</p> <p>98% of designs correspondence was responded to within 20 working days.</p>
		85% of decisions will be issued within 13 weeks of being heard, unless we receive further submissions or evidence	<p>60% of patents hearings decisions were issued within 13 weeks. Low compliance was caused by case complexity and the high workload of individual hearing officers. To mitigate this, additional hearing officers are being trained and several retired employees have been brought back on contracts.</p> <p>81% of trade marks hearing decisions were issued within 13 weeks. The target was not met due to delays arising from unplanned staff leave early in the financial year.</p> <p>100% of designs hearing decisions were issued within 13 weeks.</p>

1 Source: 2017-18 Corporate Plan.

2 Source: 2017-18 Portfolio Budget Statements.

3 Source: 2017-18 quality and timeliness metrics from IP Australia's Customer Service Charter ([www.ipaustralia.gov.au/about-us/doing-business-us/customer-service-charter](http://www.ipaustralia.gov.au/about-us/doing-business-us/customer-service-charter)).

Each year IP Australia forecasts the expected demand for our services based on historical application trends. This information is used to determine the workforce profile and capacity needed to meet our Customer Service Charter requirements in line with our cost-recovery framework. Table 48 reports actual performance against the estimated demand and supply of examination and registration services for the year.

*Table 48: Program 1—results for deliverables*

<b>Deliverable<sup>1</sup></b>	<b>Estimated</b>	<b>Actual</b>
<b>Receipt of Applications</b>		
Patents	30 688	31 759
Plant breeder's rights	350	340
Patent Cooperation Treaty	2908	3247
Trade marks	138 152	144 427
Designs	7421	7658
Trans-Tasman IP Attorneys Board	115	132
<b>Examination services</b>		
Patents	28 640	22 705
Plant breeder's rights	350	325
Trade marks	76 498	69 162
Designs	1285	1326
<b>Registration service</b>		
Trans-Tasman IP Attorneys Board	1386	1559

<sup>1</sup> Performance measures set out in the 2017–18 Corporate Plan.

IP Australia is a cost recovery agency with fees set under IP rights legislation in accordance with the government's Cost Recovery Guidelines. With the exception of an annual appropriation of \$0.4 million to cover ministerial services, all IP Australia's costs are covered by revenue generated through customer fees. The table below reports actual performance against the estimated cost per unit for each of IP Australia's five IP rights products for the 2017–18 budget year as listed in the Corporate Plan at the beginning of the financial year.

Table 49: Results for cost per unit

IP Right <sup>1</sup>	Average cost per unit	
	Estimated	Actual
Per examination		
Patents	\$4526	\$5833
Per examination		
Trade marks	\$922	\$1022
Per examination		
Designs	\$3778	\$3891
Per examination		
Plant breeder's rights	\$6113	\$7304
Per registration		
Trans-Tasman IP Attorneys Board	\$566	\$459

1 Performance measures set out in the 2017-18 Corporate Plan.

IP Australia's overall 2017-18 expenses increased by \$3.4 million (1.6%) from the estimated PBS 2017-18 estimate. The increase is predominantly due to increased supplier costs associated with the delivery of key organisational initiatives in support of Government's innovation agenda.

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 more than 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.

In June 2018, the Executive Board was presented with the fourth evaluation report. 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 107 weeks in 2017) and trade marks (where average time declined from 120 weeks in 2013 to 86 weeks in 2017). The average number of cases that requested an extension of time for filing evidence also significantly decreased, from 202 per quarter in 2012 to four per quarter in 2017 for patents; and from 800 per quarter in 2012 to 33 per quarter in 2017 for trade marks.

## Analysis of performance

During 2017-18, IP Australia revised its Customer Service Charter commitments in response to stakeholder feedback. In the IP Rights Division, this resulted in a more customer-focused approach based on percentage compliance. Compliance rates will be a continual focus for improvement in 2018-19. Enhanced operational reporting will allow the division to track individual applications more robustly and to intervene earlier when issues arise. In the Innovation and Technology Group, the revision of the charter resulted in new commitments for digital services to ensure that customers are able to access online services at any time.

Non-compliance for trade mark application timeliness is largely due to staff turn-over and higher than expected demand for trade mark applications. In particular, applications from China have more than doubled over the past 12 months. Mitigation strategies have been put in place to address the back log of applications which include an organisational restructure to rebalance workload, planned recruitment of an additional 40 examiners in 2018-19 and increased access to overtime. It is anticipated that the decrease in compliance will continue through 2018-19 until the new examiners are fully trained, which takes two years from initial recruitment.

The patents production shortfall and non-compliance with some performance targets is largely attributed to a change in work profile and reduced staff capacity.

To provide more improvements in quality, consistent with the needs of IP Australia's customers, the IP Rights Division formed the Examination Excellence working group, whose role is to review current product quality and deliver initiatives to improve that quality. This body of work includes a focus on the role of automation, artificial intelligence and machine learning in improving the quality of our examination output. During 2017-18:

- Both Patents Groups reviewed patent law on manner of manufacture, in the particularly contentious area of business methods and computer-implemented inventions. This resulted in the creation of a new section that specialises in such technologies and the provision of specialist training to examiners.
- The Trade Marks and Designs Group created a framework and measures for examiners to improve the way applications are examined. By working to address the delays associated with higher than expected numbers of applications in 2017-18, these initiatives seek to improve examination quality and timeliness. The focus on reducing delays while maintaining quality puts the customer at the forefront of this major project.

IP Australia conducted a review of performance-setting and incentive arrangements in the IP Rights Division. Review objectives included the development of a performance-setting framework for examiners that supports the efficient delivery of the entity's objectives, and the development of contemporary incentives that seek to motivate examination staff and support the performance-setting framework.

The review is broken into several work streams, including an investigation of comparable international agencies, a review of the work value framework and work measurement, and a global study of current best practice for performance setting and incentives. These work streams formed the basis of a report that presented options for measuring and rewarding employee effort in the IP Rights Division.

To date, the review has identified initiatives to improve examination quality, and indicative timeframes against the project initiatives have been created. A detailed performance framework is under development. Trials to test and validate the framework will take place in 2018-19.

In February 2017 the governments of Australia and New Zealand established a joint registration system for patent attorneys. This new registration system required the Trans-Tasman IP Attorney Board to review the Code of Conduct and make any appropriate amendments within one year

of the date of effect of the joint arrangement. The board conducted that review during 2017–18 and released the Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys 2018, along with Guidelines to the Code of Conduct 2018, commencing on 23 February 2018. Further information is available on the board’s website at [www.ttipattorney.gov.au/code-conduct-review](http://www.ttipattorney.gov.au/code-conduct-review).

IP Australia progressed the Future Way of Working Program, which will transform the way employees work across IP Australia. The program will encourage an activity-based approach to working, by transforming physical work environments, technology, tools, systems and policies. The new working environment will offer employees a choice of settings designed to support different workplace activities. This approach enables people to balance their work and their lives providing opportunities to adopt more flexible work patterns, while still meeting the agreed performance expectations of the entity.

The Future Way of Working Program will coordinate a number of projects that together will deliver beneficial outcomes for IP Australia’s employees. For example, the People Project and the Flexible ICT Project will provide staff with greater work flexibility; and office upgrades, scheduled for completion in 2020, will meet government occupational density requirements and improve staff amenities.

**Program 2: Education, awareness and international engagement**

Related purposes	Increase awareness of the IP system <sup>1,2</sup>
	Shape the IP system domestically and internationally to serve Australian innovation and business <sup>1</sup>
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 <sup>1</sup>
	IP Australia will influence the development of effective intellectual property systems in line with Australia’s interests <sup>1</sup>
	High performing customer services that support our core business <sup>2</sup>
	Our expertise is leveraged to deliver value to the Australian IP system and broader economy <sup>2</sup>

1 Source: 2017–18 Portfolio Budget Statements.

2 Source: 2017–18 Corporate Plan.

Achieving this purpose involves engaging effectively with customers and stakeholders, domestically and internationally. By providing appropriate advice and systems to support effective engagement, IP Australia fulfils the role of raising awareness and educating customers about intellectual property, and engaging with key international stakeholders and IP bodies. Success includes the delivery of public education and awareness programs that promote the importance of IP and provide Australians with the tools they require to make informed decisions regarding IP. Internationally, IP Australia proactively manages engagement activities to support its customers and further Australia’s interests by contributing to capacity building.

## Main achievements

IP Australia's key achievements in 2017-18 included:

- assisting the IP offices of member states of the Association of Southeast Asian Nations and African nations to develop and implement their own competency-based training programs for new patent examiners, through the Regional Patent Examination Training Program
- delivering a range of workshops to educate and promote the value of IP protection among the start-up community, with an increased focus on online delivery to encourage engagement
- IP Australia has successfully implemented initiatives aimed at expanding the user base and reach of the Source IP platform including
  - collaborating with CSIRO to launch the Data 61+ Expert Connect Innovation Challenge Platform, designed to facilitate greater collaboration between the business and research communities, in April 2018
  - entering into a memorandum of understanding with the Danish Patent and Trademark Office to facilitate collaboration between Australia's Source IP and the Danish IP marketplace, and exploring the potential of a similar collaboration with the Hong Kong Trade Development Council and the Canadian Intellectual Property Office.
- releasing Trade Mark Assist to help small businesses and self-filers prepare trade mark applications.

## Performance criteria and results

*Table 50: Program 2—Education, awareness and international engagement*

<b>Intended results of Program 2</b> <ul style="list-style-type: none"> <li>• Improved public education and awareness of the IP rights system and the support our organisation provides</li> <li>• Better tools to support user-engagement</li> <li>• High customer satisfaction with our externally facing services (e-services, website, payment pathways etc)</li> <li>• Adherence to service commitments relating to external support services</li> <li>• Strong domestic and international partnerships.<sup>1</sup></li> </ul>		
Performance criterion	Target	Result
Customer satisfaction with public education, awareness and information products <sup>1,2</sup>	85%+ of stakeholders accessing our public education, awareness and information products are satisfied <sup>1</sup>  90% of customers were satisfied with IP Australia's education and awareness services <sup>2</sup>	Evaluations of the workshop/webinar series for small and medium businesses showed that 88% of attendees surveyed were satisfied with the event. Participants noted high levels of engagement and relevant content and said they would recommend workshops to others.
Customer satisfaction with the quality of tools to support user accessibility <sup>1</sup>	85%+ of customers are satisfied with the quality of tools to support self-service <sup>1</sup>	87% of customers were satisfied with the quality of tools to support user accessibility.
Customer Service Charter (CSC) commitments for external support services <sup>1</sup>	Meet or exceed all CSC commitments for external support services <sup>1</sup>	Our commitment to notifying customers of planned outages within four days was met 100% of the time.  Online lodgement services were available 99.9% of the time during business hours and 99.9% of the time after hours.

**Intended results of Program 2**

- Improved public education and awareness of the IP rights system and the support our organisation provides
- Better tools to support user-engagement
- High customer satisfaction with our externally facing services (e-services, website, payment pathways etc)
- Adherence to service commitments relating to external support services
- Strong domestic and international partnerships.<sup>1</sup>

Performance criterion	Target	Result
Use of customer intelligence information <sup>1</sup>	Customer intelligence contributes to positive business reform <sup>1</sup>	Customer intelligence data is used to inform ongoing business improvement at IP Australia. This year IP Australia used customer data to improve Alex, the website virtual assistant, and to support Trade Mark Assist and ongoing enhancement of our transactional channels. The data also supported the implementation of the Portfolio View in IP Australia's online services, the IP Folio mobile app, which assists with tracking IP rights registration processes, and the Transactional Digital Services program, which will provide updated interfaces for client transactions. A number of those projects arose in response to feedback received from major clients.
External information system compliance with Web Content Accessibility Guidelines (WCAG) <sup>1</sup>	Compliant with WCAG <sup>1</sup>	In 2017–18, IP Australia introduced two new external information systems, TM Assist and TM Search. Both these systems were given level AA compliance ratings against WCAG.
Customer satisfaction with the reliability of externally facing ICT systems <sup>1</sup>	85%+ of customers are satisfied with the reliability of externally facing ICT systems <sup>1</sup>	87% of customers were satisfied with the reliability of externally facing ICT systems.
Customer satisfaction with our staff <sup>1</sup>	85%+ of customers are satisfied with our staff <sup>1</sup>	88% of customers surveyed in the annual customer satisfaction survey indicated that they were satisfied with IP Australia staff.
Work with regional IP partners to strengthen patent examination competence of participating IP offices <sup>2</sup>	90% of participating patent examiners achieve within the program timeline a standard of competence necessary to produce a quality search and examination using Patent Cooperation Treaty (PCT) examination guidelines <sup>2</sup>	100% of participants achieved certification to PCT level within the program timeframes.

<sup>1</sup> Source: 2017–18 Corporate Plan.

<sup>2</sup> Source: 2017–18 Portfolio Budget Statements.

### Case study: Trade Mark Assist

In May 2018, in a world first for a national IP office, IP Australia launched Trade Mark Assist ([assist.ipaustralia.gov.au/trademarks](https://assist.ipaustralia.gov.au/trademarks)). Trade Mark Assist is a web technology that guides small businesses and unrepresented applicants through the initial stages of the trade mark application process. Trade Mark Assist helps users to explore their proposed trade mark, identify relevant goods or services, search existing trade marks, and begin the application. In a few easy steps, Trade Mark Assist makes the process of protecting their brand more efficient for any business.

The new assistant helps businesses to make better decisions early in the application process and reduces common application errors. Identifying the right goods and/or services for a trade mark has traditionally been an area of confusion for customers. Trade Mark Assist uses machine learning algorithms to educate customers in selecting the most appropriate goods and services for their trade mark. The platform also provides tailored information, which aims to increase customer satisfaction with IP Australia and usage of the IP system.

Simplifying the trade mark application process for customers is an area of continual focus for IP Australia. Trade mark filings numbered over 76 000 in 2017, heavily outweighing all other IP rights filed in Australia. Trade Mark Assist is the result of IP Australia's exploration into cognitive computing and demonstrates how IP Australia is embracing advanced technologies to improve customer service and provide leading-edge tools to our staff.

### Analysis of performance

IP Australia seeks regular customer feedback to gauge the effectiveness of public awareness and education activities. This includes analysis of website traffic and responses to workshops and webinars designed to support small business and small and medium-sized enterprises to make informed decisions about their IP. IP Australia regularly evaluates these products to ensure they remain relevant and useful. In 2017-18, evaluation results showed an 88 per cent satisfaction level with our public education, awareness and information products. Online content on the website was also well received, with 3 953 745 unique visits in 2017-18, an increase of 6 percentage points compared to the 2016-17 figure.

Since 2014, IP Australia has been supporting the Regional Patent Examination Training program by providing modern, comprehensive and intensive competency-based online training and assessment to patent examiners from the Association of Southeast Asian Nations and African nations. The program was completed in 2017-18, with the final student graduating in June 2018. It was successful in generating a new program of work that builds capacity and self-sufficiency in IP offices by allowing them to build and deliver their own tailored training and assessment programs.

In 2017-18, IP Australia delivered new functionality in e-services to enable customers to submit 3D models for new and existing design applications. This feature was designed to future proof our designs application systems and processes by ensuring that IP Australia will be able to handle new technology types and formats that industry uses to create IP.



Program 3: Advice to government

Related purposes	Shape the IP system domestically and internationally to serve Australian innovation and business <sup>1,2</sup>
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 <sup>1</sup> Our expertise is leveraged to deliver value to the Australian IP system and broader economy <sup>2</sup>

1 Source: 2017–18 Portfolio Budget Statements.

2 Source: 2017–18 Corporate Plan.

Achieving this purpose involves making effective use of skills and knowledge to deliver value to the Australian community, at home and abroad. IP Australia’s role is to shape the IP system domestically and internationally to serve Australian innovation and business. Success involves providing advice to government on intellectual property matters and supporting research into the current and future use of IP rights. Under the policy and legislative objectives of this program, IP Australia will provide policy advice across government and internationally.

Main achievements

IP Australia's key achievements in 2017-18 included:

- providing advice on the drafting of the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Matters) Bill 2018, which was passed in the House of Representatives on 27 June 2018
- finalising, and consulting the public on, options to address issues around compulsory licensing, to introduce divisional applications for international trade marks, and to implement a second tranche of recommendations from the government response to the Productivity Commission inquiry into Australia's IP arrangements
- publishing the Policy Register on IP Australia's website, to enhance public participation in government decision-making, consistent with the Australian Government's Open Government National Action Plan
- publishing the discussion paper *Indigenous knowledge: issues for protection and management*, to explore relationships between IP issues, cultural heritage and economic empowerment
- providing ongoing communication and media support to IP Australia's IP Counsellor to China, including development and rollout of content packages and events to support Australian businesses seeking information about exporting to China
- deploying TM-Link, a world-first online platform linking trade marks data across countries and providing analytical tools to assist Australian businesses that file trade marks abroad with global research into brand behaviour, trends, and patterns
- delivering the inaugural IP Summit, Launch to Export: Take your ideas global, in Sydney on 1 May and Melbourne on 8 May 2018, supporting startups and small businesses to grow and become globally competitive.

## Performance criteria and results

Table 51: Program 3—Advice to government

<b>Intended results of Program 3</b> <ul style="list-style-type: none"> <li>• Provision of high quality advice to government</li> <li>• Strong domestic and international partnerships</li> <li>• High customer satisfaction with services designed to facilitate the use of IP</li> <li>• Maximising access and use of our data.</li> </ul>		
Performance criteria	Target	Result
Utility of value-added services to customers <sup>1</sup>	Assess utility of value-added services, and benchmark result <sup>1</sup>	<p>IP Australia established an approach for an evaluation program in 2017–18 to assess the utility of key value-added services, in line with the strategies in the entity's Corporate Plan. In 2017–18, the activities evaluated were:</p> <ul style="list-style-type: none"> <li>• IP Counsellor to China</li> <li>• Patent Analytics Hub,</li> <li>• IP Mediation Referral Service</li> <li>• IP Summit.</li> </ul> <p>The results of the evaluations will form the benchmark for future reporting and performance assessment. IP Australia will aim to maintain or improve on results from the previous year, benchmark new initiatives, and use feedback to improve future service offerings.</p> <p>The results of the evaluation of the IP Counsellor to China position found it to be a success against its intended goals, representing a significant step in IP Australia's efforts to support Australian businesses that operate or seek to operate in China to protect and extract value from their IP in overseas markets. The position will be extended to December 2020.</p> <p>The evaluation of IP Australia's Patent Analytics Hub found that the hub's analytics reports are well received by customers. From 1 July 2018, the hub will become a permanent section in the Policy and Governance Group, staffed by full-time analysts on 12-month rotations from IP Australia's patent examination groups.</p> <p>The IP Mediation Referral Service, which assists small and medium enterprises to access private sector alternative dispute resolution services, was extended to increase the number of qualified, accredited and specialist mediation providers listed on the service.</p> <p>IP Australia provided value by delivering the inaugural IP Summit, which supported small and medium enterprises by helping them to understand more about the importance of IP in growing a business. The event was well received, with 90% of attendees surveyed satisfied with the event.</p>
Effective stakeholder consultation and development of legislative amendments <sup>1</sup>	Progress consultation aimed at legislative amendments <sup>1</sup>	IP Australia met its targets in relation to consultation and legislative amendments, except in one case when the introduction of a Bill to parliament was delayed due to external factors.

**Intended results of Program 3**

- Provision of high quality advice to government
- Strong domestic and international partnerships
- High customer satisfaction with services designed to facilitate the use of IP
- Maximising access and use of our data.

Performance criteria	Target	Result
Advice is sound, timely and evidence based <sup>1</sup> Advice to the government on policy, legislation, ministerial correspondence, briefs and speeches <sup>2</sup>	Advice provided is in line with the government requirements <sup>1</sup> Provision of high-quality, timely and strategic policy advice to the Minister <sup>2</sup>	IP Australia provided advice and representation to the interdepartmental IP Policy Group as required. The group was created in August 2017 as a result of the government response to a Productivity Commission inquiry into IP arrangements.  IP Australia consistently delivered advice on time, including briefings to the Minister and Assistant Minister on policy and legislation issues: 141 ministerial briefs and replies were prepared, along with 306 responses to departmental requests.
Constructive engagement with the World Intellectual Property Organization (WIPO) and international IP offices <sup>1</sup>	Contribute to international engagement and trade facilitation agenda <sup>1</sup>	IP Australia progressed all international engagement activities as planned, including: <ul style="list-style-type: none"><li>• multilateral discussions and collaboration with WIPO under the Australia Funds-in-Trust for Intellectual Property project, including delivery of a side event at the WIPO General Assemblies in 2017</li><li>• the development of online training modules on the Madrid Protocol for registering and managing trade marks in collaboration with WIPO</li><li>• capacity building and collaboration with Association of Southeast Asian Nations (ASEAN) countries under the ASEAN – Australia – New Zealand Fair Trade Agreement, and new MOUs and workplans with the European Union Intellectual Property Office, the European Patent Office, the State Intellectual Property Office of China, and the Government of Chile</li><li>• Work to extend IP Australia's status as an International Search Authority through WIPO for patents. This involved two treaty processes—the minor treaty process was completed and the full treaty process commenced.</li></ul>
Contribution to development of trade agreements <sup>1</sup>		IP Australia contributed to negotiation of IP issues in free trade agreements, including with the Regional Comprehensive Economic Partnership, the Pacific Alliance Free Trade Agreement, the Australia-Hong Kong Free Trade Agreement, the Peru-Australia Free Trade Agreement, the Indonesia-Australia Comprehensive Economic Partnership Agreement, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

**Intended results of Program 3**

- Provision of high quality advice to government
- Strong domestic and international partnerships
- High customer satisfaction with services designed to facilitate the use of IP
- Maximising access and use of our data.

Performance criteria	Target	Result
Compliance with PM&C Open Data Policy <sup>1</sup>	Compliant with PM&C Open Data Policy <sup>1</sup>	IP Australia maintained compliance with the PM&C Open Data Policy in 2017–18. Continued improvement of IP Australia's open data enabled research, analysis and the development of applications that use IP data. Improved Australian Business Number matching was added to IP Australia's IP Government Open Data (IPGOD) dataset, greatly improving results for users wishing to track investment and innovation. IP Australia improved the production mechanisms behind IPGOD, adding metadata and information guidance to assist users to understand the data. Additionally, IP Australia released a new dataset that included constructed patent data linked with Department of Health public Pharmaceutical Benefits Scheme data and a trade mark geo-term database.
Effective management and use of data holdings <sup>1</sup>		IP Australia improved the management and use of data holdings across the data life cycle. This work included developing a data quality framework and processes, and agreeing on metadata principles for sourcing data.  On the data usage side, IP Australia completed the procurement and started the implementation of a new modern data and analytics platform. The first stage of the platform was released in June 2018.
IP Australia data literacy results from the State of the Service <sup>1</sup>	IP Australia's results for data literacy are in line with comparable Australian Public Service (APS) agencies <sup>1</sup>	IP Australia's results for data literacy from the State of the Service are in line with those of comparable APS agencies. In 2017–18 IP Australia conducted a competency assessment of data literacy and data analytical abilities under the direction of IP Australia's Chief Data Officer to inform learning and development priorities for the entity. These initiatives, designed to improve IP Australia's data literacy capabilities, will be rolled out from 2018–19 and are in line with the entity's Data Matters Strategy and the APS direction for data literacy championed by the Digital Transformation Agency. Data literacy levels will be monitored internally throughout the year to provide an indication of effectiveness.
IP Australia innovation results from the State of the Service <sup>1</sup>	IP Australia's results for innovation are in line with comparable APS agencies <sup>1</sup>	IP Australia's result for innovation in the 2017–18 State of the Service (Innovation Index Score) was 65%. This is in line with comparable APS agencies, with a +2% variance from large operational agencies recorded. This result also reflects a +2% improvement on 2016–17 results.

1. Source: 2017–18 Corporate Plan.

2. Source: 2017–18 Portfolio Budget Statements.

**Case study: IP Counsellor to China**

China is Australia's largest trading partner and largest export market. However, many Australians lack confidence to enter the Chinese market, due to concerns over IP. To address those concerns, IP Australia deployed its first overseas-based officer, the Australian IP Counsellor to China, in December 2016.

Based in the Australian Embassy in Beijing, the IP Counsellor helps Australians to protect their IP in China. To date the IP Counsellor has provided assistance in response to over 150 enquiries by providing relevant information and practical guidance based on his experience in China. As a result, Australian businesses operating or seeking to operate in China are more informed when seeking independent legal IP advice.

A key part of the IP Counsellor's role is raising Australians' overall understanding of the Chinese IP system and how they can use it more effectively. The IP Counsellor has developed practical guides and other web resources for Australians, and regularly conducts outreach activities such as public seminars, webinars and targeted briefings.

The IP Counsellor has developed positive relationships and useful networks with Chinese, Australian and other stakeholders, including working collaboratively with other Beijing-based foreign IP attachés to contribute to the development of China's IP system. Those relationships have increased the Australian Government's engagement with China on IP matters, including tracking and providing input on developments in China's IP policy and legal framework.

Prior to the IP Counsellor's deployment, IP Australia established a set of objectives and success criteria for the role. These included supporting Australian businesses to navigate the Chinese IP system and protect their IP rights; contributing to Australia's engagement on Chinese IP policy matters; and building relationships and networks with government and non-government stakeholders in China.

In 2017-18, IP Australia evaluated the position and found it to be a success against its intended goals, representing a significant step in IP Australia's efforts to support Australian businesses that operate or seek to operate in China to protect and extract value from their IP in overseas markets. The position will be extended to December 2020.

### Case study: TM-Link

Existing trade mark databases, whether administered by IP rights offices or supplied by private companies, provide information based only on the country in which the application was filed. IP Australia and Swinburne University of Technology hope to change this, through TM-Link ([www.tmlink.net.au](http://www.tmlink.net.au)), a collaborative effort to produce a single, internationally linked trade mark database.

What sets TM-Link apart from other trade mark databases is the identification of links between trade marks filed in different countries or even within a particular country. The database uses a state-of-the-art neural network algorithm to assign a unique identifier to trade marks. This allows the user to identify equivalent trade marks based on trade mark text, applicant names and registered Nice Agreement classifications (classes). To continually improve the matching accuracy of the neural network, Swinburne University developed a trade mark labelling game ([tmlabeller.tmlink.net.au](http://tmlabeller.tmlink.net.au)) in which interested players are shown pairs of trade mark images, and asked to identify which of those pairs are matched and which are not.

This world-first database will allow researchers to identify how trade marks and brands are used in different markets, opening up the opportunity for global research into brand behaviour, trends, and patterns, as well as new ways to identify and support Australian businesses who file trade marks abroad.

The beta version of the TM-Link database was officially launched by IP Australia's Chief Economist at the IP Statistics for Decision Makers conference held in Mexico in November 2017. Since the launch, IP Australia has received over 150 requests for access to the database, from a range of interested parties—such as brand managers, trade mark attorneys, statisticians and academics—from countries around the world, including Belgium, Canada, Hong Kong, Singapore, Sweden, Switzerland and the United States.

### Analysis of performance

The Patent Analytics Hub helps Australian innovators make the most of their IP by providing analysis, visualisation and interpretation of data in patent documents. In March 2015, IP Australia expanded the hub's range of services to cover government, universities and publicly funded research organisations. In 2017–18, this work program was evaluated. The evaluation found that the hub was providing analytics reports that are well received by customers. From 1 July 2018, the hub will become a permanent section in the Policy and Governance Group, staffed by full-time analysts on 12-month rotations from IP Australia's patent examination groups.

IP Australia held the Understanding Certification Trade Marks for Food forum in Sydney in June 2018. The forum brought together key government agencies and industry peak bodies to discuss the benefits of certification trade marks to business and consumers. Speakers from government and industry discussed how certification trade marks have helped consumers to readily identify the quality and origin of their products. The forum is being complemented with an ongoing digital education and awareness campaign.

In 2017–18, on behalf of the World Intellectual Property Organization (WIPO), the Trade Marks Group developed online training on the Madrid Protocol for use by new or acceding nations. The feedback from WIPO was positive. The project is expected to conclude with modules handed over to WIPO in the first quarter of 2018–19.

The Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Matters) Bill 2018 was introduced into Parliament on 28 March 2018. The Bill includes the first tranche of measures implementing the government response to the Productivity Commission's 2016 inquiry into Australia's IP arrangements, as well as amendments to streamline administrative processes and allow for automated decision-making.

IP Australia also progressed a second Bill, which will implement the remainder of the government response to the Productivity Commission's inquiry, as well as addressing compulsory licensing issues. Consultation on an options paper was completed and IP Australia's response to submissions was published. Drafting of the Bill was also commenced. As a result of the consultation on the options paper, IP Australia intends to develop regulations in order to enable divisional applications for international trade marks to be filed.

IP Australia undertook detailed research and analysis on geographical indications during 2017-18. IP Australia 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 and the Department of Industry, Innovation and Science commissioned Indigenous IP firm Terri Janke and Company to develop a paper exploring the issues that Indigenous people face in protecting their Indigenous knowledge. The paper was published on IP Australia's website in March 2018. IP Australia also partnered with Indigenous advisory firm Inside Policy to develop a consultation strategy and to facilitate consultation with Indigenous stakeholders on potential policy options to enhance the protection of Indigenous knowledge and promote economic opportunities for Indigenous Australians.

The new, long-range International Engagement Strategy 2030 was developed in consultation with internal and external stakeholders, including IP Australia's Executive Board. The draft strategy was accompanied by a background paper that provided a detailed outline and rationale for the priorities and methods needed to achieve the goals of the strategy. The strategy will be delivered via a suite of activities. The Executive Board approved the strategy in June 2018. Initial activities are scheduled to commence in 2019.

Following the success of the Regional Patent Examination Training (RPET) program, IP Australia partnered with regional IP offices from the continent of Africa, Indonesia, Malaysia, the Philippines, Thailand and Vietnam, to assist with the creation of individual competency-based training programs for new patent examiners and improve the capabilities of the offices' in-house trainers. This work builds on the successes delivered as part of the RPET program by moving from the original model, in which IP Australia delivered a large part of the training, to a sustainable model that allows regional offices to develop and deliver their own training programs. Participants can use the content and supporting framework from RPET to tailor and customise a bespoke version for their office, under the guidance of an experienced IP Australia trainer and mentor. WIPO and the ASEAN – Australia – New Zealand Free Trade Agreement Economic Cooperation Support Programme also contributed to this work, providing support and funding to allow the program to continue until the end of 2019. By this time, the participating regional offices will be independently using the full capabilities of their new training programs.

## Financial performance

IP Australia recorded an operating surplus of \$1.9 million for 2017-18 against an initial planned loss of \$4.9 million, as published in the 2017-18 PBS. Revenue from the sale of goods and rendering of services was \$0.2 million (0.1%) above plan. IP Australia has reported other gains of \$10 million relating to the reversal of operating lease payables and incentives from entering into a new 15-year lease agreement. Expenses were \$3.4 million (1.6%) 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

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### Corporate governance

IP Australia's key governing body is the Executive Board. Two program boards have been established to manage two major change programs that are currently being undertaken within IP Australia. In addition, two committees report to the Executive Board in relation to business investment and business operations.

As at 30 June 2018, IP Australia's committee and board structure comprised the following decision-making forums:

- Executive Board—the Executive Board supports the Director General to deliver the strategic and operational outcomes of IP Australia. It considers all issues that affect the strategic direction, corporate governance or performance and reputation of IP Australia
- Business Investment Committee—the Business Investment Committee develops and oversees the Investment Strategy, which aligns directly with IP Australia's Corporate Plan and Strategic Roadmap
- Future Way of Working Program Board—the Future Way of Working Program Board is responsible for managing and ensuring the delivery of a highly flexible working environment connecting people, place and technology
- Rights In One Program Board—the Rights In One Program Board is responsible for overseeing the successful delivery of a significant business transformation and ICT change program to modernise IP Australia's systems
- Business Operations Committee—the Business Operations Committee takes decisions on operational matters and, when its decisions are strategic in nature, provides advice to the Executive Board.



In addition, as required under the *Public Governance, Performance and Accountability Act 2013*, IP Australia's Director General has established an Audit Committee to provide independent advice, support and assistance to the Director General in meeting their duties and obligations as accountable authority.

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

IP Australia has a comprehensive risk management framework, which enables the entity to effectively manage risks in accordance with its risk appetite. IP Australia monitors and reports on risks via a series of risk registers across the entity. The Executive Board and Audit Committee regularly review the risk management framework, including the risk registers.

## Fraud control

IP Australia's fraud control framework is consistent with better practice and provides assurance that the entity's fraud control strategies are robust. As required by the Fraud Rule and the Commonwealth Fraud Control Framework, IP Australia reviews and updates its Fraud Control Plan biennially. The plan details fraud prevention, detection, investigation and reporting procedures. The current plan was reviewed during the year to ensure that it observes the principles of the Commonwealth Fraud Control Framework 2017.

## Compliance with finance law

There were no significant instances of non-compliance with finance law reported to the responsible minister as part of IP Australia's internal compliance reporting process for 2017-18.

## 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 2017-18 is in Appendix C1.

IP Australia appeared before the Senate Economics Legislation Committee for a Budget estimates hearing once in 2017-18, on 5 June 2018. IP Australia also appeared before the following parliamentary committee inquiries:

- Joint Standing Committee on Treaties inquiry into the *Agreement between the Government of Australia and the International Bureau of the World Intellectual Property Organization (WIPO) in relation to the functioning of the Australian Patent Office as an International Searching Authority and International Preliminary Examination Authority under the Patent Cooperation Treaty*, on 18 June 2018
- the House of Representatives Standing Committee on Indigenous Affairs inquiry into the growing presence of inauthentic Aboriginal and Torres Strait Islander style art and craft products and merchandise for sale across Australia, on 2 March 2018
- the Parliamentary Standing Committee on Public Works inquiry into IP Australia Accommodation Project: Building Refresh, Discovery House, Woden, Australian Capital Territory, on 15 September 2017.

On 10 May 2018, the Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Bill 2018 was referred to the Senate Economics Legislation Committee for inquiry and report. The committee released its report on 22 June 2018. The committee unanimously recommended that the Bill be passed and proposed no amendments.

IP Australia was not subject to a decision by the Australian Information Commissioner or a report by the Auditor-General or 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 IP Australia's website ([www.ipaustralia.gov.au/about-us/accountability-and-reporting/freedom-information/information-publication-scheme](http://www.ipaustralia.gov.au/about-us/accountability-and-reporting/freedom-information/information-publication-scheme)).

IP Australia's Office of Legal Counsel completed the Information Publication Scheme Agency Survey (2018), administered by the Office of the Australian Information Commissioner. The survey allowed the Office of Legal Counsel to conduct a review of the operation of the Information Publication Scheme within IP Australia. The results will be used by the Office of the Australian Information Commissioner to develop a national report on the operation of the Information Publication Scheme across government.

## Management of human resources

Significant achievements during 2017-18 included the launch of IP Australia's People Plan and work to develop a strategic workforce plan. To inform that work, IP Australia invested in improving its knowledge of workforce metrics, to inform strategies to best address the challenges of finding, developing and supporting the talent that IP Australia needs.

On 1 July 2017, IP Australia launched a revised onboarding experience for new starters. It enables integration with recruitment processes and better coordination of internal service providers to deliver an improved, seamless experience for new staff joining IP Australia.

IP Australia's systems were upgraded, with the introduction of a new learning management system, LearnHub, which better enables IP Australia to offer, monitor and record learning activities and share and access e-learning modules across the Australian Public Service. Likewise, the implementation of the Protecht Management System provides a more consolidated and efficient reportage of work health and safety (WHS) compliance. The system upgrades are an important foundation as IP Australia moves towards increasing its digital and data assets and intelligence.

A renewed focus on preparing future leaders for strategic roles saw the completion of the first iteration of IP Australia's revised talent management program. The program is an intensive 12-month program that includes industry best practice diagnostic and independent assessment. The program graduates join IP Australia's Talent Alumni for continued career development.

As the pace of change continues to escalate, IP Australia is working to improve its change readiness. This involves supporting and engaging people in the context of the impacts of significant activities, and training staff and managers on active engagement with change in the workplace. There has been steady improvement in IP Australia's change maturity, ensuring that IP Australia has the ability to respond and adapt to changes in the work environment, now and into the future.

IP Australia's efforts to support and educate managers in early intervention practices over the past 12 months have resulted in a significant reduction in IP Australia's Comcare premium. This is a great outcome for IP Australia staff.

IP Australia's workforce information is in Appendix C4.

## Work health and safety

In 2017-18, IP Australia continued to prioritise matters related to WHS and remained committed to providing a healthy and safe working environment for all workers (employees, contractors and others) and visitors. IP Australia has a strong commitment to meeting its obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*.

Since IP Australia commenced construction of the major refit of its Canberra office and planning for the relocation of its Melbourne office workers, there has been a dedicated focus on enhancing the entity's capability for WHS risk management. This will continue into 2018-19, to enable workers to transition to flexible working arrangements and activity-based working environments, consistent with IP Australia's Future Way of Working Program.

The First Aid Officers Committee, the Health and Safety Representative Committee and the WHS Committee continue to facilitate effective communication and consultation on WHS matters.

IP Australia delivered a number of health and wellbeing initiatives, including annual flu vaccinations, annual skin checks, annual health assessments, and awareness campaigns that aligned with broader awareness initiatives such as Mental Health Week, Movember, Women's Health Week and Stress Down Day.

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 IP Australia'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.

One incident during the year was deemed notifiable under section 38 of the *Work Health and Safety Act 2011* and reported to Comcare.

One investigation was 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](http://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](http://www.dss.gov.au)).

IP Australia continues to implement the actions detailed in the AccessAbility Action Plan 2016-2019, and to identify and implement other opportunities and initiatives that support the entity's vision of being a disability confident employer.

## Purchasing

During 2017-18, 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 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](http://www.finance.gov.au)).

## Consultants

During 2017-18, IP Australia entered into 35 new consultancy contracts with a total expenditure of \$3.7 million (GST inclusive), and 13 ongoing consultancy contracts were active during the period with a total expenditure value of \$0.43 million (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](http://www.tenders.gov.au)).

The Director General did not exempt any contract let during 2017-18 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 2017-18 allowed for the Auditor-General to have access to the contractor's premises.

## Grant programs

IP Australia did not administer any grants during 2017-18.

## Advertising and market research

During 2017-18, IP Australia did not pay advertising agencies or marketing, polling or direct mail organisations above the reporting threshold of \$13 200 per payment (GST inclusive).

## Ecologically sustainable development and environmental performance

In 2017–18, IP Australia continued to demonstrate its commitment to minimising the impact of its operations on the environment. Through processes identified in the IP Australia environmental management system, the entity continued to:

- reduce energy consumption and waste
- transition to e-services to reduce paper use
- increase recycling
- promote the efficient use of resources.

The environmental management system maintained certification under ISO 14001:2015.

IP Australia's main office building, Discovery House in Canberra, incorporates a number of energy-efficient design measures, including lighting and 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.

IP Australia continuously monitors its strategies to contribute to sustainable operations and look for potential improvements. The performance of those strategies met expectations in 2017–18.



**CHAPTER FOURTEEN:**

## **IP AUSTRALIA FINANCIAL STATEMENTS**

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## 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 2018:

- (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 2018 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 2018 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* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. 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, as applicable, matters related to going concern 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  
14 September 2018

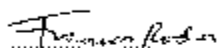


IP Australia

**STATEMENT BY THE ACCOUNTABLE AUTHORITY AND CHIEF FINANCIAL OFFICER**

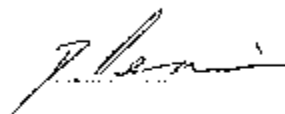
In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act), and are based on properly maintained financial records as per subsection 40(2) of the PGPA Act.

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.



Frances Roden  
Acting Accountable Authority

14 September 2018



Diego Pereira  
Chief Financial Officer

14 September 2018

## IP AUSTRALIA

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**IP AUSTRALIA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2018*

		2018	2017	Original Budget <sup>1</sup>
		\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	126,025	123,851	128,844
Suppliers	1.1B	68,126	64,271	60,922
Depreciation and amortisation	2.2A	17,103	17,005	18,237
Finance costs - Unwinding of discount	2.4B	4	4	-
Write-down and impairment of assets - Intangibles	2.2A	110	30	-
Losses from non-financial assets revaluation	2.2A	-	717	-
Losses from asset sales		3	6	-
<b>Total expenses</b>		<b>211,371</b>	<b>205,884</b>	<b>208,003</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	202,772	209,694	202,573
Resources received free of charge	1.2B	155	170	155
<b>Total own-source revenue</b>		<b>202,927</b>	<b>209,864</b>	<b>202,728</b>
<b>Gains</b>				
Other gains	1.2C	10,010	-	-
<b>Total gains</b>		<b>10,010</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>		<b>212,937</b>	<b>209,864</b>	<b>202,728</b>
<b>Net contribution by services</b>		<b>1,566</b>	<b>3,980</b>	<b>(5,275)</b>
Revenue from Government		375	1,792	375
<b>Surplus attributable to the Australian Government</b>		<b>1,941</b>	<b>5,772</b>	<b>(4,900)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation reserve		(6,810)	(342)	-
<b>Total other comprehensive (loss)</b>		<b>(6,810)</b>	<b>(342)</b>	<b>-</b>
<b>Total comprehensive (loss) attributable to the Australian Government</b>		<b>(4,869)</b>	<b>5,430</b>	<b>(4,900)</b>

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

1. Budget reported in the 2017-18 Portfolio Budget Statements published in May 2017.  
 Explanations of major variances are provided in Note 1.

**IP AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2018*

		<b>2018</b>	2017	Original Budget <sup>1</sup>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.1A	<b>84,568</b>	101,784	1,500
Trade and Other Receivables	2.1B	<b>3,170</b>	3,088	93,443
Other Financial Assets		<b>9,537</b>	-	-
<b>Total financial assets</b>		<b>97,275</b>	104,872	94,943
<b>Non-financial assets</b>				
Prepayments		<b>7,509</b>	4,392	5,032
Leasehold improvements	2.2A	<b>3,825</b>	10,987	11,254
Plant and equipment	2.2A	<b>8,322</b>	8,070	6,133
Intangibles	2.2A	<b>90,417</b>	76,294	82,816
<b>Total non-financial assets</b>		<b>110,073</b>	99,743	105,235
<b>Total assets</b>		<b>207,348</b>	204,615	200,178
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	2.3A	<b>20,247</b>	22,323	20,383
Other payables	2.3B	<b>29,156</b>	21,678	20,309
<b>Total payables</b>		<b>49,403</b>	44,001	40,692
<b>Provisions</b>				
Employee Provisions	2.4A	<b>41,655</b>	39,514	44,398
Provision for restoration obligation	2.4B	<b>304</b>	244	254
<b>Total provisions</b>		<b>41,959</b>	39,758	44,652
<b>Total liabilities</b>		<b>91,362</b>	83,760	85,344
<b>Net assets</b>		<b>115,986</b>	120,855	114,834
<b>EQUITY</b>				
Contributed equity		<b>5,908</b>	5,908	5,908
Reserves		<b>1,947</b>	8,757	9,099
Retained surplus		<b>108,131</b>	106,190	99,827
<b>Total equity</b>		<b>115,986</b>	120,855	114,834

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

1. Budget reported in the 2017-18 Portfolio Budget Statements published in May 2017.  
 Explanations of major variances are provided in Note 1.

**IP AUSTRALIA**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2018*

	Retained earnings			Asset revaluation reserve			Contributed equity			Total equity	
	2018	2017	Original Budget <sup>1</sup>	2018	2017	Original Budget <sup>1</sup>	2018	2017	Original Budget <sup>1</sup>	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance</b>	<b>106,190</b>	<b>100,418</b>	<b>104,727</b>	<b>8,757</b>	<b>9,099</b>	<b>9,099</b>	<b>5,908</b>	<b>5,608</b>	<b>5,908</b>	<b>120,855</b>	<b>115,125</b>
<b>Comprehensive income</b>											
Surplus for the period	1,941	5,772	(4,900)	-	-	-	-	-	-	1,941	5,772
Other comprehensive income - changes in asset revaluation surplus	-	-	-	(6,810)	(342)	-	-	-	-	(6,810)	(342)
<b>Total comprehensive income</b>	<b>1,941</b>	<b>5,772</b>	<b>(4,900)</b>	<b>(6,810)</b>	<b>(342)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,869)</b>	<b>(5)</b>
<b>Contributions by Owners</b>											
Equity injection - Appropriation	-	-	-	-	-	-	-	300	-	-	300
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>300</b>
<b>Closing balance as at 30 June</b>	<b>108,131</b>	<b>106,190</b>	<b>99,827</b>	<b>1,947</b>	<b>8,757</b>	<b>9</b>	<b>5,908</b>	<b>5,908</b>	<b>6</b>	<b>115,986</b>	<b>120,855</b>

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

1. Budget reported in the 2017-18 Portfolio Budget Statements published in May 2017.  
 Explanations of major variances are provided in Note 1.

**IP AUSTRALIA**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2018*

	2018	2017	Original Budget <sup>1</sup>
	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations	375	1,792	375
Sale of goods and rendering of services	203,658	211,632	204,569
Net GST received	7,755	6,695	6,467
Cash from Official Public Account	-	-	7,282
<b>Total cash received</b>	<b>211,788</b>	<b>220,119</b>	<b>218,693</b>
<b>Cash used</b>			
Employees	(124,349)	(124,746)	(126,238)
Suppliers	(73,776)	(70,832)	(68,990)
<b>Total cash used</b>	<b>(198,125)</b>	<b>(195,578)</b>	<b>(195,228)</b>
<b>Net cash from operating activities</b>	<b>13,663</b>	<b>24,541</b>	<b>23,465</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of property, plant and equipment	11	45	35
<b>Total cash received</b>	<b>11</b>	<b>45</b>	<b>35</b>
<b>Cash used</b>			
Purchase of property, plant and equipment	2.2B (5,288)	(4,223)	(4,350)
Purchase of intangibles	2.2B (25,902)	(18,871)	(19,150)
<b>Total cash used</b>	<b>(31,190)</b>	<b>(23,094)</b>	<b>(23,500)</b>
<b>Net cash used by investing activities</b>	<b>(31,179)</b>	<b>(23,049)</b>	<b>(23,465)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	300	-	-
<b>Total cash received</b>	<b>300</b>	<b>-</b>	<b>-</b>
<b>Net cash from financing activities</b>	<b>300</b>	<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash held</b>	<b>(17,216)</b>	<b>1,492</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	101,784	100,292	1,500
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>84,568</b>	<b>101,784</b>	<b>1,500</b>

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

1. Budget reported in the 2017-18 Portfolio Budget Statements published in May 2017.  
 Explanations of major variances are provided in Note 1.

## IP AUSTRALIA

### Overview

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#### 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 - Education and Awareness; and
- Program 1.3 - Advice to Government and International Engagement.

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 2017; 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.

#### 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.

#### 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.

## IP AUSTRALIA

### Overview

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#### 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 2018 (2016-17: 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 2018*

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****Employees**

Variance to budget is primarily due to ending the financial year with slightly lower average staffing level than planned.

**Suppliers**

Supplier expense was higher than planned largely due to an accounting treatment of new leasing arrangements which were unknown at the time of preparing the budget. Additional resources required for new initiatives such as, Future Way of Working Project and Banking Services Project contributed to the overall increase in Supplier expenses.

**Depreciation**

The Variance is due to delays in the implementation of ICT equipment and extension of useful life to some assets as a result of enhancements made.

**STATEMENT OF FINANCIAL POSITION****Cash and cash equivalents and trade and other receivables**

Variance in cash and cash equivalent and trade and other receivables is primarily due to a reclassification of special account receivable. Increase in trade receivables and other receivables relates to recognition of lease incentive receivables as a result of entering into a new lease contract for the Canberra Office space.

**Prepayments**

Increase in prepayments are mainly associated with maintenance contracts and subscription related to IT projects.

**Property, plant and equipment & intangibles**

The variance related to non-financial assets is a combination of impairment write-down of leasehold improvements as a result of refurbishment of Canberra Office space. This is offset by investment initiatives and spending proposals not known at the time the budget was established.

**Other Payables**

Increase in other payables are mainly due to recognition of lease incentive as a result of entering into a new lease contract for Canberra Office space and increase in unearned revenue due to a higher than anticipated demand in Trade mark applications.

**CASHFLOW STATEMENT**

The variance reflects movement of cash from Official Public Account. This was a result of decrease in sales of goods and rendering of services revenue and increase in operational and capital expenditures.

The variance in cash held at the beginning of reporting period 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

	2018	2017
	\$'000	\$'000
<b>Note 1.1A: Employee Benefits</b>		
Wages and salaries	95,620	94,495
Superannuation:		
Defined contribution plans	9,914	9,400
Defined benefit plans	7,479	8,007
Leave and other entitlements	11,373	10,267
Separation and redundancies	1,639	1,682
<b>Total employee benefits</b>	<b>126,025</b>	<b>123,851</b>

## 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	20,517	20,663
Travel	2,106	2,093
Communication & IT Services	18,032	15,937
Administrative Services	12,231	12,064
Subscription to World Intellectual Property Organisation	1,004	993
<b>Total goods and services supplied or rendered</b>	<b>53,890</b>	<b>51,750</b>

Goods supplied	302	296
Services rendered	53,588	51,454
<b>Total goods and services supplied or rendered</b>	<b>53,890</b>	<b>51,750</b>

## Other suppliers

Operating lease rentals	12,996	10,828
Workers compensation expenses	1,240	1,693
<b>Total other suppliers</b>	<b>14,236</b>	<b>12,521</b>
<b>Total suppliers</b>	<b>68,126</b>	<b>64,271</b>

## Leasing commitments

IP Australia's lease payment commitments are primarily for accommodation of office space in Canberra and Melbourne.

## Lease for Canberra office accommodation

IP Australia has a new accommodation lease contract for its present accommodation in Canberra.

The lease commenced on 1 July 2017 for a period of 15 years and an option to extend for a further 5 years. As part of the lease agreement, IP Australia receives a contribution from the landlord towards refurbishment of the premises. These incentives are being recognised progressively over the lease as a reduction in rent expense.

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

Within 1 year	11,303	13,370
Between 1 to 5 years	47,976	54,593
More than 5 years	150,564	3,186
<b>Total operating lease commitments</b>	<b>209,843</b>	<b>71,149</b>

## 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 and gains**

	2018	2017
	\$'000	\$'000

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

Patent fees	120,841	123,880
Trade Mark fees	75,694	79,301
Design fees	3,778	3,804
Plant Breeders Rights fees	1,343	1,343
Other goods and services	1,115	1,366
<b>Total sale of goods and rendering of services</b>	<b>202,771</b>	<b>209,694</b>

**Sale of goods and rendering of services are made up of**

Provision of goods	390	421
Rendering of services	202,381	209,273
<b>Total sale of goods and rendering services</b>	<b>202,771</b>	<b>209,694</b>

**Accounting Policy**

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- IP Australia retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- 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:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- 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	150
Property, plant & equipment	5	20
	<b>155</b>	<b>170</b>

**IP AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**Note 1.2: Own-Source Revenue and gains**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gains</b>		
<b>Note 1.2C: Other gains</b>		
Reversal of operating lease rentals	<b>8,500</b>	-
Reversal of lease incentive	<b>1,510</b>	-
<b>Total gains</b>	<b>10,010</b>	-

The previous lease agreement for Canberra office space would have expired in August 2022. IP Australia has negotiated a new 15 year lease contract for its present accommodation in Canberra. The new lease commenced on 1 July 2017 for a period of 15 years and an option to extend for a further 5 years. As part of the new lease agreement, IP Australia receives a lease incentive from the landlord towards refurbishment of the premises. As a result IP Australia's previous agreement ceased to exist from 1 July 2017 and consequently any remaining 'operating lease payable' and 'lease incentive' balances exist as at 1 July 2017 were assessed and written off as 'other gains'.

## IP AUSTRALIA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## Financial Position

## Note 2.1: Financial Assets

	2018	2017
	\$'000	\$'000
<b>Note 2.1A: Cash and Cash Equivalents</b>		
Cash in special accounts (held as cash in OPA)	83,425	100,675
Cash on hand or on deposit	1,143	1,109
<b>Total cash and cash equivalents</b>	<b>84,568</b>	<b>101,784</b>
<b>Note 2.1B: Trade and Other Receivables</b>		
Trade receivable	736	1,027
Capital Appropriation Receivable	-	300
GST receivable from the Australian Taxation Office	2,232	1,761
Other Receivables	202	-
<b>Total trade and other receivables</b>	<b>3,170</b>	<b>3,088</b>
<b>Total trade and other receivables (net)</b>	<b>3,170</b>	<b>3,088</b>

**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 (2016-17: 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 2018**

	Leasehold Improvements	Plant & equipment	Computer software internally developed	Computer software purchased	Total Intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2017</b>						
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)
<b>Net book value 1 July 2017</b>	<b>10,987</b>	<b>8,070</b>	<b>71,760</b>	<b>4,534</b>	<b>76,294</b>	<b>95,351</b>
Additions - by purchase or Internally developed	1,860	3,433	25,488	414	25,902	31,195
Revaluations and impairments recognised in other comprehensive income	(6,755)	-	-	-	-	(6,755)
Revaluations recognised in net cost of services	-	-	-	-	-	-
Depreciation/Amortisation expense	(2,267)	(3,167)	(10,167)	(1,502)	(11,669)	(17,103)
Other movements:						
Transfers to between asset classes	-	-	(683)	683	-	-
Disposals and write down of intangibles	-	(14)	(4)	(106)	(110)	(124)
Other	-	-	-	-	-	-
<b>Total as at 30 June 2018</b>	<b>3,825</b>	<b>8,322</b>	<b>86,394</b>	<b>4,023</b>	<b>90,417</b>	<b>102,564</b>
<b>Total as at 30 June 2018 represented by:</b>						
Gross book value	6,092	12,511	160,544	15,511	176,055	194,658
Accumulated depreciation and impairment	(2,267)	(4,189)	(74,150)	(11,488)	(85,638)	(92,094)
<b>Total as at 30 June 2018 represented by:</b>	<b>3,825</b>	<b>8,322</b>	<b>86,394</b>	<b>4,023</b>	<b>90,417</b>	<b>102,564</b>

Indicators of impairment were identified for leasehold improvement.

No indicators of impairment were identified for 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 performs formal revaluation every four years. The last formal revaluation was 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 purposed-built and some specialised plant and equipment may in fact realise more or less in the market.

**Capital commitments**

As at the 30 June 2018 IP Australia had capital commitments with respect to leasehold improvements for Canberra office accommodation.

<b>Commitments payable on non-financial assets purchases:</b>	<b>2018</b>
	<b>\$'000</b>
Within 1 year	26,874
Between 1 to 5 years	20,972
<b>Total capital commitments<sup>1</sup></b>	<b>47,846</b>
<b>Commitments receivable on non-financial assets purchases:</b>	<b>2018</b>
	<b>\$'000</b>
Within 1 year	41
Between 1 to 5 years	9,959
<b>Total capital commitments<sup>1</sup></b>	<b>10,000</b>
<b>Net commitments by maturity</b>	<b>2018</b>
	<b>\$'000</b>
Within 1 year	26,833
Between 1 to 5 years	11,013
<b>Total capital commitments<sup>1</sup></b>	<b>37,846</b>

1. Total capital commitment excludes GST.

## 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 (2016-17: \$20,000) and computer equipment costing less than \$1,000 (2016-17: \$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 (2016-17: \$5,000).

##### 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 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:

	2018	2017
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 2018. 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 (2016-17: 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 (2016-17: \$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 (2016-17: \$200,000).

## IP AUSTRALIA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**Note 2.3: Payables**

	2018	2017
	\$'000	\$'000
<b>Note 2.3A: Suppliers</b>		
Trade creditors and accruals	17,556	13,784
Operating lease rentals	2,691	8,539
<b>Total suppliers</b>	<b>20,247</b>	<b>22,323</b>

Settlement is usually made within 30 days.

**Note 2.3B: Other Payables**

Unearned revenues		
Patents fees	7,611	7,974
Trade Marks fees	9,098	8,369
Designs fees	194	131
Plant Breeders Rights fees	1,466	1,250
<b>Total unearned revenues</b>	<b>18,369</b>	<b>17,724</b>
Other unearned income	330	494
Lease incentives	9,287	1,926
Salary and wages	1,035	1,367
Superannuation	135	130
Other	-	37
<b>Total other payables</b>	<b>29,156</b>	<b>21,678</b>

**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**

	2018	2017
	\$'000	\$'000
<b>Note 2.4A: Employee Provisions</b>		
Leave	36,927	35,871
Superannuation on-cost	3,682	3,577
Separations and redundancies	1,046	66
<b>Total employee provisions</b>	<b>41,655</b>	<b>39,514</b>

**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**

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**Note 2.4B: Provision for Restoration Obligation**

	<b>Provision for restoration obligations \$'000</b>
<b>As at 1 July 2017</b>	<b>244</b>
Amount reversed	-
Unwinding of discount	4
Additional provision	<b>56</b>
<b>Total as at 30 June 2018</b>	<b>304</b>

IP Australia currently has one agreement for the leasing of premises which requires 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

<b>Note 2.5: Financial Instruments</b>			
		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Note 2.5A: Categories of Financial Instruments</u></b>			
<b>Financial Assets</b>			
<b>Loans and receivables</b>			
Cash and cash equivalents	2.1A	<b>84,568</b>	101,784
Trade and other receivables	2.1B	<b>937</b>	1,027
<b>Total financial assets</b>		<b><u>85,506</u></b>	<u>102,811</u>
<b>Financial Liabilities</b>			
<b>Financial liabilities measured at amortised cost</b>			
Trade creditors	2.3A	<b>17,556</b>	13,784
<b>Total financial liabilities</b>		<b><u>17,556</u></b>	<u>13,784</u>

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 2018		Appropriation Act		
	Annual Appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance \$'000
<b>DEPARTMENTAL</b>				
Ordinary annual services	375	375	375	-
Other Services	-	-	-	-
Equity	-	-	-	-
<b>Total departmental</b>	<b>375</b>	<b>375</b>	<b>375</b>	<b>-</b>
<b>Annual Appropriations for 2017</b>				
		Appropriation Act		
	Annual Appropriation \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance <sup>1</sup> \$'000
<b>DEPARTMENTAL</b>				
Ordinary annual services	1,792	1,792	1,792	-
Other Services	300	300	-	300
Equity	-	-	-	-
<b>Total departmental</b>	<b>2,092</b>	<b>2,092</b>	<b>1,792</b>	<b>300</b>

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 remained 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 <sup>1</sup>		Services for Other Entities and Trust Moneys World Intellectual Property Organisation <sup>2</sup>		Services for Other Entities and Trust Moneys - Security of Costs <sup>2</sup>		Service for Other Entities and Trust Moneys - Comcare <sup>2</sup>	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance brought forward from previous period</b>	<b>101,784</b>	<b>100,292</b>	<b>334</b>	<b>425</b>	<b>19</b>	<b>48</b>	<b>-</b>	<b>-</b>
<b>Increases:</b>								
Appropriation credited to special account	675	1,792	-	-	-	-	-	-
Costs recovered	203,579	211,542	-	-	-	-	-	-
Receipts on behalf of WIPO	-	-	4,472	5,663	-	-	-	-
Other receipts	11	45	-	-	21	26	249	300
<b>Total increases</b>	<b>204,265</b>	<b>213,379</b>	<b>4,472</b>	<b>5,663</b>	<b>21</b>	<b>26</b>	<b>249</b>	<b>300</b>
<b>Available for payments</b>	<b>306,049</b>	<b>313,671</b>	<b>4,806</b>	<b>6,088</b>	<b>40</b>	<b>74</b>	<b>249</b>	<b>300</b>
<b>Decreases:</b>								
<b>Departmental</b>								
Payments made to suppliers	(97,132)	(87,141)	-	-	-	-	-	-
Payments made to employees	(124,349)	(124,746)	-	-	-	-	-	-
Money held for non-Commonwealth Party	-	-	(4,491)	(5,754)	(16)	(55)	(249)	(300)
<b>Total departmental decreases</b>	<b>(221,481)</b>	<b>(211,887)</b>	<b>(4,491)</b>	<b>(5,754)</b>	<b>(16)</b>	<b>(55)</b>	<b>(249)</b>	<b>(300)</b>
<b>Total balance carried to the next period</b>	<b>84,568</b>	<b>101,784</b>	<b>315</b>	<b>334</b>	<b>24</b>	<b>19</b>	<b>-</b>	<b>-</b>
<b>Balance represented by:</b>								
Cash held in entity bank accounts	1,143	1,109	315	334	24	19	-	-
Cash held in the Official Public Account	83,425	100,675	-	-	-	-	-	-
	<b>84,568</b>	<b>101,784</b>	<b>315</b>	<b>334</b>	<b>24</b>	<b>19</b>	<b>-</b>	<b>-</b>

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**

	2018	2017
	\$'000	\$'000
<b>Amounts applied</b>		
Departmental		
Annual appropriations	675	1,792
Own source revenue	203,579	211,542
<b>Total amounts applied</b>	<b>204,254</b>	<b>213,334</b>
<b>Expenses</b>		
Departmental	211,371	205,884
<b>Total Expenses</b>	<b>211,371</b>	<b>205,884</b>
<b>External Revenue</b>		
Departmental	202,771	209,694
<b>Total External Revenues</b>	<b>202,771</b>	<b>209,694</b>

**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:

	2018	2017
	\$	\$
Short-term employee benefits	777,313	847,130
Post-employment benefits	151,440	167,108
Other long-term employee benefits	123,221	88,798
Termination benefits	241,386	-
<b>Total key management personnel remuneration expenses</b>	<b>1,293,360</b>	<b>1,103,036</b>

**Notes:**

The total number of senior management personnel that are included 4 individuals. (2017: There were 3 key management personnel).

The remuneration totals for key management personnel include those staff who ceased in those roles as well as their replacements.

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**

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**Other Items**

**Note 4.2: Related Party Disclosures**

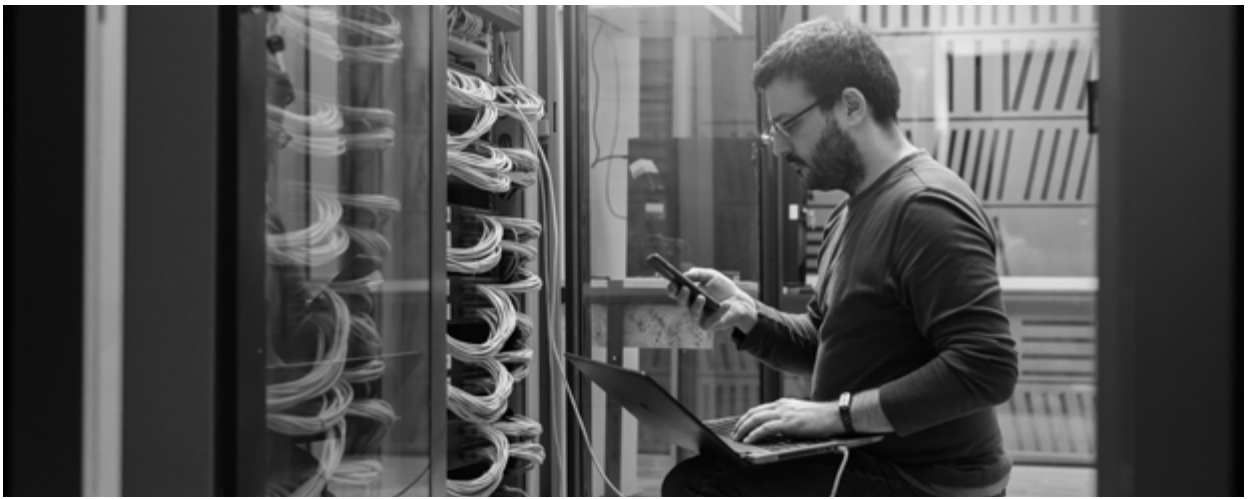
**Related party relationships:**

IP Australia is an Australian Government controlled entity. Related parties to IP Australia 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 IP Australia, it has been determined that there are no related party transactions to be separately disclosed (2016-17: nil).



## CHAPTER FIFTEEN:

# IP AUSTRALIA APPENDICES

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## Appendix C1: Appeals of decisions

### Commissioner of Patents

In 2017–18, there were 14 appeals to the Federal Court from decisions of the Commissioner of Patents. Of those matters, four have been finalised and 10 remain open. The Commissioner is the respondent in one of those matters (*Rokt Pte Ltd v Commissioner*, NSD 1292/2017).

The following decision of the Federal Court during 2017–18 provided clarification of the law and procedure in relation to patents.

*Commissioner of Patents v AbbVie Biotechnology Ltd* [2017] FCAFC 129: 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 Full Court of the Federal Court set aside the decision of the AAT and affirmed the original decision of IP Australia.

### Registrar of Trade Marks

In 2017–18, there were 28 appeals from decisions of the Registrar of Trade Marks involving 37 trade marks. Of these, 26 appeals were to the Federal Court of which three were reviewed under the *Administrative Decisions (Judicial Review) Act 1977*. There were also two matters filed with the Administrative Appeals Tribunal. Of the 28 appeals, 21 were finalised during the year, including the decision of the Full Court of the Federal Court in *Primary Health Care v Commonwealth of Australia* [2017] FCAFC 174 summarised below. Of those finalised, three of the appeals were initiated prior to July 2016 and 14 were finalised by way of consent orders.



*Primary Health Care Limited v Commonwealth of Australia* [2017] FCAFC 174

Primary Health Care Limited (PHC) manages 71 medical centres around Australia. It leases premises, recruits health practitioners and other staff, and provides equipment and services such as reception and invoicing services. PHC applied for registration in Australia of two trade marks, the word mark PRIMARY HEALTH CARE, and the logo:



The trade marks were sought to be registered for services in Class 35, including medical centre business administration and ‘back office’ services for medical practitioners, such as billing services, reception services and management of patient files. The Crown in the right of the Commonwealth and of the various states and territories opposed registration, based on s 41 (trade mark not distinguishing applicant’s services), s 42 (use of trade mark contrary to law), and s 43 (trade mark likely to deceive or cause confusion) of the *Trade Marks Act 1995* (Cth). The Registrar of Trade Marks refused registration of the trade marks, finding the trade marks contained an inherent connotation, which is likely to deceive or cause confusion contrary to s 43 of the Act. This decision was upheld at first instance. In *Primary Health Care Limited v Commonwealth of Australia* [2016] FCA 313, Jagot J decided that the respondents established their grounds of opposition under ss 41, 42 and 43 of the Act, with the consequence that the appeal should be dismissed and the trade mark applications refused. Her Honour expressly approved of the approach taken by the Registrar regarding s 43.

In *Primary Health Care Limited v Commonwealth of Australia* [2017] FCAFC 174, the Full Federal Court also dismissed PHC’s appeal and refused registration. The Full Court found the trade marks were incapable of distinguishing the services, in part because the target audience for those services included patients and the public health sector generally—not merely medical practitioners who dealt directly with the applicant. PHC submitted that the primary judge erred in finding that the ordinary signification of ‘primary health care’, with respect to the services, was ‘first level / first contact health care’ (to some extent) found to form part of the medical/clinical care a patient receives. The phrase ‘primary health care’ was, therefore, merely descriptive of the services and not inherently adapted to distinguish them. The Full Court agreed with the primary judge that the use of the trade marks would be misleading or deceptive under the Australian Consumer Law and thus contrary to law under s 42 of the Act. The majority of the Full Court (Greenwood and Katzmann JJ) agreed that the use of the trade marks would be likely to deceive or cause confusion contrary to s 43. Justice Katzmann stated that Jagot J had been substantially correct in adopting the Registrar’s approach.

This decision highlights the importance of identifying the target audience for relevant goods and services. Rangiah J, at [302] cited *Cantarella Bros Pty Limited v Modena Trading Pty Limited* (2014) 254 CLR 337, to emphasise that the target audience for trade marks is not limited to ‘persons who will purchase, consume or trade in the goods’. Rather, the ordinary signification of the trade mark to ‘any person in Australia concerned with the goods’ is to be considered.

## Appendix C2: Entity resource statement

Table 52: Entity resource statement, 2017–18

		Actual available appropriation for 2017–18 \$'000	Payments made 2017–18 \$'000	Balance remaining 2017–18 \$'000
<i>1/ Ordinary annual services</i>				
Departmental appropriation				
Departmental appropriation <sup>(1)</sup>		375	375	-
Total		375	375	-
<b>Total ordinary annual services</b>	<b>A</b>	<b>375</b>	<b>375</b>	<b>-</b>
<i>2/ Other services</i>				
Departmental non-operating				
Prior year equity injection <sup>(2)</sup>		300	300	-
Total				
<b>Total other services</b>	<b>B</b>	<b>300</b>	<b>300</b>	<b>-</b>
<b>Total available annual appropriations</b>		<b>675</b>	<b>675</b>	<b>-</b>
<i>3/ Special appropriations</i>				
Total special appropriations	<b>C</b>	-	-	-
Total appropriations excluding Special Accounts		-	-	-
<i>Special Accounts</i>				
Opening balance		101,784		
Appropriation receipts <sup>(3)</sup>		675		
Non-appropriation receipts to Special Accounts		203,590		
Payments made		221,481		
<b>Total Special Account</b>	<b>D</b>	<b>84,568</b>		
<i>Total resourcing</i>				
A+B+C+D		85,243		
Less appropriations drawn from annual or special appropriations above and credited to special accounts		675		
<b>Total net resourcing for IP Australia</b>		<b>84,568</b>		

1 Appropriation Act (No. 1) 2017–18.

2 Appropriation receipts from IP Australia annual appropriations for 2017–18 included above.

## Appendix C3: Expenses and resources for Outcome 1

Table 53: Expenses and resources for 2017–18

<b>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</b>	<b>Budget 2017–18 \$'000</b>	<b>Actual 2017–18 \$'000</b>	<b>Variation 2017–18 \$'000</b>
<i>Program 1: IP Rights Administration and Professional Registration</i>			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special accounts	193,497	195,403	1906
Expenses not requiring appropriation in the budget year	155	155	-
<b>Total for Program 1</b>	<b>193,652</b>	<b>195,558</b>	<b>1906</b>
<i>Program 2: Awareness, Education and International Engagement</i>			
Departmental expenses			
Departmental appropriation			
Special appropriations			
Special accounts	7543	8906	1363
Expenses not requiring appropriation in the budget year			
<b>Total for Program 2</b>	<b>7543</b>	<b>8906</b>	<b>1363</b>
<i>Program 3: Advice to Government</i>			
Departmental expenses			
Departmental appropriation	375	375	-
Special appropriations			
Special accounts	6433	6532	99
Expenses not requiring appropriation in the budget year			
<b>Total for Program 3</b>	<b>6808</b>	<b>6907</b>	<b>99</b>
<i>Outcome 1 totals by appropriation type</i>			
Departmental expenses			
Departmental appropriation	375	375	-
Special appropriations			
Special accounts	207,473	210,841	3368
Expenses not requiring appropriation in the budget year	155	155	-
<b>Total expenses for Outcome 1</b>	<b>208,003</b>	<b>211,371</b>	<b>3368</b>
Average staffing level (number)	1054	1026	-28

## Appendix C4: Workforce statistics

*Table 54: Ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, IP Australia*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 2	1	1	0	0	1	1
APS 3	0	0	3	1	3	1
APS 4	83	62	50	30	133	92
APS 5	43	63	21	52	64	115
APS 6	233	222	345	325	578	547
EL 1	93	100	143	148	236	248
EL 2	21	23	47	54	68	77
SES Band 1	3	2	5	5	8	7
SES Band 2	2	2	0	0	2	2
SES Band 3	1	1	0	0	1	1
<b>Total</b>	<b>480</b>	<b>476</b>	<b>614</b>	<b>615</b>	<b>1094</b>	<b>1091</b>

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

*Table 55: Non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, IP Australia*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 3	0	0	0	0	0	0
APS 4	5	11	5	6	10	17
APS 5	2	3	1	0	3	3
APS 6	2	4	1	2	3	6
EL 1	0	3	4	3	4	6
EL 2	0	1	1	2	1	3
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
<b>Total</b>	<b>9</b>	<b>22</b>	<b>12</b>	<b>13</b>	<b>21</b>	<b>35</b>

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

*Table 56: Ongoing and non-ongoing employees by classification and gender, 30 June 2017 and 30 June 2018, IP Australia*

Classification	Female		Male		Total	
	2017	2018	2017	2018	2017	2018
APS 2	1	1	0	0	1	1
APS 3	0	0	3	1	3	1
APS 4	88	73	55	36	143	109
APS 5	45	66	22	52	67	118
APS 6	235	226	346	327	581	553
EL 1	93	103	147	151	240	254
EL 2	21	24	48	56	69	180
SES Band 1	3	2	5	5	8	7
SES Band 2	2	2	0	0	2	2
SES Band 3	1	1	0	0	1	1
<b>Total</b>	<b>489</b>	<b>498</b>	<b>626</b>	<b>628</b>	<b>1115</b>	<b>1126</b>

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service

*Table 57: Ongoing and non-ongoing employees by full-time or part-time status, 30 June 2017 and 30 June 2018, IP Australia*

Attendance type	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
Full-time	958	949	17	29	975	978
Part-time	136	142	4	6	140	148
<b>Total</b>	<b>1094</b>	<b>1091</b>	<b>21</b>	<b>35</b>	<b>1115</b>	<b>1126</b>

*Table 58: Ongoing and non-ongoing employees by location, 30 June 2017 and 30 June 2018, IP Australia*

Location	Ongoing		Non-ongoing		Total	
	2017	2018	2017	2018	2017	2018
ACT	979	967	21	33	1000	1000
NSW	33	36	0	1	33	37
Vic.	62	64	0	1	62	65
Qld	12	13	0	0	12	13
SA	5	8	0	0	5	8
WA	2	2	0	0	2	2
Tas	1	1	0	0	1	1
NT	0	0	0	0	0	0
<b>Total</b>	<b>1094</b>	<b>1091</b>	<b>21</b>	<b>35</b>	<b>1115</b>	<b>1126</b>

*Table 59: Indigenous employees, 30 June 2017 and 30 June 2018, IP Australia*

Employment status	30 June 2017	30 June 2018
Ongoing	4	7
Non-ongoing	0	0
<b>Total</b>	<b>4</b>	<b>7</b>

*Table 60: Employment arrangements for ongoing and non-ongoing employees, by classification, 30 June 2018, IP Australia*

Classification	Employment arrangement		Salary range <sup>1</sup>	
	Enterprise agreement	Individual flexibility arrangement	Minimum (\$)	Maximum (\$)
APS 1	0	0	45,754	50,758
APS 2	1	0	52,622	57,617
APS 3	1	0	59,157	64,198
APS 4	109	2	65,824	71,346
APS 5	118	3	73,295	78,545
APS 6	553	120	80,045	90,928
EL 1	254	60	100,470	113,079
EL 2	80	22	123,077	143,477
<b>Total</b>	<b>1116</b>	<b>207</b>		

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 25 in Appendix A3) to ensure non identification of individual recipients.

*Table 61: Performance payments from 1 July 2017 to 30 June 2018, non-SES, IP Australia*

Classification	No. of recipients	Aggregate (\$)	Average (\$)	Bonus payment	
				Minimum (\$)	Maximum (\$)
APS 1-6	55	28,9510.30	526.38	40.00	12,488.76
EL 1	10	63,521.13	6352.11	120.00	9893.29
EL 2	56	470,785.76	8406.88	1000.00	20,000.00
<b>Total</b>	<b>121</b>	<b>823,817.19</b>	<b>6808.40</b>		

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 26 in Appendix A3) to ensure non-identification of individual recipients.

## PART D: REFERENCES



# Abbreviations and acronyms

AAO	Australian Astronomical Observatory
AAT	Administrative Appeals Tribunal
ADGSM	Australian Domestic Gas Security Mechanism
AIP plan	Australian industry participation plan
AISRF	Australia–India Strategic Research Fund
AMGC	Advanced Manufacturing Growth Centre
ANAO	Australian National Audit Office
ANU	Australian National University
APS	Australian Public Service
ASEAN	Association of Southeast Asian Nations
ATS	Automotive Transformation Scheme
ATSE	Australian Academy of Technology and Engineering
AustCyber	Cyber Security Growth Centre
BERD	business R&D expenditure
BNHCRC	Bushfire and Natural Hazards Cooperative Research Centre
BRS	Business Registration Service
COAG	Council of Australian Governments
CRC	Cooperative Research Centre
DEA	Digital Earth Australia
DFAT	Department of Foreign Affairs and Trade
ELVIS	Elevation Information System
EP	Entrepreneur's Programme
FIAL	Food and Agribusiness Growth Centre
FSDF-LINK	Foundation Spatial Data Framework website
GDP	gross domestic product
GIS	geographic information systems
GST	goods and services tax

ICN Limited	Industry Capability Network Limited
ICT	information and communications technology
IP	intellectual property
Jobs Act	<i>Australian Jobs Act 2013</i>
KPIs	key performance indicators
LIMS	laboratory information management system
LNG	liquefied natural gas
MOU	memorandum of understanding
NABERS	National Australian Built Environment Rating System
NAIF	Northern Australia Infrastructure Facility
NERA	Oil, Gas and Energy Growth Centre
NISA	National Innovation and Science Agenda
NMI	National Measurement Institute
NOPSEMA	National Offshore Petroleum Safety and Environmental Management Authority
NOPTA	National Offshore Petroleum Titles Administrator
OECD	Organisation for Economic Co-operation and Development
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PHC	Primary Health Care Limited
R&D	research and development
RPET	Regional Patent Examination Program
RVO	Rabaul Volcanological Observatory
SAGE	Science in Australia Gender Equality
SBAS	Satellite-Based Augmentation System
SES	Senior Executive Service
SQC	Silicon Quantum Computing Pty Ltd
STEM	science, technology, engineering and mathematics
WHS	work health and safety
WIPO	World Intellectual Property Organization
WISE	Women in STEM and Entrepreneurship

# List of requirements

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<b>Letter of transmittal</b>			
Letter of transmittal signed and dated by accountable authority on date final text approved	2	130	210
<b>Aids to access</b>			
Table of contents	v–vii	v–vii	v–vii
Alphabetical index	287–296	287–296	287–296
Glossary of abbreviations and acronyms	280–281	280–281	280–281
List of requirements	282–286	282–286	282–286
Details of contact officer	iii	iii	iii
Entity’s website address	iii	iii	iii
Electronic address of report	iii	iii	iii
<b>Review by accountable authority</b>			
A review by the accountable authority of the entity	3–7	131–133	211–213
<b>Overview of the entity</b>			
A description of the role and functions of the entity	8	134	213
A description of the organisational structure of the entity	8–9	134–135	214
A description of the outcomes and programs administered by the entity	10	135	214
A description of the purposes of the entity as included in corporate plan	12	138	216
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	10	none to report	none to report

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<b>Report on the performance of the entity</b>			
<b><i>Annual Performance Statements</i></b>			
Annual Performance Statements	11–46	137–159	215–238
<b><i>Report on financial performance</i></b>			
A discussion and analysis of the entity's financial performance	47	159	238
A table summarising the total resources and total payments of the entity	113–116	203–204	273–274
Information on significant changes in the financial results during or after the previous or current reporting period	47	159	238
<b>Management and accountability</b>			
<b><i>Corporate governance</i></b>			
Information on compliance with section 10 (fraud systems)	2	130	240
A certification by the accountable authority that fraud risk assessments and fraud control plans have been prepared	2	130	210
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	130	210
A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	2	130	210
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	49	161	239–240
A statement of significant issues reported to minister that relate to noncompliance with the finance law and action taken to remedy noncompliance	50	162	240
<b><i>External scrutiny</i></b>			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	50	162	240
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	240–241

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
Information on any reports on operations of the entity by the Auditor General, a parliamentary committee or the Commonwealth Ombudsman	50	162	240–241
Information on any capability reviews on the entity that were released during the period	none to report	none to report	none to report
<b>Management of human resources</b>			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	51–53	163	241–242
Statistics on the entity's APS employees on an ongoing and nonongoing basis, including in relation to classification level, full-time employees, part-time employees, gender, location, and employees who identify as Indigenous	117–121	205–207	275–277
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>	121	121, 207	121, 278
Information on the number of SES and nonSES 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>	121	121, 207	121, 278
The salary ranges available for APS employees by classification level	121	207	278
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Information on the number of employees at each classification level who received performance pay	122	163	278
Information on aggregate amounts of performance pay at each classification level	122	not published	122, 278
Information on the average amount of performance payment, and range of such payments, at each classification level	122	not published	122, 278
Information on aggregate amount of performance payments	122	not published	122, 278
<b>Assets management</b>			
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
<b>Purchasing</b>			
An assessment of entity performance against the Commonwealth Procurement Rules	54	164	243

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
<b>Consultants</b>			
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)	54	164	243
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>	54	164	243
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	54	164	243
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>	54	164	243
<b>Australian National Audit Office access clauses</b>			
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 AuditorGeneral 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	55	164	243
<b>Exempt contracts</b>			
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	55	164	243
<b>Small business</b>			
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>	54	164	243
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	54	164	243

Requirement	Location		
	Department of Industry, Innovation and Science	Geoscience Australia	IP Australia
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>	54	164	not applicable
<b>Financial statements</b>			
Annual financial statements	58–111	168–201	246–270
<b>Other mandatory information</b>			
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>	none to report	none to report	243
If the entity did not conduct advertising campaigns, a statement to that effect	55	165	242
A statement that <i>'Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website].'</i>	55	165	243
Outline of mechanisms of disability reporting, including reference to website for further information	53	164	242
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	50	162	241
Correction of material errors in previous annual report	128	none to report	none to report
Information required by the <i>Environment Protection and Biodiversity Conservation Act 1999</i>	56	165	244
Information required by the <i>Work Health and Safety Act 2011</i>	53	163–164, 165	242, 244
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